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Remember the art of negotiating with your parents? Maybe you washed the dishes for a week in order to go to a party and stay out past curfew. Or, for those of us whose trunks hold the rings of more seasons, perhaps you secured an Atari 2600 by scraping the thick, built-up frost out of the kitchen freezer so Mom could reach the Jeno's Pizza Rolls and Swanson Salisbury Steak TV Dinners.

These agreements were, essentially, childhood I.O.U.s. What's now called, in modern parlance, "chore promises." And they can help us understand the recent Treasury bond buyback program, which raised a lot of eyebrows.

Before we get to our analogy, some clarification: This wasn't quantitative easing, which would involve the Fed printing money to buy bonds. Instead, the Treasury independently initiated and funded bond buybacks by selling short-term T-bills. Which calls to mind those chore promises.

Imagine you just finished ninth grade. You're approaching sixteen and taking drivers ed the upcoming semester. You want your first car. Your dad is thinking of a used RAV4. You're not foolish enough to counter with a Porsche, but a new Integra seems reasonable. But it is a big ask. So, in order to close the deal, you offer to shovel the snow from the walkway every winter until you graduate.

You've just issued a bond: Capital for a promise. And when Dad, who's getting up in age and tired of the morning task, agrees, you receive the principal in the form of a shiny new Acura. And, like a bond, there's a maturity date—the day you earn your diploma.

It goes fine for a while, but then junior year comes. You're balancing varsity sports, academic clubs, hanging out with friends, and staying up late to study for classes and the SATs. Your time is scarce, and getting up early each dark, wintry morning is wearing you down. You leave for school each morning spent. The old agreement simply doesn't fit the reality of your life now or for the foreseeable future, and you're drowning under the weight of it.

You approach Dad with a proposal: Cancel the remaining multi-winter contract and you'll clean the heavy snow off the roof this weekend while he's out of town.

Like the Treasury, you've just proposed a debt swap. You're asking your investors (Dad) to cancel an old bond (shoveling snow every winter) and replace it with a one time, short-term, high-yield alternative asset (clearing the roof). Your dad sees the risk premium—two days of clearing the roof is significantly more difficult and arduous work than clearing the walkway. He understands you're essentially offering a higher "interest rate" over a compressed timeline to make the trade attractive. He also sees that your current schedule and obvious exhaustion means his current "bond" might soon become non-performing. You've got a deal.

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Like parent-child negotiations, debt swaps—buying “off-the-run” (previously issued and less desirable) bonds as a way to increase liquidity—are nothing new. The U.S. government ran a largely successful Treasury securities buyback from 2000 to 2002, retiring \$67.5 billion across 45 separate operations to manage its debt footprint. And while this year’s new proposal (from \$2 billion to \$6 billion) may have surprised or shocked some folks, the massive increase in U.S. debt over the last couple decades may justify such action. With 30-year yields hovering around a stubborn 5.6%, the government’s current program is tactical maintenance, not a panic button.

That’s not to say, of course, it comes without risk. Trading a long-term contract for a short-term deadline means you’re betting there will be no unforeseen problems. Like waking up with the flu the Saturday morning you promised to clear the snow off the roof, and then watching the snow continue to pile up the following week. Or, that short-term interest rates continue to rise, costing the government more each time the bonds mature and debt is reissued.

Which is why we’re constantly monitoring the economic weather report and taking the temperature of shifting markets. The good news is Treasury operations around the globe are functioning as they should, and central banks are setting policies to try and control inflation without crimping economic growth. But there is uncertainty (markets hate this), which is causing prices and interest rates to fluctuate.

We believe future prospects for the economy, borrowing needs, inflation, and government debt levels will come into sharper focus as fiscal policies crystalize relatively soon. In the meantime, know your portfolios are built with the intent of withstanding a wide range of market conditions and clear a path through economic elements.