

# U.S. DEPARTMENT OF THE TREASURY

## Quarterly Refunding Statement of Assistant Secretary for Financial Markets Josh Frost

February 1, 2023

WASHINGTON — The U.S. Department of the Treasury is offering \$96 billion of Treasury securities to refund approximately \$67.1 billion of privately-held Treasury notes and bonds maturing on February 15, 2023. This issuance will raise new cash from private investors of approximately \$28.9 billion. The securities are:

- A 3-year note in the amount of \$40 billion, maturing February 15, 2026;
- A 10-year note in the amount of \$35 billion, maturing February 15, 2033; and
- A 30-year bond in the amount of \$21 billion, maturing February 15, 2053.

The 3-year note will be auctioned at 1:00 p.m. ET on Tuesday, February 7, 2023. The 10-year note will be auctioned at 1:00 p.m. ET on Wednesday, February 8, 2023. The 30-year bond will be auctioned at 1:00 p.m. ET on Thursday, February 9, 2023. All of these auctions will take place on a yield basis and will settle on Wednesday, February 15, 2023.

The balance of Treasury financing requirements over the quarter will be met with regular 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 believes that current issuance sizes leave it well-positioned to address a range of potential borrowing needs, and as such, does not anticipate making any changes to nominal coupon and FRN new issue or reopening auction sizes over the upcoming February 2023 – April 2023 quarter.

The table below presents the anticipated auction sizes in billions of dollars for the February 2023 – April 2023 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>
Nov-22	42	40	43	35	35	15	21	22

Dec-22	42	40	43	35	32	12	18	22
Jan-23	42	40	43	35	32	12	18	24
Feb-23	42	40	43	35	35	15	21	22
Mar-23	42	40	43	35	32	12	18	22
Apr-23	42	40	43	35	32	12	18	24

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

Over the February 2023 – April 2023 quarter, Treasury intends to maintain the February 30-year TIPS new issue auction size at \$9 billion, maintain the March 10-year TIPS reopening auction size at \$15 billion, and maintain the April 5-year TIPS new issue auction size at \$21 billion. Treasury will continue monitor TIPS market conditions and consider whether modest changes would be appropriate in future quarters.

## DEBT LIMIT

Since January 19, 2023, Treasury has been using extraordinary measures to finance the government on a temporary basis.<sup>[1]</sup> As Secretary Yellen outlined in recent letters 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. While Treasury is not currently able to provide an estimate of how long extraordinary measures will enable us to continue to pay the government's obligations, it is unlikely that cash and extraordinary measures will be exhausted before early June.

Until the debt limit is suspended or increased, debt limit-related constraints will lead to greater-than-normal variability in benchmark bill issuance and significant usage of CMBs.

## BUYBACK OUTREACH

Treasury continues to study a potential buyback program. Over the last quarter, Treasury has conducted further outreach with a broad variety of market participants in order to assess the costs and benefits associated with several potential uses for buybacks, including liquidity support and cash and maturity management. In addition, the Treasury Borrowing Advisory Committee

provided additional analysis on buybacks at yesterday's meeting. Treasury expects to share its findings on buybacks as part of future quarterly refundings. Treasury has not made any decision on whether or how to implement a buyback program but will provide ample notice to the public on any decisions.

## **ADDITIONAL PUBLIC TRANSPARENCY**

Treasury supports the work of the Financial Industry Regulatory Authority (FINRA) to enhance its aggregated reports and statistics on Treasury security transactions collected through its Trade Reporting and Compliance Engine.<sup>[2]</sup> On February 13, 2023, FINRA's current weekly reports will be replaced with daily and monthly reports. The current volume data will also be enhanced with trade counts and, for on-the-run nominal coupons, volume-weighted average price information. These enhancements should provide market participants with further insights into transaction volumes and pricing in the Treasury securities market.

In [remarks](#) at the 2022 U.S. Treasury Market Conference, Under Secretary for Domestic Finance Liang proposed a policy of publicly releasing secondary market transaction data for on-the-run nominal coupons, with end-of-day dissemination and with appropriate cap sizes. This quarter Treasury gathered views from primary dealers on the proposal. Treasury plans to continue to engage with market participants on the proposal and will provide updates on progress in upcoming quarters when appropriate.

## **SMALL-VALUE BUYBACK OPERATION**

Treasury regularly conducts periodic testing of existing IT infrastructure to ensure that buyback functionality remains operational. Within the next three months, Treasury intends to conduct another small-value buyback operation to continue testing the buyback infrastructure. Details of such an operation will be announced at a later date.

These small-scale buyback operations should not be viewed by market participants as a precursor or signal of any pending policy changes regarding Treasury's use of buybacks.

Please send comments or suggestions on these subjects or other subjects 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 3, 2023.

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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>

[2] For more information on FINRA's enhancements, see <https://www.finra.org/filing-reporting/trace/enhancements-weekly-aggregated-reports-statistics-122822>