

Quarterly Refunding Statement of Deputy Assistant Secretary for Capital Markets Clay Berry

January 31, 2018

WASHINGTON — The U.S. Department of the Treasury is offering \$66 billion of Treasury securities to refund approximately \$46.6 billion of privately-held Treasury notes maturing on February 15, 2018. This issuance will raise new cash of approximately \$19.4 billion. The securities are:

- A 3-year note in the amount of \$26 billion, maturing February 15, 2021;
- A 10-year note in the amount of \$24 billion, maturing February 15, 2028; and
- A 30-year bond in the amount of \$16 billion, maturing February 15, 2048.

The 3-year note will be auctioned on a yield basis at 1:00 p.m. ET on Tuesday, February 6, 2018. The 10-year note will be auctioned on a yield basis at 1:00 p.m. ET on Wednesday, February 7, 2018. The 30-year bond will be auctioned on a yield basis at 1:00 p.m. ET on Thursday, February 8, 2018. All of these auctions will settle on Thursday, February 15, 2018.

The balance of Treasury financing requirements will be met with the weekly bill auctions, cash management bills, the monthly note and bond auctions, the February 30-year Treasury Inflation-Protected Securities (TIPS) auction, the March 10-year TIPS reopening auction, the April 5-year TIPS auction, and the regular monthly 2-year Floating Rate Note (FRN) auctions.

Projected Financing Needs: Increase in Coupon Sizes

In November 2017, Treasury announced its intention to adjust auction sizes in order to respond to increased borrowing needs resulting from the change to the Federal Reserve's reinvestment policy for its System Open Market Account (SOMA) portfolio as well as the fiscal outlook. As such, Treasury is announcing modest increases to nominal coupon and 2-year FRN auction sizes beginning in February. Additional seasonal borrowing needs will be addressed through changes in regular bill and/or cash management bill auction sizes.

Over the next quarter, Treasury anticipates increasing the sizes of the 2- and 3-year note auctions by \$2 billion per month. As a result, the size of 2- and 3-year note auctions will increase by \$6 billion by the end of the quarter. In addition, Treasury will increase the auction size of the

next 2-year FRN auction by \$2 billion in February. Finally, Treasury will increase auction sizes by \$1 billion to each of the next 5-, 7-, and 10-year notes and the 30-year bond auctions starting in February. All changes are applicable to subsequent new issues and reopenings. In total, these adjustments will result in an additional \$42 billion of new issuance for the upcoming quarter.

Auction sizes for TIPS will remain unchanged over the next quarter. TIPS continue to be an important product in Treasury's debt issuance portfolio, and Treasury is fully committed to the TIPS program.

As stated at the November quarterly refunding, Treasury anticipates these changes will stabilize the weighted-average maturity (WAM) of the debt outstanding at or around current levels, notwithstanding large, unexpected changes to borrowing needs.

Treasury will assess the need to make further adjustments to auction sizes at the next Quarterly Refunding in May based on projections of the fiscal outlook.

Outreach for Treasury Transactions Data

Since July 2017, member firms of the Financial Industry Regulatory Authority (FINRA) have reported transactions in Treasury securities through the Trade Reporting and Compliance Engine (TRACE). FINRA has been sharing this data with official sector institutions, including Treasury.

Treasury recognizes the importance of public transparency and the potential value of making certain data broadly available. As such, Treasury is actively considering a policy on the public dissemination of Treasury securities transaction data. In developing a policy on public dissemination, Treasury is taking a data-driven approach to assess forms of dissemination that would both support market transparency and would do no harm to market functioning and liquidity.

Treasury officials are currently seeking input from a wide range of market participants and other stakeholders through an extensive outreach effort. Any decision on a policy for the public dissemination of Treasury securities transaction data will take into consideration stakeholder feedback.

Debt Limit

The "Continuing Appropriations Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017" suspended the debt limit through December 8, 2017. Since that time, Treasury has been at the debt limit and has been taking extraordinary measures to finance the government on a temporary basis. Based upon available information, Treasury expects to be

able to fund the government through the end of February. Treasury urges Congress to act promptly on this important matter.

Large Position Report (LPR) Call

Sometime over the next three months, Treasury intends to issue an LPR call. On December 10, 2014, Treasury published a final rule amending its large position reporting rules to improve the information reported so that Treasury can better understand supply and demand dynamics in certain Treasury securities. The rule became effective on March 10, 2015. Treasury last conducted an LPR call on June 1, 2016. Further information regarding Large Position Reports, including supplementary guidance, can be found at

<https://www.treasurydirect.gov/instit/statreg/gsareg/gsareg.htm>.

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