

# U.S. DEPARTMENT OF THE TREASURY

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

May 3, 2023

WASHINGTON — The U.S. Department of the Treasury is offering \$96 billion of Treasury securities to refund approximately \$75.2 billion of privately-held Treasury notes maturing on May 15, 2023. This issuance will raise new cash from private investors of approximately \$20.8 billion. The securities are:

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

The 3-year note will be auctioned at 1:00 p.m. ET on Tuesday, May 9, 2023. The 10-year note will be auctioned at 1:00 p.m. ET on Wednesday, May 10, 2023. The 30-year bond will be auctioned at 1:00 p.m. ET on Thursday, May 11, 2023. All of these auctions will take place on a yield basis and will settle on Monday, May 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 for its near-term borrowing needs, and as such, intends to keep nominal coupon and FRN new issue and reopening auction sizes unchanged during the May 2023 – July 2023 quarter. However, based on projected intermediate- to long-term borrowing needs, Treasury may need to modestly increase auction sizes later this year, potentially as soon as the August 2023 refunding announcement.

The table below presents the anticipated auction sizes in billions of dollars for the May 2023 – July 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>
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
May-23	42	40	43	35	35	15	21	22
Jun-23	42	40	43	35	32	12	18	22
Jul-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 May 2023 – July 2023 quarter, Treasury intends to maintain the May 10-year TIPS reopening auction size at \$15 billion, maintain the June 5-year TIPS reopening auction size at \$19 billion, and maintain the July 10-year TIPS new issue auction size at \$17 billion. Treasury will continue to monitor TIPS market conditions and consider whether modest increases 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 her recent letter to Congress, our best estimate is that we will be unable to continue to satisfy all of the government’s obligations by early June, and potentially as early as June 1, if Congress does not raise or suspend the debt limit before that time. This estimate is based on currently available data, as federal receipts and outlays are inherently variable, and the actual date that Treasury exhausts extraordinary measures could be a number of weeks later than these estimates. It is impossible to predict with certainty the exact date when Treasury will be unable to pay the government’s bills, and Treasury will continue to update Congress in the coming weeks as more information becomes available. Given the current projections, it is imperative that Congress act as soon as possible to increase or suspend the debt limit in a way that provides longer-term certainty that the government will continue to make its payments.

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.

## BUYBACKS

Based on feedback from a broad variety of market participants, including the Treasury Borrowing Advisory Committee and primary dealers, Treasury believes it would be beneficial to conduct regular buyback operations for cash management and liquidity support purposes. Treasury anticipates designing a buyback program that will be conducted in a regular and predictable manner, initially sized conservatively, and not intended to meaningfully change the overall maturity profile of marketable debt outstanding.

Given various operational and design considerations, Treasury expects to begin a regular buyback program in calendar year 2024. Treasury will continue to engage with market participants as it designs the specific buyback program details and will provide further updates to the public on its implementation plans in future quarterly refunding announcements.

## **LARGE POSITION REPORT (LPR) CALL**

Sometime over the next three months, Treasury intends to issue an LPR call.<sup>[2]</sup> Treasury last conducted an LPR call on July 12, 2022.

Additionally, Treasury is offering a free virtual workshop on June 9, 2023, regarding Treasury's LPR rules, which apply to all U.S. and foreign entities that may control a large position in a specified Treasury security. More information about the workshop is available via the following [link](#).

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, August 2, 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] Further information regarding LPR calls, Treasury's rules, and supplementary formula guidance can be found at <https://www.treasurydirect.gov/laws-and-regulations/gsa/lpr-reports/>.