

Daily Dose of Macro & Markets 30th July 2025: “Q3 → Liquidity Set to Tighten”

The ‘Daily Dose of Macro & Markets’ is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday, Thursday and Friday morning (early London time).

Liquidity → Set to Drain in Q3

On Monday this week, the US Treasury updated the market on its ‘marketable borrowing estimates (its debt issuance plans)’ for the remainder of 2025:

“its current estimates of privately-held net marketable borrowing for the July – September 2025 and October – December 2025 quarters.”

Source: US Treasury, 28th July 2025, <https://home.treasury.gov/news/press-releases/sbo209>

Table 1 below shows the latest estimates.

Table 1: US Treasury estimates of financing needs (\$bn per quarter)

Sources and Uses Reconciliation Table								
Quarter	Announcement Date	Financing				Change in Cash Balance	End-Of-Quarter Cash Balance	Memo SOMA Redemptions
		Financing Need	Marketable Borrowing	All Other Sources	Total			
		(1)	(2)	(3)	(4) = (2) + (3)	(5) = (4) - (1)	(6)	(7)
Jul - Sep 2024	Actual	502	762	(152)	610	108	886	(91)
Oct - Dec 2024	Actual	620	620	(164)	456	(164)	722	(75)
Jan - Mar 2025	Actual	526	369	(159)	210	(316)	406	(75)
Apr - Jun 2025	April 28, 2025	(17)	514	(87)	427	444	850	(15)
	Actual	(64)	65	(77)	(12)	51	457	(15)
	Revisions	(46)	(449)	10	(439)	(393)	(393)	0
Jul - Sep 2025	April 28, 2025	480	554	(75)	480	0	850	(15)
	July 28, 2025	525	1007	(90)	918	393	850	(15)
	Revisions	45	453	(15)	438	393	0	0
Oct - Dec 2025	July 28, 2025	494	590	(96)	494	0	850	(15)

Source: US Treasury, 28th July 2025, <https://home.treasury.gov/news/press-releases/sbo209>

The key points to note are:

- i) In **Q2 actual debt issued** (‘marketable borrowing’, column 2) **was only \$65 billion**, considerably below the Treasury’s initial estimate of \$554bn (see columns 2 for April - June quarter). As fig 1 shows, this is low compared to the normal quarterly ‘net debt issuance’ run rate (although Q2 is seasonally low, anyhow, given that April is a strong tax receipts month – e.g. see Q2 2024 and 2023, fig 1).

- ii) For **Q3 the initial estimate has been revised significantly higher**, from \$554bn (net debt issuance, initially estimated on 28th April) to \$1,007 billion (table 1).

In many ways, that was expected. Congress reached its debt ceiling in January this year. That ceiling wasn't raised until the signing of Trump's 'One Big Beautiful Bill' (on July 4th). Since January, therefore, the US Treasury has had to use emergency measures in order to provide funds to keep the government running.

Those emergency measures have included two sources (of funds), in particular:

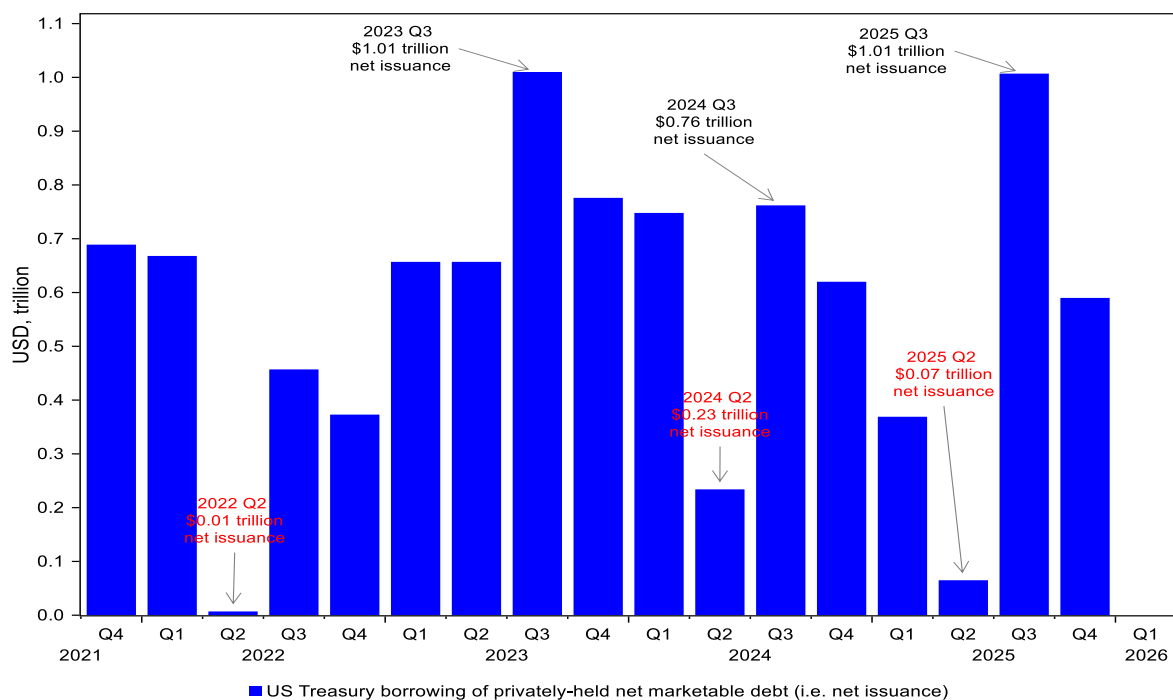
- a) the TGA* (fig 2) – the government's bank account at the Fed - which it ran down more than expected to \$457 billion by end of Q2 (vs. its forecast of \$850 billion); &
- b) borrowing from other parts of the government – i.e. by suspending investment into certain funds, specifically the '[Government Securities Investment Fund \(G Fund\) of the Thrift Savings Fund, \(which is\) part of the Federal Employees' Retirement System](#)'. Between January 23rd and July 3rd this year, the Government skipped payments of \$185 billion into that fund (i.e. effectively borrowed the money).

With the debt ceiling now increased, the Treasury is planning to issue high levels of debt in Q3 in order to fund the deficit, rebuild the TGA and repay the 'G Fund'**. Treasury net debt issuance, therefore, having been trivial in Q2, is set to be a **significant drain on market liquidity** in Q3 2025 (and potentially also in Q4).

There's been much discussion in markets about the shape (i.e. maturity) of that issuance, with expectations of sizeable 'Bill' issuance (i.e. shorted dated debt). On July 8th, the Treasury announced its intention to focus on: '[shorter-tenor benchmark securities: specifically, the 4-, 6-, and 8-week bills](#)'. Some of that liquidity, therefore, might come from the Fed's RRP (where the balance is still \$170 billion). However, even if that facility drains to zero, that leaves high levels of debt that still needs to be financed in Q3***.

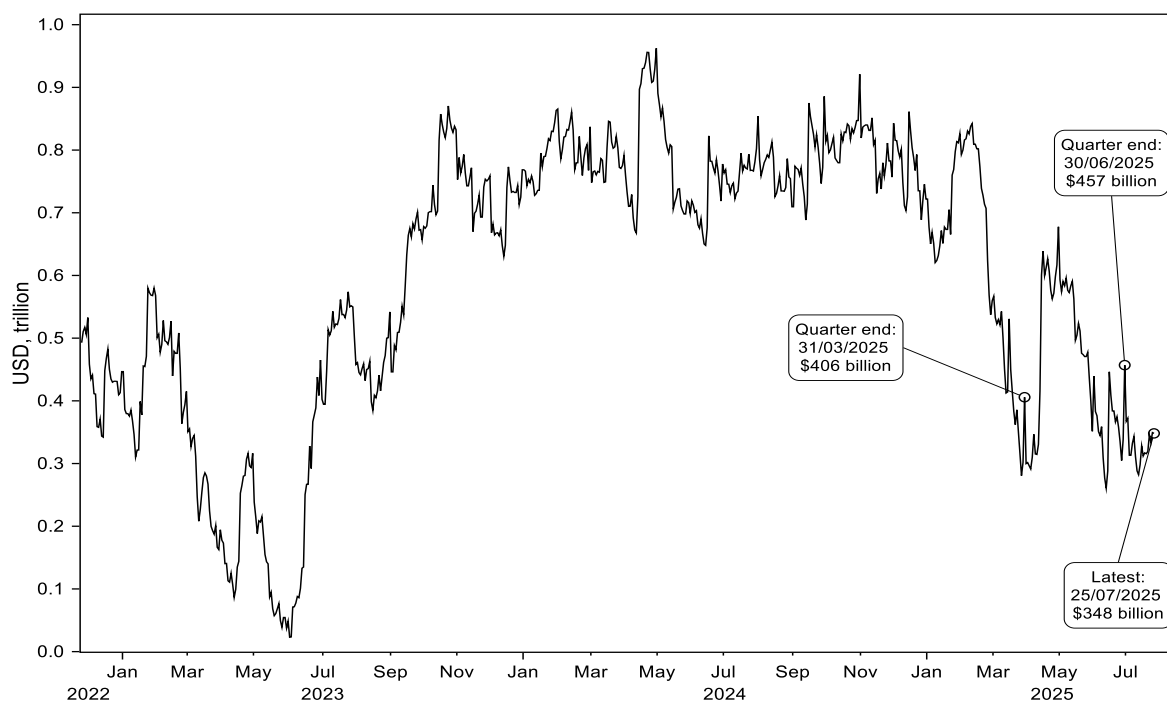
As such, and as is often the case in the summer months, equity markets will have to compete with bonds for liquidity. Given that they are already stretched (i.e. on various technical measures, including our SELL-off indicator and other risk appetite models), that supports our expectation that the **summer period is likely to be turbulent** (for risk assets) – see Longview's latest 'Tactical Asset Allocation' for more detail (available to 'Tactical' subscribers).

Fig 1: US quarterly Treasury net debt issuance (\$tn, actual historical and Treasury estimates for q3 & q4 2025)



Source: Longview Economics, Macrobond

Fig 2: US TGA* (Treasury General Account, \$ trillion)



Source: Longview Economics, Macrobond

*NB 'TGA' is the 'Treasury's General Account', its bank account at the Fed.

**NB The G Fund was repaid in full on 8th July (along with \$4.4 billion of accrued interest).

***There's also discussion that the Fed might stop (or slow) QT, thereby halting another drain on market liquidity.