

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

July 31, 2019

WASHINGTON — The U.S. Department of the Treasury is offering \$84 billion of Treasury securities to refund approximately \$57.3 billion of privately-held Treasury notes and bonds maturing on August 15, 2019. This issuance will raise new cash of approximately \$26.7 billion. The securities are:

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

The 3-year note will be auctioned on a yield basis at 1:00 p.m. EDT on Tuesday, August 6, 2019. The 10-year note will be auctioned on a yield basis at 1:00 p.m. EDT on Wednesday, August 7, 2019. The 30-year bond will be auctioned on a yield basis at 1:00 p.m. EDT on Thursday, August 8, 2019. All of these auctions will settle on Thursday, August 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 August 30-year Treasury Inflation-Protected Securities (TIPS) reopening auction, the September 10-year TIPS reopening auction, the new October 5-year TIPS auction, and the regular monthly 2-year Floating Rate Note (FRN) auctions.

PROJECTED FINANCING NEEDS: COUPONS AND FRNS

Based on recent forecasts, Treasury is announcing no increase to nominal coupon and FRN auction sizes over the upcoming quarter, and currently anticipates no further changes in issuance sizes for nominal coupon and FRNs for the remainder of the 2019 calendar year. Treasury plans to address any seasonal or unexpected variations in borrowing needs over the next quarter through changes in regular bill auction sizes and/or cash management bills.

PROJECTED FINANCING NEEDS: BILLS

Bill issuance has gradually declined in response to seasonal factors, as well as constraints on marketable borrowing imposed by the debt limit impasse. Since the most recent quarterly refunding announcement, aggregate bill supply has fallen by nearly \$180 billion.

Since 2015, Treasury has attempted to maintain a prudent level of cash generally sufficient to cover one week of outflows in the Treasury General Account, subject to a minimum balance of \$150 billion. This policy was implemented to protect Treasury against potential interruptions in market access. The debt limit impasse has precluded Treasury from being able to maintain prudent cash balance levels in a manner consistent with Treasury's stated cash balance policy.

The House of Representatives recently approved legislation that suspends the debt limit through July 31, 2021. Once legislation suspending the debt limit is enacted into law, Treasury will begin the process of raising its cash balance back to levels consistent with its prudent cash balance policy, primarily through sizable increases in Treasury bill issuance.

We anticipate that the increase in bill issuance through the end of September 2019 (in order to achieve the end-of-September cash balance estimate announced on July 29, 2019) will be comparable to the increase in bill issuance that occurred in the summer of 2018. The amount of bills outstanding is expected to gradually approach levels by September that are comparable to levels last seen in May. This measured pace of increase is consistent with primary dealer expectations and assessments of market capacity.

Unexpected changes in financing needs could result in a deviation from this projected change in bill supply.

PROJECTED FINANCING NEEDS: TIPS

Treasury continues to implement the enhancements to the TIPS program announced in November 2018. Over the next refunding quarter, Treasury expects to increase the August TIPS 30-year reopening auction size to \$7 billion, to increase the September 10-year TIPS reopening auction size to \$12 billion, and to introduce the new October 5-year TIPS at an auction size of \$17 billion, consistent with the sizing of the most recent April 5-year TIPS auction. The increase in TIPS issuance is consistent with Treasury's prior guidance on this matter.

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 announcement at the end of October 2019.

CONTINUED OUTREACH ON POSSIBLE NEW INSTRUMENT

Treasury continues to evaluate the possibility of issuing a Treasury FRN linked to the Secured Overnight Financing Rate (SOFR), and at this point no decision has been made. Treasury is conducting broad market outreach, studying the potential risks and benefits of such a product, and considering how it might further our mission of financing the government at the least cost over time. Treasury welcomes comments on this matter.

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 October 30, 2019.

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