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

January 30, 2019

WASHINGTON — The U.S. Department of the Treasury is offering $84 billion of Treasury securities to refund approximately $54.1 billion of privately-held Treasury notes and bonds maturing on February 15, 2019. This issuance will raise new cash of approximately $29.9 billion. The securities are:

- A 3-year note in the amount of $38 billion, maturing February 15, 2022;
- A 10-year note in the amount of $27 billion, maturing February 15, 2029; and
- A 30-year bond in the amount of $19 billion, maturing February 15, 2049.

The 3-year note will be auctioned on a yield basis at 1:00 p.m. ET on Tuesday, February 5, 2019. The 10-year note will be auctioned on a yield basis at 1:00 p.m. ET on Wednesday, February 6, 2019. The 30-year bond will be auctioned on a yield basis at 1:00 p.m. ET on Thursday, February 7, 2019. All of these auctions will settle on Friday, February 15, 2019.

The balance of Treasury financing requirements over the quarter will be met with the weekly bill auctions, cash management bills, the monthly note 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: NO INCREASE IN COUPON SIZES THIS QUARTER

Over the last year, Treasury has responded to expanded borrowing needs by increasing nominal coupon and FRN auction sizes in a deliberate manner, consistent with our regular and predictable approach. Based on the information available to us at this time, Treasury believes the issuance plans announced today are adequate to address projected borrowing needs over the near term.

COUPON AND FRN FINANCING

Based on our current forecast, Treasury is announcing no increase to nominal coupon and FRN auction sizes over the upcoming quarter. This compares to an increase of $27 billion in nominal coupon and FRN auction size increases announced last November.

BILL FINANCING

After recently peaking in early-December, aggregate bill supply declined modestly into year-end. Over the next two months, and consistent with historical patterns, Treasury bill supply is anticipated to gradually rise as seasonal funding needs increase; this increase could be offset somewhat if a debt limit constraint requires Treasury to hold a cash balance below the preferred one week of outflows level per Treasury's cash management policy.

Based on our current fiscal forecast, the volume of bills outstanding is expected to gradually increase, though at a more modest pace than what was observed between mid-October 2018 and early-December 2018. Bill issuance should then begin moderating in early-April. The expected increase in bill supply reflects Treasury's current internal forecast. Any unexpected changes in financing needs or debt limit constraints could result in a deviation from our projected change in bill supply.

TIPS FINANCING

As announced at the November 2018 Quarterly Refunding, Treasury is implementing a number of enhancements to the TIPS program in 2019. Treasury is introducing a new October 5-year TIPS maturity and modifying the TIPS auction calendar to accommodate the new original 5-year TIPS in October, while maintaining the existing "one-TIPS-auction-per-month" issuance cadence.

Treasury also announced in November 2018 that it 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 now anticipates that the increase in net TIPS issuance for CY2019 will be approximately $22 to $27 billion.

We anticipate gradual increases in TIPS auction sizes commencing with a $1 billion increase in the February 30-year and April 5-year TIPS auctions. Increasing the auction size of the 30-year TIPS in February and the 5-year TIPS in April is consistent with our desire to maintain liquidity in those tenors, given the previously announced changes to the auction calendar. The overall increase in TIPS issuance anticipated in 2019 will be focused largely on the new 5-year maturity in October and reflects Treasury's increased borrowing needs. The increase in issuance is also consistent with market participant feedback as well as the TBAC's recommendation to maintain TIPS share of outstanding debt around current levels.

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.

As always, Treasury will continue to evaluate the fiscal outlook and assess the need to make further adjustments to auction sizes at the next Quarterly Refunding in May 2019.

DEBT LIMIT

The debt limit is a limitation on the total amount of money that the United States government is authorized to borrow to meet its existing legal obligations. The "Bipartisan Budget Act of 2018" suspended the debt limit through March 1, 2019. If Congress does not increase or further suspend the debt limit by March 1, Treasury, as it has in the past, can take certain extraordinary measures to continue to finance the government on a temporary basis. Use of extraordinary measures will allow the government to continue to meet its obligations beyond March 1, 2019. It is currently too early to provide a more precise forecast as to how long the extraordinary measures will last.

With regard to the potential effect on Treasury bill issuance associated with the end of the debt limit suspension period on March 1, based on current forecasts, Treasury does not anticipate bill issuance to be as volatile as it has been in the past when prior debt limit suspension periods expired. In contrast to prior debt limit impasses, Treasury will be able to maintain a significantly higher cash balance level at the expiration of the debt limit suspension period. As a result, Treasury does not need to reduce bill issuance as dramatically in advance of the March 1 debt limit suspension expiration.

LARGE POSITION REPORT (LPR) CALL

Sometime over the next six months, Treasury intends to issue an LPR call. Treasury last conducted an LPR call on April 10, 2018. Further information regarding Large Position Reports, including supplementary guidance, can be found at https://www.treasurydirect.gov/instit/statreg/gsareg/gsareg.htm.

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 May 1, 2019.

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