

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 \$84 billion of Treasury securities to refund approximately \$60.5 billion of privately-held Treasury notes and bonds maturing on November 15, 2019. This issuance will raise new cash of approximately \$23.5 billion. The securities are:

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

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

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

PROJECTED FINANCING NEEDS: NO INCREASE IN COUPON SIZES THIS QUARTER

Based on current fiscal forecasts, Treasury intends to maintain coupon issuance sizes at current levels over the upcoming quarter. 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.

BILL FINANCING

Since the August 2019 quarterly refunding announcement, the supply of Treasury bills has increased by \$235 billion. Treasury is also monitoring the Federal Reserve's recently announced Treasury bill purchases. Consistent with historical patterns, bill supply is anticipated to gradually increase through the end of November before declining into year-end. By the end of the year, the supply of bills is expected to be comparable to current levels, and then remain fairly level during the month of January 2020. Unexpected changes in financing needs or secondary market conditions could alter projected bill supply.

TIPS FINANCING

Over the next refunding quarter, Treasury expects to maintain the November 10-year TIPS second reopening auction size at \$12 billion, the December 5-year TIPS reopening auction size at \$15 billion, and the January 10-year TIPS auction size at \$14 billion. The December 5-year TIPS will be a reopening of the inaugural October 5-year TIPS new issue. The October 5-year TIPS met with robust demand from investors at the first auction and will provide an additional seasonality point as a 4th quarter TIPS maturity. The total expected TIPS issuance size of \$152 billion for calendar year 2019 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 in February 2020.

POTENTIAL ADDITIONS TO CURRENT SUITE OF TREASURY SECURITIES

Treasury is taking a proactive approach to prepare for prospective future financing needs. Treasury is exploring a range of possible new products, including a 1-year SOFR-linked FRN, a 20-year nominal coupon bond, and a 50-year nominal coupon bond. Analysis and market outreach to inform any future issuance decisions is ongoing. Consistent with past practice, Treasury endeavors to provide market participants with ample notice regarding any changes to issuance plans in quarterly refunding statements.

TEST BUYBACK OPERATION

Since 2014, Treasury has conducted periodic testing of existing IT infrastructure to ensure its buyback functionality remains operational. In the fourth 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 fourth 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.

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 February 5, 2020.

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