QUARTERLY REFUNDING STATEMENT OF DEPUTY ASSISTANT SECRETARY FOR FEDERAL FINANCE BRIAN SMITH

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WASHINGTON — The U.S. Department of the Treasury is offering $83 billion of Treasury securities to refund approximately $54.3 billion of privately-held Treasury notes and bonds maturing on November 15, 2018. This issuance will raise new cash of approximately $28.7 billion. The securities are:

- A 3-year note in the amount of $37 billion, maturing November 15, 2021;
- A 10-year note in the amount of $27 billion, maturing November 15, 2028; and
- A 30-year bond in the amount of $19 billion, maturing November 15, 2048.

The 3-year note will be auctioned on a yield basis at 1:00 p.m. ET on Monday, November 5, 2018. The 10-year note will be auctioned on a yield basis at 1:00 p.m. ET on Tuesday, November 6, 2018. The 30-year bond will be auctioned on a yield basis at 1:00 p.m. ET on Wednesday, November 7, 2018. All of these auctions will settle on Thursday, November 15, 2018.

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

ENHANCEMENTS TO THE TIPS PROGRAM: AN ADDITIONAL 5-YEAR CUSIP IN OCTOBER, THE SUPPLY OUTLOOK, AND CHANGES TO THE 2019 TIPS CALENDAR

Consistent with Treasury's longstanding commitment to the TIPS program and as referenced at the August 2018 Quarterly Refunding, Treasury is hereby announcing several enhancements to the TIPS program. These modifications reflect findings resulting from an extensive year-long market outreach to TIPS market participants and the Treasury Borrowing Advisory Committee (TBAC). The enhancements to the TIPS program are described below.

New TIPS Issue: Treasury will introduce a new October 5-year TIPS maturity starting in 2019. TIPS market participants are broadly supportive of this change, and have indicated that an additional October 5-year maturity would balance the TIPS calendar in a manner that improves the market's ability to price the seasonality of CPI into the TIPS curve, which could lower TIPS volatility and Treasury's issuance cost overall.

Supply Outlook for CY 2019: Treasury expects to increase total TIPS issuance by approximately $20 to $30 billion over CY 2019, with much of the net new issuance likely to be focused in the newly-announced October 5-year issue. Treasury does not intend to make any changes in TIPS supply over the next 3 months, but anticipates gradual increases in TIPS issuance commencing after the February 2019 Quarterly Refunding. The increase in TIPS issuance reflects Treasury's increased borrowing needs and is consistent with the TBAC's recommendation that TIPS should remain around 7 percent of gross issuance.

The CY 2019 TIPS Auction Calendar: Treasury is modifying the existing TIPS auction calendar in a way that accommodates market demand for a new original 5-year TIPS in October, while maintaining the existing "one-TIPS-auction-per-month" issuance cadence.

Specifically, Treasury will replace the existing October 30-year reopening auction with the new October 5-year TIPS maturity. Additionally, starting in 2019, the 30-year will be reopened only once, rather than twice as it currently is, and the first 30-year reopening will be moved from June to August. Finally, the first reopening of the April 5-year TIPS will be moved from August to June.

Maintaining the "one-TIPS-auction-per-month" issuance paradigm was viewed as highly desirable from a distribution perspective; furthermore, the calendar modifications that are being announced were generally regarded by market participants as minimally disruptive relative to the existing TIPS calendar. The new TIPS calendar for 2019 appears below:

Month	(Current) 2018 TIPS Auctions	(New) 2019 TIPS Auctions
January	10-Yr Original	10-Yr Original

Month	(Current) 2018 TIPS Auctions	(New) 2019 TIPS Auctions
February	30-Yr Original	30-Yr Original
March	10-Yr Reopening	10-Yr Reopening
April	5-Yr Original	5-Yr Original
May	10-Yr Reopening	10-Yr Reopening
June	30-Yr Reopening	5-Yr Reopening
July	10-Yr Original	10-Yr Original
August	5-Yr Reopening	30-Yr Reopening
September	10-Yr Reopening	10-Yr Reopening
October	30-Yr Reopening	5-Yr Original
November	10-Yr Reopening	10-Yr Reopening
December	5-Yr Reopening	5-Yr Reopening

The elimination of one 30-year TIPS reopening auction should not be interpreted by market participants as a lack of commitment to the 30-year TIPS security as a benchmark TIPS tenor.

Treasury is considering increases to the remaining 30-year TIPS auction sizes as a result of the elimination of one of the reopenings.

PROJECTED FINANCING NEEDS: INCREASE IN COUPON SIZES

At the February, May, and August 2018 Quarterly Refundings, Treasury announced modest increases to nominal coupon and 2-year FRN auction sizes. These adjustments in auction sizes were necessary to respond to increased borrowing needs resulting from the Federal Reserve's reinvestment policy for its System Open Market Account (SOMA) portfolio, as well as the fiscal outlook.

COUPON AND FRN FINANCING

Based on our current forecast, Treasury is announcing additional modest increases to nominal coupon auction sizes and FRNs over the upcoming quarter. Over the next two months, Treasury anticipates increasing the sizes of the 2-, 3-, and 5-year note auctions by $1 billion per month. As a result, the size of 2-, 3-, and 5-year note auctions will increase by $2 billion, respectively, by the end of January. In addition, Treasury will increase the auction size of the next 2-year FRN auction by $1 billion in November. Finally, Treasury will increase auction sizes by $1 billion to each of the next 7- and 10-year notes and the 30-year bond auctions in November, and hold the auction sizes steady at that level through January. All changes are applicable to subsequent new issues and reopenings. In total, these adjustments will result in an additional $27 billion of new issuance for the upcoming quarter, which is slightly lower than the $30 billion increase announced in August.

BILL FINANCING

Treasury uses changes in the supply of Treasury bills to address short-term fluctuations in funding needs. Short-term changes in funding needs are most often driven by seasonal factors related to the timing of federal receipts and outlays. After recently peaking in August, aggregate bill supply has declined modestly during the months since. Over the next few weeks, and consistent with historical patterns, bill supply is anticipated to gradually rise as seasonal funding needs increase. This increased bill supply includes the new benchmark 2-month bill, first auctioned on October 16, 2018.

Based on our current fiscal forecast, the volume of bills outstanding is expected to gradually increase in magnitude and at a pace similar to what was observed between mid-July 2018 to late August 2018, before modestly declining into year-end. This expected increase in bill supply reflects Treasury's current internal forecast; any unexpected changes in financing needs could result in a deviation from our projected change in bill supply.

WAM

Treasury anticipates the financing changes announced today will continue to result in a weighted-average maturity (WAM) of the debt outstanding that is stable at or around current levels, barring large, unexpected changes to borrowing needs.

Treasury will assess the need to make further adjustments to auction sizes at the next Quarterly Refunding in February 2019 based on projections of the fiscal outlook at that time.

THE SUCCESSFUL ROLLOUT OF THE NEW 2-MONTH BILL AND 1-MONTH BILL TRANSITION

Treasury successfully auctioned the first benchmark 2-month bill on October 16, 2018. Unlike Treasury's traditional bill settlement day of Thursday, the new 2-month bill will settle on Tuesday after a period of transition.

In order to enhance the liquidity of the new 2-month bill, Treasury announced at the August Quarterly Refunding changes to the 1-month bill auction cycle beginning in November 2018. After a period of transition, the 1-month bill will be a reopening of the 2-month bill, and will also settle on Tuesday.

Treasury's implementation of the new 2-month bill along with the change in the 1-month bill auction cycle started in mid-October and will continue over the previously announced transition period, which will end in December.

The transitional bill auctions schedule can be found in the attachment to this document.

TEST BUYBACK OPERATION

Since 2014, Treasury has conducted periodic testing of existing IT infrastructure to ensure that buyback functionality remains operational. Within the next month, Treasury intends to conduct another small-value buyback operation to continue testing the buyback infrastructure. Details of such an operation will be announced at a later date.

This small-value buyback operation should not be viewed by market participants as a precursor or signal of any pending policy changes regarding Treasury's use of buybacks.

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 January 30, 2019.

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