

Intraday Price Pressure and Order Flow around US Treasury Auctions

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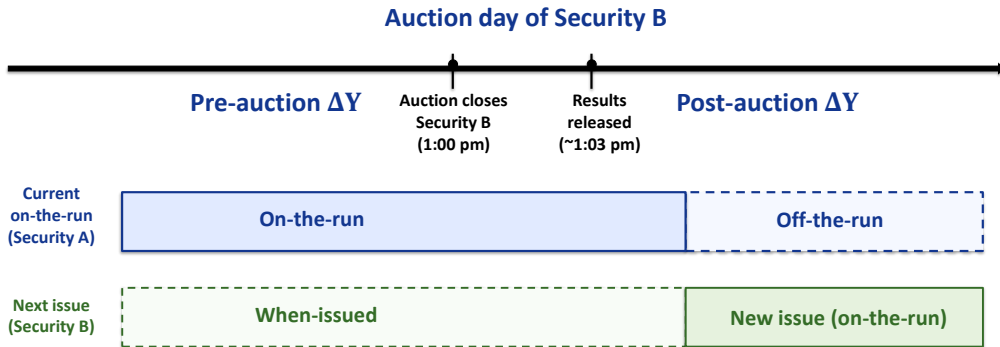
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EFA, Ghent

What Happens Around a Treasury Auction?



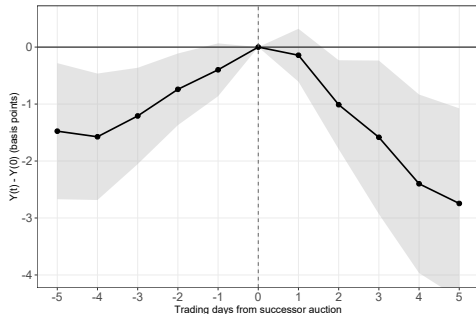
What the paper measures:

Price/Yield pressure on Security A
around the auction of Security B.

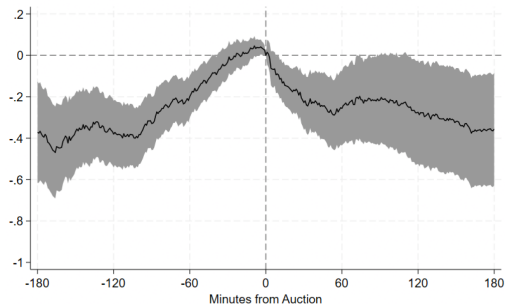
Yield Pressure = **Pre-auction ΔY** - **Post-auction ΔY**

From Daily to Intraday Price Pressure

Daily: 2-Year Treasury



Intraday: 2-Year Treasury



- The narrow event window helps separate auction-related price pressure from other macro and market movements

What the Paper Finds

- **Establish the pattern:** six-hour yield pressure is about 0.6–1.2 bps across 2-, 3-, 5-, 7-, 10-, and 30-year coupon Treasuries
- **Rule out alternatives:** the pattern is specific to auctions and does not reflect poor liquidity or generic information releases
- **Identify the economic forces:** tighter dealer capacity amplifies price pressure, while stronger investor demand mitigates it
- **Identify the trading channel:** pre-auction net selling and post-auction net buying closely track the yield run-up and reversal
- **Explain the time trend:** price pressure has weakened as non-dealers increasingly absorb auction supply

Comment 1: From Price Pressure to Issuance Costs

- The paper motivates auction price pressure as an indirect cost of Treasury issuance
- But the main outcome is price pressure on the existing security, not directly on the newly auctioned security
- This interpretation requires a pass-through step:

Old on-the-run price pressure → New issue auction yield → Treasury issuance cost

- Suggestion: show whether the when-issued yield of the new security exhibits similar pre-auction pressure
- This would directly connect the secondary-market evidence to the issuance-cost interpretation

Comment 2: Bills as a Cross-Market Test

- **Coupon Treasuries:** dealer participation has declined substantially
- **Treasury bills:** primary dealers remain important auction participants

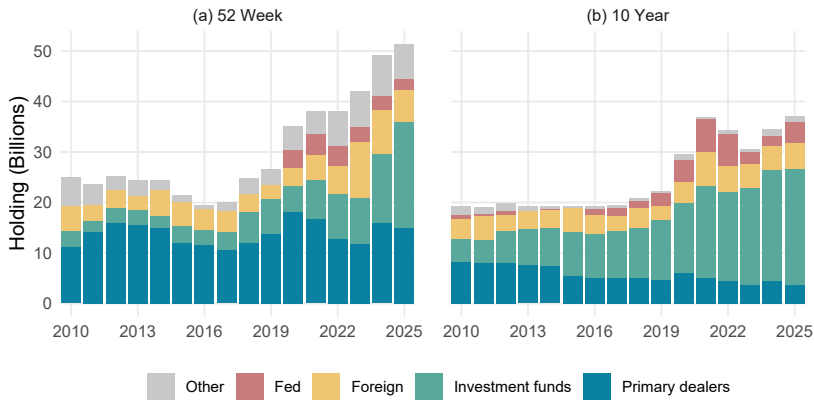
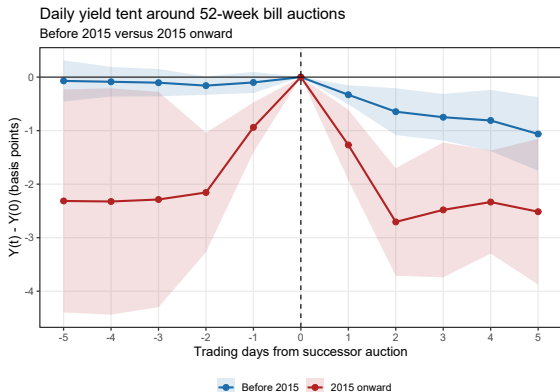


Figure: **Auction allocation.** From Gao and Klingler (2026).

Comment 2: Bills as a Cross-Market Test



- Treasury bills also display an inverted V-shaped yield pattern around successor auctions
- Unlike coupons, bill price pressure appears stronger after 2015
- This is consistent with tighter dealer constraints mattering more when dealers remain important in absorbing auction supply
- **High-frequency bill evidence:** it would be interesting to see whether the same pattern appears intraday

Minor Comments

- **Quote freshness:** one-minute sampling does not necessarily imply a fresh quote every minute
 - How are stale endpoint quotes treated? Report quote age and robustness to a maximum quote-age threshold
- **Cross-tenor heterogeneity:** what explains the large differences in price pressure across maturities?

	2-Year	3-Year	5-Year	7-Year	10-Year	30-Year
S1: 1991–2006	0.734**	0.988	0.869**	2.131**	1.491***	0.394
S2: 2007–2014	1.019***	1.248***	1.436***	0.887***	1.732***	1.448***
S3: 2015–2024	0.419***	0.340*	0.919***	0.417*	0.593*	0.592

Conclusion

- A compelling intraday characterization of how predictable Treasury supply shocks are transmitted through secondary-market trading
- Two main comments:
 - Strengthen the link from price pressure on the existing security to Treasury issuance costs
 - Use Treasury bills as a cross-market test of the dealer-capacity mechanism
- I really enjoyed reading the paper and learned a lot from it!