

Quarterly Refunding Statement of Deputy Assistant Secretary for Federal Finance Brian Smith

August 4, 2021

WASHINGTON — The U.S. Department of the Treasury is offering \$126 billion of Treasury securities to refund approximately \$58.6 billion of privately-held Treasury notes and bonds maturing on August 15, 2021. This issuance will raise new cash of approximately \$67.4 billion. The securities are:

- A 3-year note in the amount of \$58 billion, maturing August 15, 2024;
- A 10-year note in the amount of \$41 billion, maturing August 15, 2031; and
- A 30-year bond in the amount of \$27 billion, maturing August 15, 2051.

The 3-year note will be auctioned on a yield basis at 1:00 p.m. EDT on Tuesday, August 10, 2021. The 10-year note will be auctioned on a yield basis at 1:00 p.m. EDT on Wednesday, August 11, 2021. The 30-year bond will be auctioned on a yield basis at 1:00 p.m. EDT on Thursday, August 12, 2021. All of these auctions will settle on Monday, August 16, 2021.

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

PROJECTED FINANCING NEEDS AND ISSUANCE PLANS

Treasury does not anticipate making any changes to nominal coupon and FRN auction sizes over the next quarter. However, continuing current issuance sizes and patterns may provide more borrowing capacity than is needed to address borrowing needs over the intermediate-to-long term. Accordingly, Treasury will continue to monitor the fiscal outlook while considering potential ways to reduce auction sizes in a manner that is aligned with borrowing and liquidity needs. As part of that process, Treasury will continue to engage with a variety of market participants to better understand the supply and demand dynamics for existing securities, with an expectation of announcing an initial set of auction size reductions as soon as the November refunding announcement.

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.

TIPS FINANCING

Since January 2021, Treasury has increased TIPS auction sizes in all tenors (new issues and reopenings) by around \$1 billion each month, amid solid demand, in order to stabilize the percent of TIPS to total marketable debt outstanding. This gradual increase will continue with a \$1 billion increase in the August 30-year reopening compared to its respective issuance size last year, in the September 10-year reopening compared to the May reopening, and in the October 5-year new issue compared to the April new issue. Any additional issuance size changes will be announced quarterly in subsequent refunding statements. While flexibility will be maintained to adjust TIPS issuance at each refunding quarter, we expect total gross issuance of TIPS to increase by \$15 billion to \$20 billion in CY 2021.

SOFR-INDEXED FRN

Treasury has completed its internal review of this product and will consider whether an FRN linked to the Secured Overnight Financing Rate (SOFR) is necessary to meet its intermediate-to long-term borrowing needs as it evaluates the evolving fiscal outlook and its overall product suite.

BILL ISSUANCE

The amount of net new cash still being raised from coupon issuance will allow Treasury to continue gradual reductions in bills as a percent of Treasury debt outstanding, in a manner consistent with recommendations made by the Treasury Borrowing Advisory Committee (TBAC) at its November 2020 meeting. Accordingly, Treasury plans to further modify its regular cadence of CMBs. Treasury anticipates that weekly issuance of the 6-week CMBs will cease after settlement on August 19, whereas weekly issuance of the 17-week CMBs will continue at least through the end of October.

DEBT LIMIT

The Bipartisan Budget Act of 2019 suspended the debt limit through July 31, 2021.^[1] Since that date, Treasury has begun using extraordinary measures to finance the government on a temporary basis. As Secretary Yellen recently outlined in a July 23 letter to Congress, the

period of time that extraordinary measures may last is subject to considerable uncertainty due to a variety of factors, including the challenges of forecasting the payments and receipts of the U.S. government months into the future, exacerbated by the heightened uncertainty in payments and receipts related to the economic impact of the pandemic. Given this, Treasury is not able to currently provide a specific estimate of how long extraordinary measures will last.

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 Wednesday, November 3, 2021.

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[1] For more information about the debt limit, see <https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/debt-limit>.