

**MINUTES OF THE MEETING OF THE
TREASURY BORROWING ADVISORY COMMITTEE
OF THE PUBLIC SECURITIES ASSOCIATION
April 30 and May 1, 1996**

April 30

The Committee convened at 11:35 a.m. at the Treasury Department for the portion of the meeting that was open to the public. All members were present, except Mr. Kessenich, Mr. Lodge, and Mr. Rosenberg. The Federal Register announcement of the meeting and a list of Committee members are attached.

Assistant Secretary for Financial Markets Bradbury welcomed the Committee and the public to the meeting. Assistant Secretary for Economic Policy Gotbaum summarized the current state of the U.S. economy. Paul Malvey, Senior Economist, Office of Market Finance, discussed charts, which had been released to the public on April 29, updating Treasury borrowing estimates and providing statistical information on recent Treasury borrowing and market interest rates.

The public meeting ended at 12:15 p.m.

May refunding

The Committee reconvened in closed session at the Madison Hotel at 2:30 p.m. The members were present who had attended the public briefing. Assistant Secretary Bradbury gave the Committee its Charge, which is also attached.

The Committee began by considering the attached proforma financing plan for the April-June quarter that had been prepared in advance by one of the members, using the market borrowing estimates that were released by the Treasury on April 29. The Committee voted unanimously to recommend that the Treasury issue \$19.0 billion of 3-year notes, \$14.0 billion of 10-year notes, and \$16.0 billion of cash management bills maturing June 20 in the May refunding. The Committee also foresees that the Treasury will need to issue more short-term cash management bills for the period from early June until after the June 15 tax payment date.

Frequency of new 10- and 30-year security auctions

The discussion of the overall Treasury financing plan for the July-September quarter was deferred until after the Committee discussed the question in the Charge pertaining to increasing the frequency of new issues of 10-year notes and 30-year bonds. The Committee discussed concerns that the sizes of each tranche of 10-year notes and 30-year bonds would be relatively small, if the Treasury does not increase its annual issuance in those maturities.

The Committee unanimously agreed to recommend that the Treasury auction a minimum of \$10 billion of 30-year bonds in each of the February, August, and November midquarter refundings, and auction a minimum of \$10 billion of 10-year notes in July, August, October, and November and that the Treasury auctions of 10-year notes in February and May be \$12 billion each. This schedule is designed to provide a greater amount of, and thus promote market liquidity in, each 10-year note auctioned in the first half of the calendar year. This combination of changes would not significantly increase Treasury borrowing in longer maturities compared with what it otherwise would have been.

July-September borrowing plan

The Committee discussed an overall approach to funding for the July-September quarter, displayed in the attached draft proforma. The Committee voted by 11 to 4 to recommend that the Treasury not increase the sizes of new issues of 2-, 3-, and 5-year notes materially over the near term and rely more heavily on bill financing in order to balance any increase in longer term issuance.

Volatility of bill issuance

The Committee overall view was that the market had reacted in a benign manner to variations in bill financing that were necessitated by the debt limit impasse, which extended from the fall 1995 through March 1996. The Committee consensus was that the Treasury had done what it needed to do in the debt limit situation, but, for cash management in more normal times, the Treasury should maintain relatively stable regular weekly bill auction sizes.

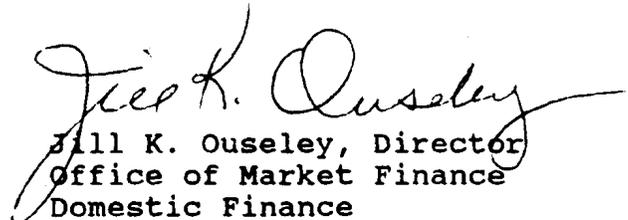
The meeting adjourned at 4:10 p.m.

May 1

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

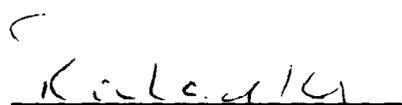
In response to questions, the Committee expanded on the discussion in the Committee report regarding the sizes of the 10-year notes and the 30-year bonds, which the Treasury has decided to offer more frequently.

The meeting adjourned at 8:50 a.m.


Jill K. Ouseley, Director
Office of Market Finance
Domestic Finance
May 1, 1996

Attachments

Certified by:


Richard Kelly, Chairman
Treasury Borrowing Advisory Committee
of the Public Securities Association
May 1, 1996