Buying Time

US Treasury Secretary Scott Bessent has had a busy summer. In mid-August, the Treasury unexpectedly announced that it would at least double the size of its liquidity-support buybacks for 10-to-30-year bonds. The move came shortly after 30-year Treasury yields reached their highest level since 2007. Only weeks earlier, the US had joined Japan in a rare, coordinated intervention to support the yen. After decades of generally allowing financial markets to find their own equilibrium, is the Treasury becoming an increasingly active participant?

The bond buybacks warrant some important clarification. They are not quantitative easing. The Treasury will purchase and retire older, less-liquid securities, but this does not reduce the government's overall borrowing requirements. Any cash used must ultimately be financed through revenues or additional debt issuance elsewhere. The amounts are also modest relative to the $32 trillion Treasury market. Still, signaling matters. Long-term yields fell sharply following the announcement, although much of the initial move was subsequently reversed.

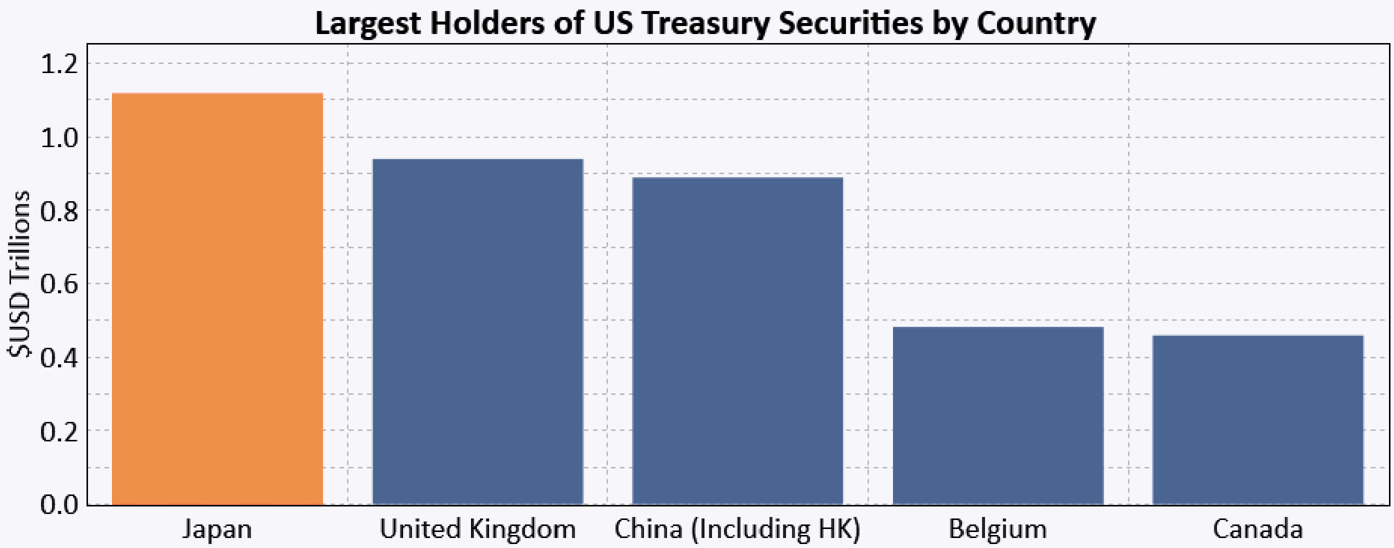
The currency intervention may be related. On July 31st, the US Treasury sold euros from its Exchange Stabilization Fund and purchased yen alongside Japan's Ministry of Finance. This marked the first coordinated effort to strengthen the Japanese currency since 1998. The yen's decline had become increasingly disorderly, intensifying imported inflation and increasing pressure on the Bank of Japan to tighten monetary policy more aggressively.

Per the chart below, Japan remains the largest foreign holder of US Treasury securities, with approximately $1.1 trillion. Japan typically finances yen purchases by drawing down its foreign currency reserves, potentially including Treasury holdings. Repeated interventions could therefore place additional upward pressure on US yields. Notably, Japan has indicated that it plans to access the Federal Reserve's Foreign and International Monetary Authorities repo facility, allowing it to borrow dollars against its Treasuries rather than sell them outright. Viewed in this light, US participation may have been intended not only to support the yen, but also to prevent instability in one market from spilling into another.

These actions are understandable. Disorderly currency and bond market moves can quickly tighten financial conditions, raise borrowing costs and spill over into risk assets like equities. But there is a limit to what market intervention can accomplish. The US fiscal deficit is projected to remain near 6% of GDP this year, federal debt has surpassed $40 trillion and rising interest costs are consuming a growing share of federal expenditures. Buybacks can improve market liquidity, but they cannot resolve the underlying supply-demand imbalance.

There is also credibility risk. Treasury debt management has historically emphasized "regular and predictable" issuance. If investors begin to view buybacks as an attempt to manipulate yields rather than improve liquidity, they may demand a higher term premium to compensate for policy uncertainty. In that scenario, intervention could ultimately become self-defeating.

For investors, fiscal credibility, foreign demand and currency volatility are becoming increasingly important drivers of the Treasury market. Higher yields have restored income and portfolio-hedging potential, but elevated uncertainty argues for a cautious approach to duration and continued diversification across inflation-protected bonds, currencies and real assets. The Treasury may be buying bonds and yen, but what it is really trying to buy is time.



Sources: Macrobond, US Department of Treasury, Forstrong Global Asset Management

Global Strategy Overview

Cash

We remain invested with a view of continuing resilient global growth, despite a challenging geopolitical environment and renewed inflationary pressure. However, downside risks are elevated, as higher interest rates impact consumers and businesses, while global central banks are forced to adjust monetary policy settings. We have increased cash and equivalents exposure this quarter.

Bonds

We continue to like local currency emerging markets (EM) sovereign bonds for their high yield, diversification benefits and strong underlying fundamentals. However, with an inflationary resurgence in developed and emerging markets alike, EM monetary policy tailwinds have receded; weakening the investment case at the margin. We have trimmed our exposure to local currency emerging markets sovereign bonds this quarter.

Equities

European equity earnings should remain well-supported by a nascent growth recovery across the continent. However, the energy price spike and a hawkish-leaning European Central Bank present near-term risks to the economic momentum. We have trimmed our exposure to European equities this quarter.

Opportunities

Indian stocks have seen an exodus of foreign investor capital of late and are susceptible to further disruption from AI in the near-term. Conversely, we viewed a recent pullback in copper mining equities as an opportunity to add to a position well-supported by durable global demand trends for the foreseeable future. We have liquidated our position in Indian equities in growth-oriented strategies and added to our exposure to copper mining equities in balanced and growth-oriented strategies this quarter.

FORSTRONG GLOBAL ASSET MANAGEMENT INC

Strategy Dashboard: Q3 - September 2026

Forstrong Strategies	Inception Date	1 Month	YTD	1 Year	3 Year	5 Year	10 Years	Since Inception
Balanced								
Global Income	30/06/08	0.06%	5.91%	8.83%	9.77%	5.31%	5.21%	7.40%
Global Balanced	30/06/03	1.84%	7.98%	13.17%	12.40%	6.59%	7.37%	7.48%
Global Growth	30/06/03	2.45%	10.45%	17.45%	16.17%	8.73%	9.72%	8.92%
Canadian Income	30/06/08	-0.21%	6.06%	9.83%	10.01%	5.42%	5.25%	6.56%
Canadian Balanced	30/06/03	1.97%	8.77%	15.30%	13.30%	7.65%	7.63%	7.64%
Canadian Growth	30/06/03	2.46%	11.62%	20.58%	17.66%	10.00%	9.85%	8.97%
Equity								
Global Equity	30/06/25	2.71%	11.96%	19.22%	NA	NA	NA	21.92%
Global Ex-North America Equity	31/12/19	2.28%	17.69%	26.41%	19.30%	10.10%	NA	10.25%
Income								
Global Bond	03/06/25	-0.30%	1.62%	3.28%	NA	NA	NA	3.75%
High Income Opportunities	30/06/22	1.54%	5.38%	15.28%	12.26%	NA	NA	12.96%

* Performance as of August 31st, 2026

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