

**MINUTES OF THE MEETING OF THE
TREASURY BORROWING ADVISORY COMMITTEE
OF THE PUBLIC SECURITIES ASSOCIATION
JANUARY 31 AND FEBRUARY 1, 1995**

January 31

The Committee convened at 11:30 a.m. at the Treasury Department for the portion of the meeting that was open to the public. All members were present, except Mr. Capra, Ms. Kenworthy, Mr. Kessenich, and Mr. Stark. The Federal Register announcement of the meeting and a list of Committee members are attached.

Deputy Assistant Secretary for Federal Finance Darcy Bradbury welcomed the Committee to the meeting. Assistant Secretary for Economic Policy Alicia Munnell gave a summary of the current state of the U.S. economy. Jill Ouseley, Director, Office of Market Finance, presented Treasury borrowing estimates and statistical information on recent Treasury borrowing and market interest rates. The borrowing estimates and other information in chart form had been released to the public on January 30, 1995.

The portion of the meeting open to the public ended at 12:05 p.m.

The Committee reconvened in closed session at the Madison Hotel at 2:15 p.m. The members listed above, Ms. Bradbury, and Ms. Ouseley were present. Ms. Bradbury gave the Committee its Charge, which is also attached. The Committee first discussed the size of the cash balances on March 31 and June 30 and agreed by consensus to the estimates of \$20 billion for March 31 and \$35 billion for June 30 assumed by the Treasury. A draft proforma that had been prepared by a member of the Committee (attached) was used during the discussion.

February refunding

The Committee next agreed by consensus to recommend a 3-part midquarter refunding, consisting of \$17 billion of 3-year notes, \$12 billion of 10-year notes, and \$11 billion of long-term bonds, for a total of \$40 billion. The Committee then turned its attention to the Treasury's request for recommendations on reopening the most recently offered 10- and 30-year securities.

The Committee voted by 14 yeas and 2 abstentions to recommend that the Treasury a new 10-year note. A new note was preferred to reopening the 7-7/8% note of November 15, 2004, largely because a heavy volume of issues already mature on November 15, 2004.

The Committee turned to a discussion of whether to recommend reopening the 7-1/2% bond of November 15, 2024. The consensus was that there is no shortage of the 7-1/2% bond in the cash or collateral market. The Committee did not believe that the Treasury would achieve meaningful savings from issuing a new 30-year bond, but thought that there is a need in the STRIPS market for more long-term bonds with May and November coupons. Nine members voted to recommend a new 30-1/4 year bond to mature on May 15, 2025, while 6 voted to reopen the 7-1/2% bond, and 1 voted for a new 30-year bond.

The Committee consensus was that the cash management bill to be sold as part of the refunding should mature on April 20, after the April individual tax payment date.

Financing schedule through June

The consensus was that the Treasury can leave the 2- and 5-year notes at the size of the most recent offering in February and March and vary the bill sizes to finance the rest of the Treasury's borrowing needs in the January-March quarter. Another cash management bill is expected in early March, also to mature on April 20.

The Committee consensus view is that the Treasury can meet its April-June borrowing requirements by leaving the coupon sizes unchanged and reducing bill sizes to allow for the announced paydown of \$5 to \$10 billion during the quarter. The possibility that cash management bills will be needed to bridge the cash low point in June was also foreseen.

Post 1995 borrowing pattern

The Committee discussed and agreed by consensus to recommend that, as a general debt management principle, the Treasury stabilize the maturity distribution of the debt by continuing to issue securities across the maturity spectrum. The Committee consensus opposed increasing the frequency of 52-week bill and 3-year note offerings, favoring instead increasing the frequency of 10-year notes or 30-year bonds and possibly introducing a new instrument, such as a floating-rate note with a final maturity in a range of 2 to 5 years.

May 1995 refunding meeting

Planning ahead, Committee members agreed to discuss the concept of regular offerings of Treasury inflation-indexed bonds at its regular quarterly meeting in connection with the May 1995 refunding.

The meeting adjourned at 4:10 p.m.

February 1

The Committee reconvened at 9:05 a.m. at the Treasury in closed session. The 16 members who attended the January 31 meeting were present. The Chairman presented the Committee report (copy attached) to Deputy Secretary Frank N. Newman and Deputy Assistant Secretary Bradbury.

A discussion of the refunding recommendations, especially the recommendation that the Treasury issue a new 30-1/4 year bond, followed the reading of the Committee report. There was also discussion of the Committee's view that the Treasury should issue more securities that mature in 10 or 30 years in order to prevent the the average life of the marketable debt from declining (and the proportion maturing within two years from increasing) substantially further.

The meeting adjourned at 9:35 a.m.


Jill K. Ouseley, Director
Office of Market Finance
Domestic Finance
February 1, 1995

Attachments

Certified by:



Stephen C. Francis, Chairman
Treasury Borrowing Advisory Committee
of the Public Securities Association
February 1, 1995