

**FEDERAL RESERVE BANK
OF NEW YORK**

Fiscal Agent of the United States

[Circular No. **4937**
September 22, 1960]

TREASURY'S CURRENT ADVANCE REFUNDING

Preliminary Figures and Bases of Allotment

*To All Banking Institutions, and Others Concerned,
in the Second Federal Reserve District:*

The following statement was made public today by the Treasury Department:

Preliminary reports from the Federal Reserve Banks show that total subscriptions of \$3,972.1 million (including \$3,388.4 million from public holders and \$583.7 million from Government Investment Accounts) have been received to the three issues of 3½ percent Treasury bonds included in the recent advance refunding offer of the Treasury to the holders of four issues of outstanding 2½ percent Treasury bonds, aggregating \$12.5 billion. All subscriptions will be allotted in full. The 3½ percent bonds will be issued on October 3, 1960.

Subscriptions are as follows (in millions of dollars):

| <i>New issue</i> | <i>From public holders</i> | <i>From Government Investment Accounts</i> | <i>Total</i> |
|---|--------------------------------|--|------------------|
| 3½% Bonds of 1980 | \$ 510.7 | \$131.3 | \$ 642.0 |
| 3½% Bonds of 1990 (additional issue) .. | 775.0 | 215.9 | 990.9 |
| 3½% Bonds of 1998 | 2,102.7 | 236.5 | 2,339.2 |
| TOTAL | \$3,388.4 | \$583.7 | \$3,972.1 |

Details by Federal Reserve Banks as to subscriptions will be announced when final reports are received.

The Treasury is pleased with investor response to the first major effort to lengthen the maturity of the marketable public debt through advance refunding. The result is that \$4.0 billion of securities scheduled to mature in 7 to 9 years have been shifted to long-term issues maturing in 20 to 38 years. This increase in the amount of long-term bonds outstanding is especially significant when viewed in comparison with total sales of only \$9.2 billion of over 15-year securities in the entire postwar period. The amount of outstanding bonds with maturities beyond 15 years increases by nearly one-half, from \$8.5 billion to \$12.5 billion. As a result, the average maturity of the marketable public debt is extended from approximately 50 months to 57 months.

This substantial amount of debt extension has been achieved with a minimum of market impact, as evidenced by the relatively small changes in prices of the affected issues since the time of announcement; the small amount of market churning that occurred; and the absence of any appreciable effect on the market for long-term Government, corporate, or municipal bonds. The modest amount of market trading in the affected issues also suggests a minimum of speculative purchases. This, in turn, indicates that the participants in the exchange are primarily long-term investors who are interested in extending the maturity of their holdings.

ALFRED HAYES,
President.