Treasury Cash Management Approach

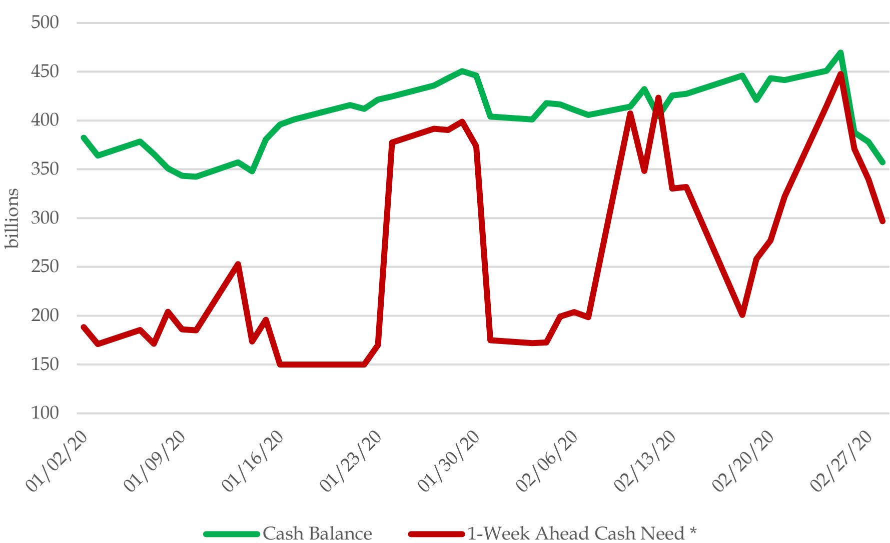
- In May 2015, Treasury announced that: "To help protect against a potential interruption in market access, Treasury will hold a level of cash generally sufficient to cover one week of outflows in the Treasury General Account, subject to a minimum balance of roughly $150 billion."[1]
  - **Policy in practice**: For each business day, Treasury calculates the expected Treasury General Account (TGA) outflows for one week following that day. This calculation includes both net fiscal outflows and the gross volume of maturing marketable debt. Furthermore, under this policy, Treasury takes into consideration cash flow uncertainty that can result from a variety of factors, including changes in economic activity influencing tax revenue, irregular outlays from federal programs, and the potential for legislative changes that affect short-term cash flows.

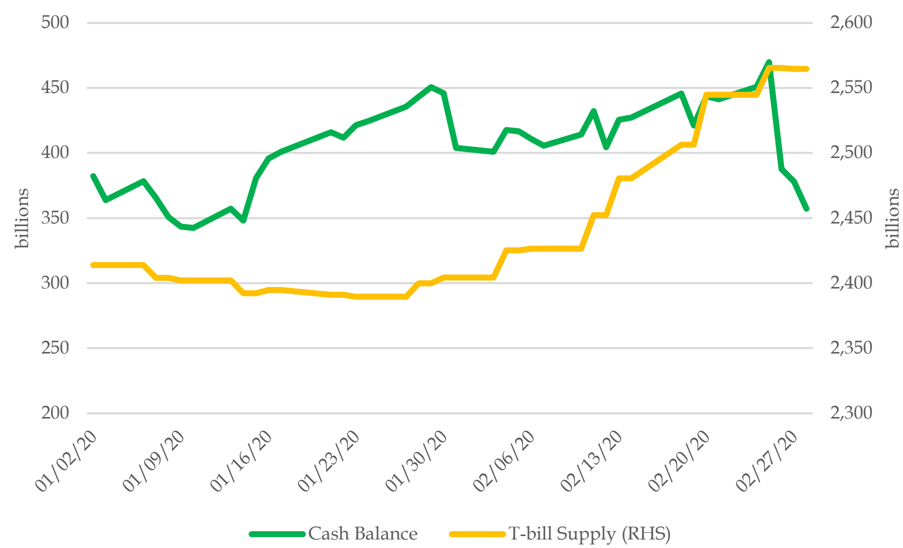
- Variations in cash flows over time result in Treasury's liquidity needs differing significantly week-to-week, but Treasury seeks to change auction sizes gradually to minimize any potential market disruption. Accordingly, Treasury develops its borrowing plans by evaluating cash flow projections not only for the week ahead, but also for subsequent weeks and months.

[1] Quarterly Refunding Statement (May 6, 2015): https://www.treasury.gov/press-center/press-releases/Pages/jl10045.aspx

Historical Case Study: January-February 2020

- During this historical case study, Treasury's liquidity needs repeatedly varied by approximately $250 billion week-to-week. In contrast, Treasury bill supply (as Treasury's issuance "shock absorber") changed more gradually, remaining largely flat until late-January before growing by $176 billion over the subsequent four weeks.
  - Rather than rapidly increasing and decreasing T-bill supply to precisely meet week-to-week variations in liquidity needs, Treasury allowed its cash balance to temporarily remain above policy minimums in recognition of upcoming liquidity needs occurring marginally beyond the immediate one-week window.
- Relatedly, the balance of the TGA varied by less than $130 billion over the same timeframe. Diminished variability in the cash balance is an outcome of Treasury's approach to T-bill supply.

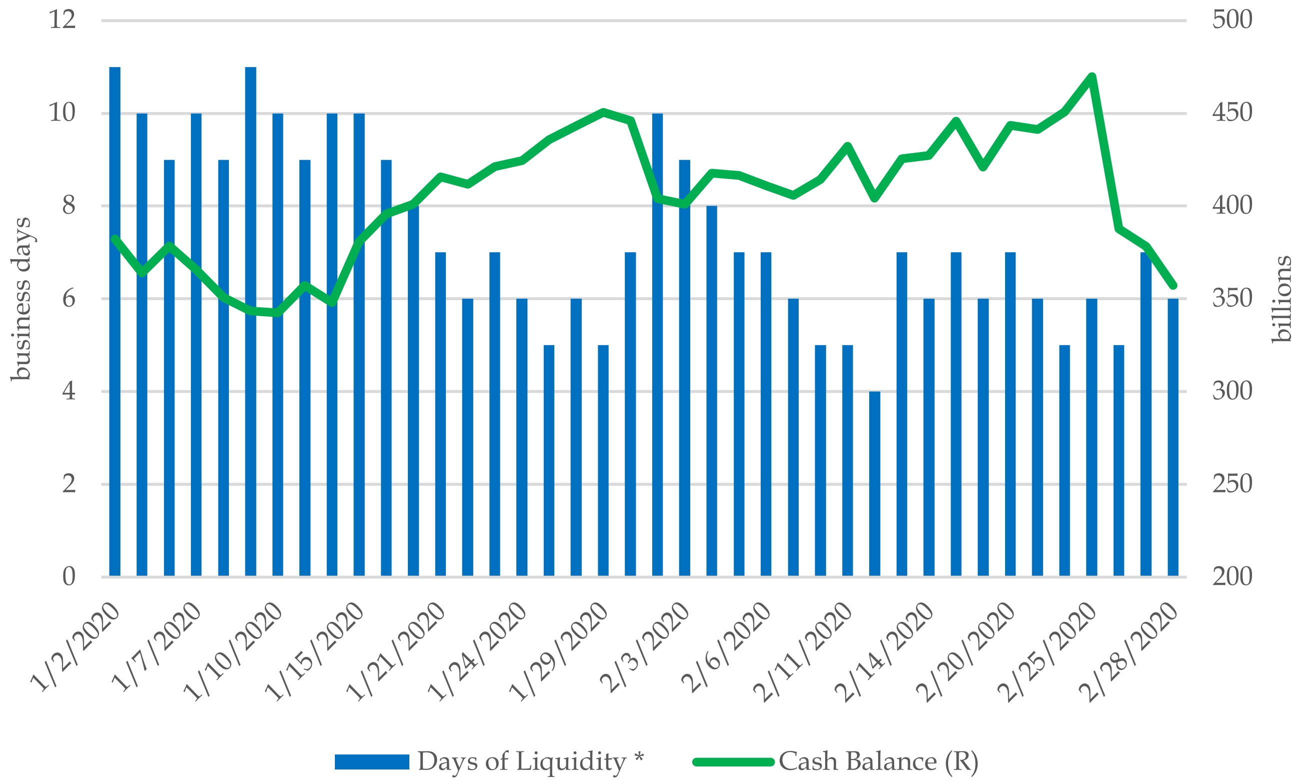




* This "1-week ahead cash need" calculation is based upon realized cash flows. However, Treasury's issuance decisions are made using cash flow *projections* available at the time.

Historical Case Study: January-February 2020, cont.

- This approach often results in Treasury holding a cash balance above the minimum level necessary to meet its projected one-week ahead cash need.
  - During this historical case study, Treasury maintained a median of 7 business days of liquidity which is consistent with the median achieved between May-2015 and December-2021.



* This "days of liquidity" calculation is based upon realized cash flows.