

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

February 5, 2020

**WASHINGTON** — The U.S. Department of the Treasury is offering \$84 billion of Treasury securities to refund approximately \$70.5 billion of privately-held Treasury notes and bonds maturing on February 15, 2020. This issuance will raise new cash of approximately \$13.5 billion. The securities are:

- A 3-year note in the amount of \$38 billion, maturing February 15, 2023;
- A 10-year note in the amount of \$27 billion, maturing February 15, 2030; and
- A 30-year bond in the amount of \$19 billion, maturing February 15, 2050.

The 3-year note will be auctioned on a yield basis at 1:00 p.m. ET on Tuesday, February 11, 2020. The 10-year note will be auctioned on a yield basis at 1:00 p.m. ET on Wednesday, February 12, 2020. The 30-year bond will be auctioned on a yield basis at 1:00 p.m. ET on Thursday, February 13, 2020. In light of the President's Day holiday, all of these auctions will settle on Tuesday, February 18, 2020.

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

## **BILL FINANCING**

Since the end of December 2019, the total supply of Treasury bills has been relatively stable and is currently \$90 billion below the seasonal peak from late-November 2019. In light of seasonal borrowing needs, total bill supply is anticipated to increase modestly over the next several weeks, peak in mid- to late-March, and then decline in April. Treasury anticipates that CMBs may be a component of our financing strategy over this period.

Treasury also continues to monitor the Federal Reserve System's bill purchases, the supply of privately-held bills, and any resulting effect on secondary market conditions. When the Federal Reserve Systems's purchases of Treasury securities first mature and are rolled over as an "add-on" to announced Treasury auction sizes, Treasury may reduce privately-held gross issuance (i.e. announced auction sizes) and still achieve the same amount of net privately-held borrowing.

## **TIPS FINANCING**

Over the next refunding quarter, Treasury expects to maintain TIPS issuance sizes at \$8 billion for the February 30-year TIPS, \$12 billion for the March 10-year TIPS reopening, and \$17 billion for the April 5-year TIPS. These auctions will complete the calendar enhancements and auction size increases to maintain TIPS share of outstanding debt that were announced in November 2018. Treasury will continue to closely monitor TIPS market conditions and assess supply and demand dynamics when considering how best to meet future financing needs.

As always, Treasury will continue to evaluate the fiscal outlook and assess the need to make adjustments to auction sizes at the next quarterly refunding announcement.

## **INTRODUCTION OF A 20-YEAR NOMINAL COUPON BOND**

Treasury [recently announced](#) that it intends to issue a 20-year nominal coupon bond in the first half of calendar year 2020. Treasury received positive feedback from a broad array of market participants, including the Treasury Borrowing Advisory Committee (TBAC) and the primary dealers, on the benefits of adding a 20-year maturity to our nominal coupon offerings.

Treasury believes that there will be strong demand from investors for this security, which will increase our financing capacity over the long-term. Treasury intends to make the 20-year bond a benchmark issue through regular and predictable monthly issuance in sizes sufficient to maintain benchmark liquidity. Consistent with feedback from market participants, the 20-year bond will have maturity, coupon, and dated dates aligned with the 15th of the mid-quarter refunding months (i.e. February, May, August, and November of each year), with a new issue in

the refunding months and two reopenings in subsequent months. This structure will align coupon and maturity dates with the 10-year note and 30-year bond in order to ensure STRIPS fungibility. However, the 20-year bond auction will settle at month-end or the first business day thereafter along with the other month-end nominal coupons, and will auction the same week as TIPS, in order to spread the auction supply of duration more evenly across the month.

More details about the 20-year nominal coupon bond offering, including the timing of the first auction and issue sizes, will be announced at the May 2020 Quarterly Refunding. Market participants are encouraged to take any necessary steps to prepare for the introduction of this security.

## **TREASURY PLANS TO ISSUE A REQUEST FOR INFORMATION (RFI) ON SOFR-INDEXED FRNS**

Treasury continues to explore the possibility of issuing a floating rate note indexed to the Secured Overnight Financing Rate (SOFR). In an effort to further our understanding of potential demand for such a security and how it might fit into Treasury's goal of financing the government at the least cost over time, Treasury intends to issue an RFI in the first half of calendar year 2020. Market participants and the public are encouraged to respond to the RFI when it is released.

## **PUBLIC RELEASE OF AGGREGATED TREASURY SECURITIES TRANSACTION DATA**

Treasury supports the work of the Financial Industry Regulatory Authority (FINRA) to release a public report on weekly aggregated Treasury securities transactions information and statistics based on data collected through its Trade Reporting and Compliance Engine (TRACE) facility. Since collection began in July 2017, the data has been available only to the official sector and considerable effort has been dedicated to analyzing the data. In addition, Treasury conducted extensive outreach with market participants to inform its policy regarding public dissemination of the data.

Once released, the public report of weekly aggregated transactions will provide the most comprehensive account of how much, in what security types, and in what segments of the market Treasury securities are traded. This report should provide market participants with greater insights into market liquidity for particular securities and segments that have previously been less transparent to the broader public. Treasury expects the first release of this data by

FINRA to occur in March 2020. For more information, please see the September 2019 [remarks](#) by Deputy Secretary Muzinich on this topic.

Please send comments or suggestions on these subjects or others related to debt management to [debt.management@treasury.gov](mailto:debt.management@treasury.gov).

The next quarterly refunding announcement will take place on Wednesday, May 6, 2020.

###