

MINUTES OF THE MEETING OF THE  
TREASURY BORROWING ADVISORY COMMITTEE  
OF THE PUBLIC SECURITIES ASSOCIATION  
AUGUST 3 AND 4, 1993

August 3

The Committee convened at 9:00 a.m. at the Treasury Department. All members were present, except Mr. Napoli. See the attached list.

I gave the Committee an informational background briefing updating Treasury borrowing estimates and historical information relevant to the Treasury August midquarter refunding. The borrowing estimates and background information had been released to the public on August 2, 1993.

The Committee also received a briefing by a Treasury staff member on current economic conditions. Under Secretary Newman then gave the Committee its "charge", which was to make recommendations on the August Treasury refunding and related matters. See the attached Charge. The meeting adjourned at 10:35 a.m.

The Committee reconvened at 2:35 p.m. at the Madison Hotel. All members were present, except Mr. Napoli. A Committee member circulated a draft of financing schedules (attached) as the starting point of the discussion. The meeting began with a discussion of the likely Treasury overall financing need in the rest of the July-September quarter. The Committee voted unanimously to recommend that the following issues be sold in the August refunding:

\$16.5 billion of 3-year notes, maturing 8-15-96  
\$11.0 billion of 10-year notes, maturing 8-15-03  
\$11.0 billion of 30-year bonds, maturing 8-15-23.

No reopenings were recommended. The Committee believed that it is appropriate for the Treasury to offer \$11.0 billion of 10-year notes in the August refunding, an increase of \$0.25 billion from the amount sold in the May 1993 refunding, in order to signal that the Treasury may increase the size of 10-year offerings over time.

The Committee considered, but did not vote on, a financing pattern during the rest of the quarter. The Committee discussed the possibility of increasing the size of the regular monthly 5-year notes, but deferred making a recommendation until an unspecified later date. The Committee voted unanimously to recommend a \$40 billion cash balance at the end of September.

The Committee consensus estimate was that the Treasury's October-December borrowing requirement may be closer to \$85 billion than to Treasury's estimate of \$95-\$100 billion. The

Committee was mindful that the Treasury will not issue a 7-year note or a 30-year bond during the quarter. The consensus was that the Treasury should increase the sizes of regular weekly and 52-week bills, monthly 2- and 5-year notes, and the 3- and 10-year notes in the November refunding. The consensus was also that the Treasury should issue fewer regular bills, if actual borrowing needs are closer to the Street estimate, and that the Treasury should issue large amounts of cash management bills in November to mature in January and April, in order to manage cash and debt around the tax payment dates. The Committee voted unanimously to recommend a Treasury cash balance of \$35 billion on December 31.

The Committee unanimously recommended that the Treasury extend the single-price auction experiment for monthly 2- and 5-year note auctions for one year beyond the auctions in August 1993. The Committee believed that the results of the experiment have been inconclusive to date, there have been no negative effects from the experiment, and extension might test the auction technique under a wider range of market conditions. Prior to the vote, the Committee discussed whether to recommend expanding the experiment to other Treasury securities, but no vote was taken, since the Treasury had not asked the Committee to consider this question.

The meeting adjourned at 4:15 p.m.

August 4

The Committee reconvened at 8:00 a.m. at the Treasury. All members were present, except Mr. Napoli. The Chairman presented the Committee report to Under Secretary Newman. There was a question-and-answer period related to the recommendations.

The meeting adjourned at 8:30 a.m.

  
 Jill K. Ouseley, Director  
 Office of Market Finance  
 Domestic Finance  
 August 6, 1993

Attachments

Certified by:

  
 Morgan B. Stark, Chairman  
 Treasury Borrowing Advisory Committee  
 of the Public Securities Association