

MINUTES OF THE MEETING OF THE
TREASURY BORROWING ADVISORY COMMITTEE
OF THE PUBLIC SECURITIES ASSOCIATION
AUGUST 1 AND 2, 1995

August 1

The Committee convened at 11:50 a.m. at the Treasury Department for the portion of the meeting that was open to the public. All members were present, except Messrs. Bennett, Corzine, Lakefield, and Rosenberg. 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 and the public 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, discussed charts, which had been released to the public on July 31, updating Treasury borrowing estimates and providing statistical information on recent Treasury borrowing and market interest rates.

The public meeting ended at 12:20 p.m.

August refunding

The Committee reconvened in closed session at the Madison Hotel at 2:50 p.m. The members were present who had attended the public briefing, except Mr. McKnew. Deputy Assistant Secretary Bradbury gave the Committee its Charge and drafts of Treasury borrowing calendars for August through October 1995, which are also attached. The Committee first discussed the size of the August midquarter refunding within the context of the Treasury's estimate of a \$26 billion net market borrowing requirement during the July-September 1995 quarter.

Committee members proposed a choice of two potential refunding options. Their refunding recommendation (by an 11-to-3) vote is: \$18 billion of 3-year notes, \$13 billion of 10-year notes, and \$11.5 billion of 30-year bonds. The other proposal was \$17.5 billion of 3-year notes, \$12.5 billion of 10-year notes, and \$11 billion of 30-year bonds.

The Committee voted by 8 to 6 for a new 10-year note, rather than a reopening of the 6-1/2% note of May 15, 2005. The Committee did not want to add to the \$18.8 billion of marketable securities that are already mature on May 15, 2005.

The Committee then considered the maturity date for the long-term bond. By a majority of 12 to 2, the Committee voted to recommend a 30-year bond to mature on August 15, 2025. They

indicated that it is not necessary at this time to issue a 30-1/4 year bond that would add to the supply of long-term bonds with interest payments in May and November. By consensus, the Committee agreed to adopt, with revisions, the draft financing plan for the rest of the July-September quarter (see attached).

The Committee then discussed possible strategies to recommend for cash-raising beginning in early 1996. There was general discussion of the Treasury's several options, including increasing the sizes of current offerings, increasing the frequency of 3- and 10-year notes and 30-year bonds, adding new types of securities, such as floating rate notes, and combinations of these options. Several borrowing scenarios were reviewed (also attached) to increase the amounts of existing cycles of Treasury new issues.

The Committee agreed by consensus to recommend that, as a guiding principle, the Treasury not allow the 2-year and under remaining maturity of the privately held marketable debt to rise above about 50 percent of the total in order to distribute Treasury maturities over time and lessen interest rate and roll-over risks.

By consensus, the Committee agreed to recommend that, over the course of 1996, the Treasury increase the sizes of all of the current issues and increase the frequency of 10- and 30-year securities. Increasing the frequency the 10- and 30-year security issues would be accompanied by reductions in the sizes of each security, but an overall increase in the total 10- and 30-year securities issued each year. New types of securities were not recommended.

Regarding the debt limit-related portion of the Charge, the Committee agreed by consensus that Mr. Kelly's testimony of July 28, 1995, on behalf of the Public Securities Association expressed its views. Thus, the Committee agreed to submit the testimony as part of its report.

Also by consensus, the Committee agreed to recommend the financing schedule that is attached for the October-December quarter.

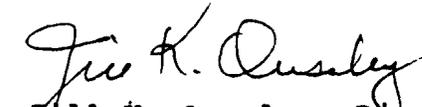
The meeting adjourned at 4:55 p.m.

August 2

The Committee reconvened at 8:30 a.m. at the Treasury in closed session. All members were present, except Messrs. Bennett, Corzine, Kessenich, Lakefield, McKnew, and Rosenberg.* The Chairman presented the Committee report (copy attached) to Under Secretary for Domestic Finance John D. Hawke and Deputy Assistant Secretary Bradbury.

In response to questions, the Committee discussed the financing strategy that it recommended in its report, particularly the importance that the Committee attaches to increasing the Treasury presence in the 10- and 30-year sectors of the market.

The meeting adjourned at 9:00 a.m.


Jill K. Ouseley, Director
Office of Market Finance
Domestic Finance
August 2, 1995

Attachments

Certified by:


Stephen C. Francis, Chairman
Treasury Borrowing Advisory Committee
of the Public Securities Association
August 2, 1995

*Mr. Napoli was also absent.