

Twenty Questions About the U.S. Treasury Market



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Discussion goal

Explore the potential impacts of Treasury market structure changes and financial market technology innovations on the Federal Reserve's use of Treasury market transactions to express its policy stance.

Panelists

- Stefania D'Amico, Federal Reserve Bank of New York
- Ellen Correia Golay, Federal Reserve Bank of New York
- Amanda Deckelman, Bank of America
- Chris Zuehlke, DRW Holdings

Agenda

- Treasury market overview
- The Fed's Treasury market operations
- Market structure items on the horizon
- Beyond the horizon – tokenization
- Crystal ball questions

Treasury market overview

What policymakers say about the Treasury market

“..the Treasury market remains the deepest and most liquid market in the world.... Investors around the globe trust the Treasury market because of its utility as a safe, liquid, and reliable store of value.”

– Scott Bessent, Secretary of the U.S. Treasury, [Remarks at Treasury Market Conference, November 11, 2025](#)

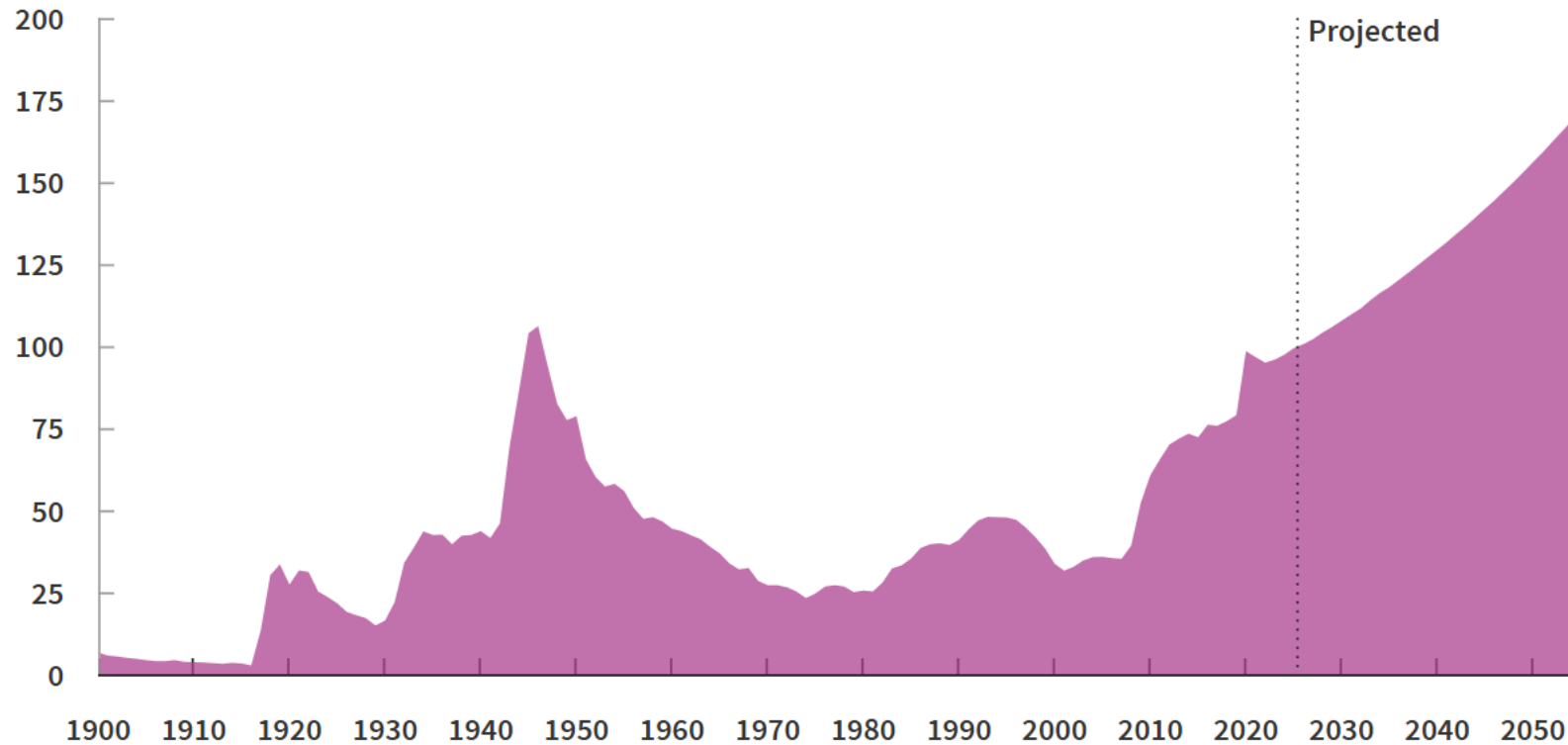
“...the deepest, most liquid market in the world and the bedrock of the global financial system...”

– Jerome Powell, Chair of the Federal Reserve, [Remarks at NABE meeting, October 14, 2025](#)

The Treasury market is large and growing

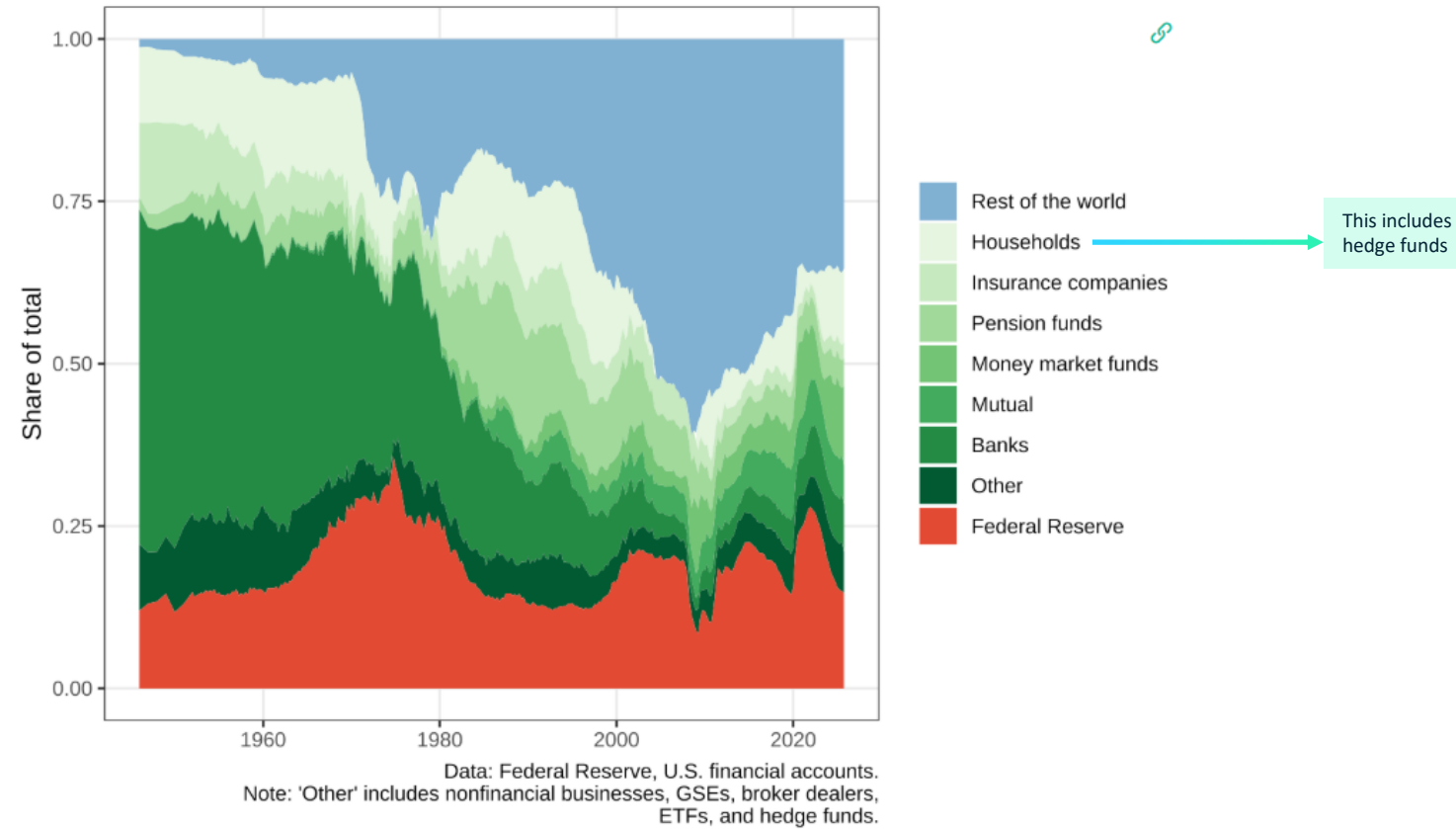
Federal Debt Held by the Public, 1900 to 2056

Percentage of GDP



Source: [The Budget and Economic Outlook: 2026 to 2036 | Congressional Budget Office](#)

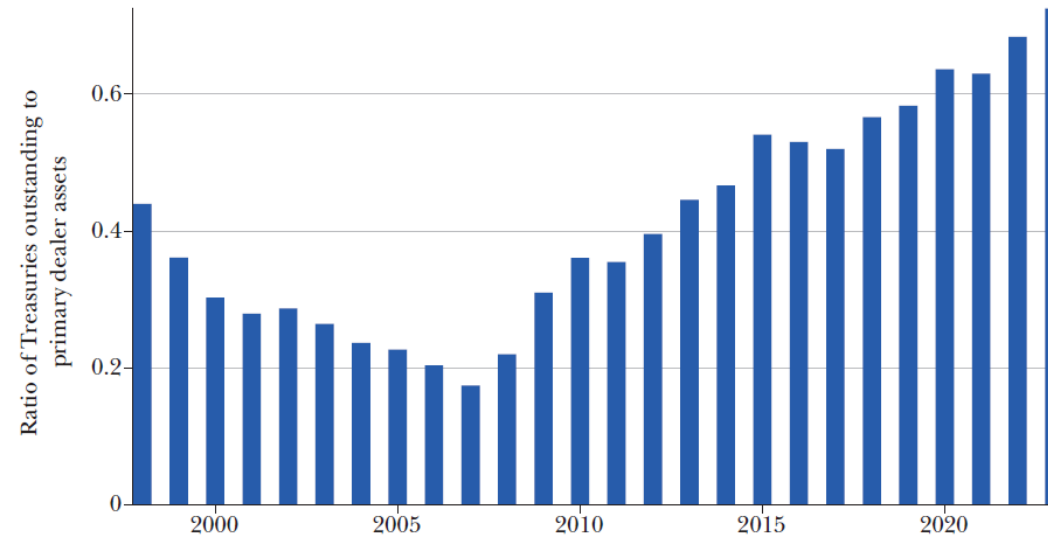
Composition of Treasury holders varies over time



Source: [Who holds U.S. Treasuries? – Benjamin Braun](#)

Treasury intermediation depends on dealer balance sheet capacity

The Ratio of US Treasury Securities Outstanding to Primary Dealer Assets, 1998–2023



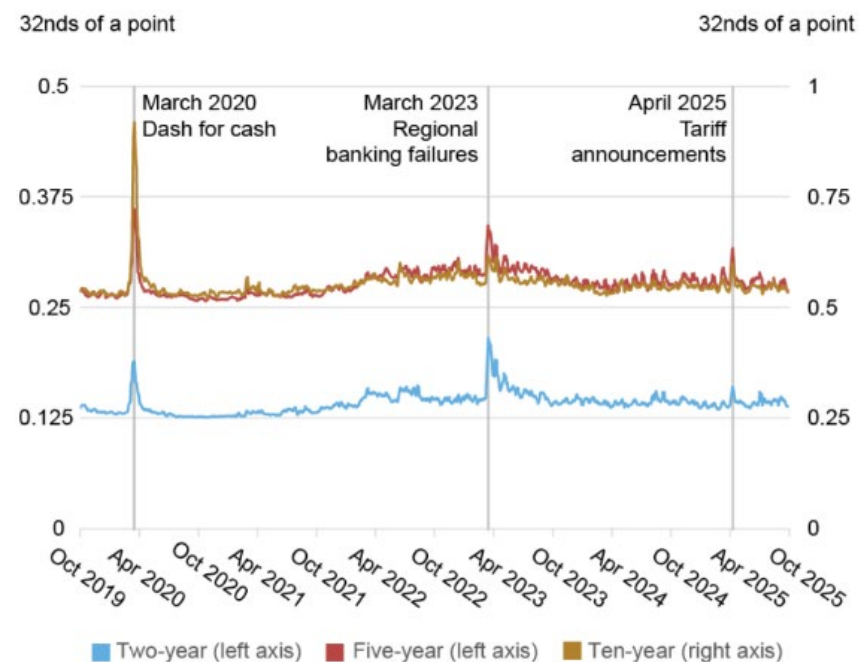
Source: The data are from the Federal Reserve and public company filings. This figure updates Duffie (2023, Figure 2).

Note: The height of the bar for each year is the ratio of US Treasury securities outstanding to primary dealer assets. The sample period is 1998–2023. Assets are measured at the holding company level.

Source: [Duffie, Darrell. 2025. "How US Treasuries Can Remain the World's Safe Haven." *Journal of Economic Perspectives* 39 \(2\): 195–214.](#)

Secondary market liquidity not impervious to stress episodes

Bid-ask spreads



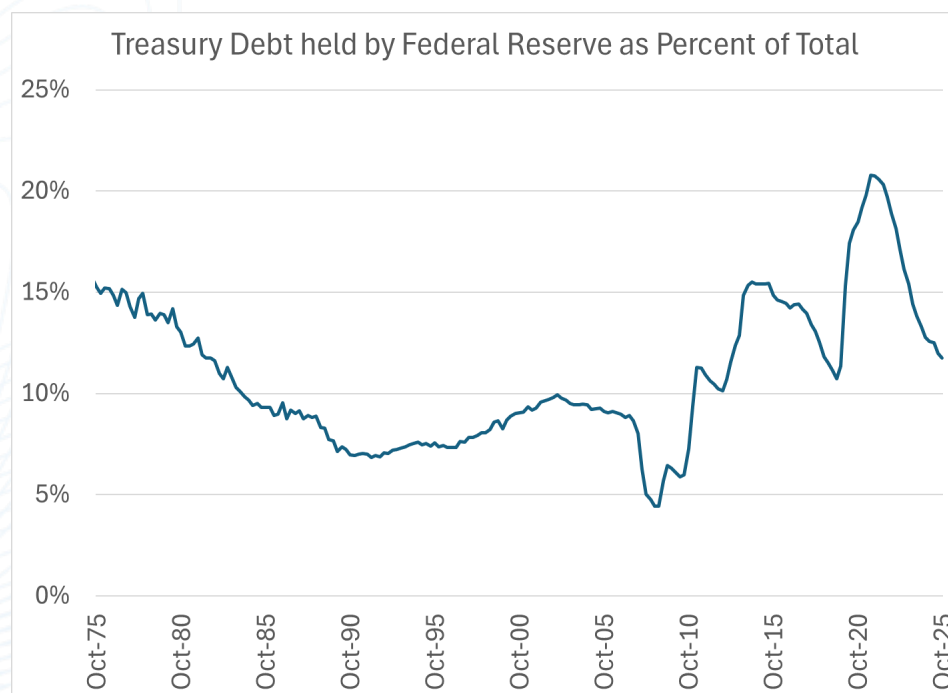
Source: Author's calculations, based on data from BrokerTec.

Notes: The chart plots five-day moving averages of average daily bid-ask spreads for the on-the-run two-, five-, and ten-year notes in the interdealer market from October 1, 2019, to September 30, 2025. Spreads are measured in 32nds of a point, where a point equals one percent of par. Vertical lines flag the peaks in the five-day moving average for the ten-year note, which are centered around March 16, 2020, March 15, 2023, and April 9, 2025.

Source: [Fleming, Michael. How Has Treasury Market Liquidity Fared in 2025? - Liberty Street Economics](#)

Treasury holdings are a major part of the Federal Reserve's balance sheet

The Federal Reserve holds about **12%** of Treasuries outstanding



Source: [U.S. Department of the Treasury. Fiscal Service](#)

Treasuries account for **65%** of the Federal Reserve's balance sheet

Assets		
	\$ billions	% of total
U.S. Treasuries	\$ 4,344	65%
Agency MBS	\$ 2,010	30%
Other	\$ 336	5%
Total	\$ 6,690	

Liabilities		
	\$ billions	% of total
Currency in circulation	\$ 2,440	36%
Treasury General Account	\$ 838	13%
Other non-reserve liabilities	\$ 375	6%
Reserves	\$ 3,037	45%
Total	\$ 6,690	

As of March 12, 2026.

Source: [Federal Reserve Balance Sheet: Factors Affecting Reserve Balances - H.4.1 - Release Dates](#)

It's time for
Twenty Questions...

The Fed's Treasury market operations

1. What roles do outright purchases of Treasury securities play in both setting the stance of monetary policy and supporting market functioning?
2. How has the Fed distinguished between these two goals when conducting Treasury purchases, and what has been the impact?

The Fed's Treasury market operations

3. What role do the Fed's standing repo operations play in the Fed's policy toolkit?
4. What factors drive demand for the standing repo operations?
5. What's working well and what improvements should be considered to make the standing repo operations more effective?

Market structure items on the horizon

6. Why does market structure matter for the safety and liquidity of the Treasury market?
7. How do the public and private sectors engage with one another to advance Treasury market structure issues?
8. What are the major market structure issues on the table right now?
9. What are the key challenges in implementing market structure changes?
10. What is the Fed's role, if any?

Beyond the horizon – tokenization

11. What problem does blockchain technology solve?
12. What does it mean to tokenize Treasuries?
13. What problem does tokenization solve for the Treasury market?
14. What did you learn from the tokenized Treasury repo trade?
15. What is the potential role of stablecoins in Treasury markets – a new investor base, a reallocation of the existing investor base, or both?
16. How do innovations like stablecoins and tokenization interact with the price sensitivity of the marginal investor for Treasuries?

Crystal ball questions

17. Could a future state in which Treasury markets are traded via both electronic (current state) and through blockchain (tokenization, stablecoins) markets cause fragmentation or reduce market liquidity?
18. If the Fed's balance sheet continues to decline further while Treasury issuance continues to increase, what will happen?
19. Will Treasuries remain the dominant safe asset 10 years from now?
20. What will matter most for maintaining a liquid Treasury market in 10 years – debt size, market structure, new technology adoption, or the Fed's balance sheet?