

U.S. DEPARTMENT OF THE TREASURY

Press Center



August 2013 Quarterly Refunding Statement of Assistant Secretary Rutherford

7/31/2013

WASHINGTON – The U.S. Department of the Treasury is offering \$72 billion of Treasury securities to refund approximately \$69.6 billion of Treasury notes maturing on August 15, 2013. This will raise approximately \$2.4 billion of new cash. The securities are:

- A 3-year note in the amount of \$32 billion, maturing August 15, 2016;
- A 10-year note in the amount of \$24 billion, maturing August 15, 2023; and
- A 30-year bond in the amount of \$16 billion, maturing August 15, 2043.

The 3-year note will be auctioned on a yield basis at 1:00 p.m. ET on Tuesday, August 6, 2013. The 10-year note will be auctioned on a yield basis at 1:00 p.m. ET on Wednesday, August 7, 2013, and the 30-year bond will be auctioned on a yield basis at 1:00 p.m. ET on Thursday, August 8, 2013. All of these auctions will settle on Thursday, August 15, 2013.

The balance of Treasury financing requirements will be met with the weekly bill auctions, cash management bills, the monthly note and bond auctions, the August 5-year Treasury Inflation-Protected Security (TIPS) reopening auction, the September 10-year TIPS reopening auction, and the October 30-year TIPS reopening auction.

Projected Financing Needs

Given improvements in the fiscal outlook, Treasury expects to gradually decrease coupon auction sizes over the coming quarter. The reductions in auction sizes will likely take place in the 2- and 3- year sectors of the nominal coupon curve.

The magnitude of offering size reductions will depend on the pace and extent of the fiscal improvement. Treasury will continue to monitor projected financing needs and will make adjustments as necessary.

Floating Rate Notes

Treasury published in the Federal Register today a [final rule](#) for the Floating Rate Note (FRN) program. The FRN is the first new product that Treasury has introduced since TIPS over 15 years ago.

As indicated at the May Quarterly Refunding, the FRN will complement our existing suite of securities and help Treasury achieve its objective of financing the government at the lowest cost over time.

Treasury anticipates that the first FRN auction will occur in January 2014. This timeframe should provide sufficient time for market participants to adjust analytical systems and operational processes to accommodate the new product. Treasury will provide additional information regarding the potential sizes for the first auction of FRNs at the November Quarterly Refunding.

Debt Limit

The debt limit places a limitation on the total amount of money that the United States government is authorized to borrow to meet its existing legal obligations, including Social Security and Medicare benefits, military salaries, interest on the national debt, tax refunds, and other payments. The debt limit does not authorize new spending commitments. It simply allows the government to finance existing legal obligations that Congresses and presidents of both parties have made in the past. On May 17, 2013, Treasury began employing extraordinary measures in order to finance the government until Congress authorizes an increase in the debt limit.

There are a number of factors including a strengthening economy and the impact of sequestration on the timing of outlays, together with the normal challenges of forecasting the payments and receipts of the U.S. government months into the future, that make it impossible to provide a precise estimate at this time on the duration of extraordinary measures. Based on current projections of cash flows and

extraordinary measures, it appears Treasury will have room to continue financing government operations so that Congress can address this when they return after Labor Day. As forecast factors permit, Treasury will provide additional guidance regarding how long extraordinary measures will allow the government to continue to borrow.

Treasury continues to urge Congress to increase the debt limit in a timely fashion upon their return after Labor Day.

Please send comments and suggestions on these subjects or others related to debt management to debt.management@treasury.gov. The next quarterly refunding announcement will take place on Wednesday, November 6, 2013.

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