

Quarterly Refunding Statement of Assistant Secretary for Financial Markets Josh Frost

August 3, 2022

WASHINGTON — The U.S. Department of the Treasury is offering \$98 billion of Treasury securities to refund approximately \$54.1 billion of privately-held Treasury notes and bonds maturing on August 15, 2022. This issuance will raise new cash from private investors of approximately \$43.9 billion. The securities are:

- A 3-year note in the amount of \$42 billion, maturing August 15, 2025;
- A 10-year note in the amount of \$35 billion, maturing August 15, 2032; and
- A 30-year bond in the amount of \$21 billion, maturing August 15, 2052.

The 3-year note will be auctioned on a yield basis at 1:00 p.m. ET on Tuesday, August 9, 2022. The 10-year note will be auctioned on a yield basis at 1:00 p.m. ET on Wednesday, August 10, 2022. The 30-year bond will be auctioned on a yield basis at 1:00 p.m. ET on Thursday, August 11, 2022. All of these auctions will settle on Monday, August 15, 2022.

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

Since the May refunding, Treasury has continued to receive information regarding projected borrowing needs, including an additional quarter of tax receipts and clarity on the timing and pace of redemptions of Treasury securities from the Federal Reserve System Open Market Account. Based on this updated information, Treasury intends to continue reducing auction sizes of nominal coupon securities during the upcoming August – October 2022 quarter. Treasury believes these reductions announced today leave Treasury well-positioned to address potential changes to the fiscal outlook. Depending on future developments in projected borrowing needs, Treasury will consider whether adjustments in future quarters may be appropriate.

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.

NOMINAL COUPON AND FRN FINANCING

Over the next three months, Treasury anticipates incrementally reducing the size of each of the 2-, 3-, 5-, and 7-year note auctions by \$1 billion per month. As a result, the size of the 2-, 3-, 5-, and 7-year note auctions will each decrease by \$3 billion by the end of October.

Treasury anticipates decreases of \$1 billion to both the new and reopened 10-year note auction sizes and to the new and reopened 30-year bond auction sizes starting in August.

Treasury also anticipates decreases of \$2 billion to both the new and reopened 20-year bond auction sizes starting in August. Market participant feedback in the past quarter has indicated that slightly larger reductions to 20-year bond auction sizes relative to surrounding maturities would improve the structural supply and demand balance at the tenor, but also noted that it was important to ensure benchmark liquidity size and that any adjustments be made in the context of Treasury's regular and predictable issuance framework.

In addition, Treasury anticipates maintaining the August and September reopening 2-year FRN auction sizes and maintaining the October new issue 2-year FRN auction size.

The table below presents the anticipated auction sizes in billions of dollars for the August – October 2022 quarter:

	<u>2-Year</u>	<u>3-Year</u>	<u>5-Year</u>	<u>7-Year</u>	<u>10-Year</u>	<u>20-Year</u>	<u>30-Year</u>	<u>FRN</u>
<i>May-22</i>	47	45	48	42	36	17	22	22
<i>Jun-22</i>	46	44	47	40	33	14	19	22
<i>Jul-22</i>	45	43	46	38	33	14	19	24
<i>Aug-22</i>	44	42	45	37	35	15	21	22
<i>Sep-22</i>	43	41	44	36	32	12	18	22
<i>Oct-22</i>	42	40	43	35	32	12	18	24

The changes in nominal coupon auction sizes announced today will result in a \$51 billion reduction of issuance to private investors during the August – October 2022 quarter compared to the May – July 2022 quarter.

TIPS FINANCING


Over the next refunding quarter, Treasury intends to maintain the August 30-year TIPS reopening auction size at \$8 billion, increase the September 10-year TIPS reopening auction size to \$15 billion (a \$1 billion increase from the May reopening auction size), and increase the October 5-year TIPS new issue auction size to \$21 billion (a \$1 billion increase from the April new issue auction size). Given Treasury's desire to stabilize the share of TIPS as a percent of total marketable debt outstanding and continued robust demand, Treasury will continue to monitor TIPS market conditions and consider whether subsequent modest increases would be appropriate.

BILL ISSUANCE AND 4-MONTH BILL BENCHMARK


Based on current forecasts, Treasury expects that the supply of bills outstanding in mid-July will represent the lowest point for the calendar year. Since this low point, Treasury has increased bills outstanding by \$77 billion and anticipates that supply will further increase by nearly \$100 billion over the remainder of the current calendar quarter. As always, Treasury will continue to evaluate the fiscal outlook and assess the need to make adjustments to bill auction sizes as the outlook evolves.


As announced at the May quarterly refunding, Treasury plans to transition the 4-month (i.e., 17-week) CMB to benchmark status. During this transition, Treasury will continue to issue the 4-month CMB at a regular weekly cadence. Treasury anticipates that the first benchmark 4-month bill auction will be announced on October 18, 2022 and auctioned on October 19, 2022. As noted previously, Treasury intends to maintain the Tuesday settlement and maturity cycle for the 4-month benchmark bill.

AMENDMENTS TO TREASURY AUCTION REGULATIONS

On July 7, 2022, Treasury issued a [final rule](#)  that makes several technical amendments designed to modernize the auction regulations, enhance their clarity, and improve consistency in the use of terminology. The amendments are effective on August 8, 2022. Accordingly, the non-competitive bidding and award limits for all marketable Treasury securities auctions will increase from the current limit of \$5 million to \$10 million beginning with the auctions closing on Monday, August 8, 2022.

ADDITIONAL PUBLIC TRANSPARENCY

In June, Treasury, in consultation with the Inter-Agency Working Group on Treasury Market Surveillance, took an important step in its work to bolster Treasury market resilience by publishing a [request for information](#)  to solicit public feedback on additional post-trade data transparency in secondary market transactions of Treasury securities. Treasury encourages market participants to provide feedback during the 60-day public comment period, which remains open until August 26, 2022.

In addition, Treasury supports the Financial Industry Regulatory Authority's recent [proposed rule change](#)  to publish the aggregated U.S. Treasury Security transaction information and statistics on a more frequent basis, such as moving from weekly to daily publication.

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 2, 2022.

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