

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

May 1, 2019

WASHINGTON — The U.S. Department of the Treasury is offering \$84 billion of Treasury securities to refund approximately \$55.4 billion of privately-held Treasury notes and bonds maturing on May 15, 2019. This issuance will raise new cash of approximately \$28.6 billion. The securities are:

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

The 3-year note will be auctioned on a yield basis at 1:00 p.m. ET on Tuesday, May 7, 2019. The 10-year note will be auctioned on a yield basis at 1:00 p.m. ET on Wednesday, May 8, 2019. The 30-year bond will be auctioned on a yield basis at 1:00 p.m. ET on Thursday, May 9, 2019. All of these auctions will settle on Wednesday, May 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 May 10-year Treasury Inflation-Protected Securities (TIPS) reopening auction, the June 5-year TIPS reopening auction, the July 10-year TIPS auction, and the regular monthly 2-year Floating Rate Note (FRN) auctions.

PROJECTED FINANCING NEEDS: NO INCREASE IN COUPON SIZES THIS QUARTER

In 2018, Treasury 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 through the remainder of FY 2019.

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, and anticipates no further changes for the remainder of FY 2019.

BILL FINANCING

After peaking in late March 2019, aggregate bill supply declined modestly into mid-April and remained stable throughout the remainder of April. Bill issuance is now expected to gradually decline over the remainder of the second calendar quarter, largely reflecting debt limit constraints. Unexpected changes in financing needs or debt limit-related constraints on marketable borrowing could result in a deviation from our projected change in bill supply.

TIPS FINANCING

Treasury continues to implement the enhancements to the TIPS program announced in November 2018. Over the next refunding quarter, Treasury expects no change in the May TIPS 10-year reopening size, an increase in the June TIPS 5-year reopening auction size to \$15 billion, and an increase in the July 10-year TIPS new issue to \$14 billion. The increase in TIPS issuance is consistent with ongoing market participant feedback and the Treasury Borrowing Advisory Committee's recommendation to maintain TIPS' share of outstanding debt around current levels.

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 August 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. Since that date, Treasury has been using extraordinary measures to finance the government on a temporary basis. Debt limit constraints can also result in Treasury holding cash balances below our prudent cash balance policy level, which is equal to one week of outflows, subject to a minimum balance of \$150 billion. Based on currently available information, Treasury expects that extraordinary measures will be exhausted sometime in the second half of 2019. It is critical that Congress act to increase the nation's borrowing authority, and Treasury urges Congress to act promptly on this important matter.

TEST BUYBACK OPERATION

Since 2014, Treasury has conducted periodic testing of existing IT infrastructure to ensure its buyback functionality remains operational. In the second calendar quarter of 2019, Treasury intends to conduct another small-value buyback operation to continue testing the buyback infrastructure. Details of this 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.

SMALL-VALUE CONTINGENCY AUCTION OPERATION TEST

Treasury believes that it is prudent to regularly test its contingency auction infrastructure. Treasury's contingency auction system has been used routinely over the last several years to conduct both mock auctions and real, small-value test auctions. In the second calendar quarter of 2019, Treasury intends to conduct a small-value test auction using its contingency auction system. Details about this test will be announced at a later date.

This small-value test auction should not be viewed by market participants as a precursor or signal of any pending policy changes regarding Treasury's existing auction processes.

LARGE POSITION REPORT (LPR) CALL AND WORKSHOPS

Sometime over the next three months, Treasury intends to issue an LPR call. Treasury last conducted an LPR call on April 10, 2018. Further information regarding LPR calls, Treasury's rules, and supplementary formula guidance, can be found at

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

Additionally, Treasury is offering two free workshops on May 17, 2019, at the Federal Reserve Bank of New York regarding Treasury's LPR rules, which apply to all U.S. and foreign entities that may control a large position in a specified Treasury security. More information about the workshops is available at:

https://www.treasurydirect.gov/instit/statreg/gsareg/gsareg_lprworkshopinfo.htm.

Please send comments or suggestions on these subjects or others related to debt management to debt.management@treasury.gov.

The next quarterly refunding announcement will take place on July 31, 2019.

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