

TALKING POINTS  
FOR THE  
FINANCING PRESS CONFERENCE

August 1, 1990

Today we are announcing the terms of our regular August quarterly refunding. However, since Congress has not completed action on legislation to increase the debt ceiling, I am only able to announce a tentative schedule of the auctions and settlement of the refunding issues. We will announce the final auction schedule as soon as there is assurance of enactment of legislation to raise the statutory debt limit. We are hopeful that an increase in the debt ceiling will be enacted in a timely manner.

I will also discuss the Treasury's financing requirements for the balance of the current calendar quarter and our estimated cash needs for the October-December 1990 quarter.

1. We are offering \$32.25 billion of notes and bonds to refund \$20.0 billion of privately-held notes maturing on August 15 and to raise approximately \$12.25 billion of cash. The three securities are:

- First, a 3-year note in the amount of \$11.50 billion maturing on August 15, 1993. This note is scheduled to be auctioned on a yield basis on Tuesday, August 7. The minimum denomination will be \$5,000.

-- Second, a 10-year note in the amount of \$10.50 billion maturing on August 15, 2000. This note is scheduled to be auctioned on a yield basis on Wednesday, August 8. The minimum denomination will be \$1,000.

-- Third, a 30-year bond maturing August 15, 2020 in the amount of \$10.25 billion. This bond is scheduled to be auctioned on a yield basis on Thursday, August 9. The minimum denomination will be \$1,000.

We will accept noncompetitive tenders up to \$1,000,000 for each of these issues.

2. We are also offering \$10 billion of 36-day cash management bills maturing September 20, 1990. The cash management bills are scheduled to be auctioned on a discount basis on Thursday, August 9, at 12:00 noon for settlement Wednesday, August 15. The minimum denomination will be \$1,000,000. Noncompetitive tenders will not be accepted.

3. It will be necessary to change the auction schedule, if the Treasury does not have assurance of final action on the debt limit by August 6. August 13 is the last day on which final Congressional action could occur in time for the Treasury to auction securities on August 14 and settle them on August 15. If Congress does wait until August 13 to act, Treasury's financing

options will be limited and costly.

4. For the current July-September quarter, we estimate a net market borrowing need of \$63.5 billion, which includes Treasury borrowing to finance Federal Financing Bank lending to the Resolution Trust Corporation, and assumes a \$30 billion cash balance at the end of September. We may want to have a higher balance, depending upon our assessment of cash needs at the time.

Including this refunding, we will have raised \$40.1 billion of the \$63.5 billion in net market borrowing needed this July-September quarter. This net borrowing was accomplished as follows:

- \$3.4 billion of cash from the 2- and 4-year notes which settled July 2;
- \$3.4 billion of cash from the 7-year note that settled July 16;
- \$2.9 billion of cash from the 2-year note which settled July 31;
- \$15.0 billion of cash in regular weekly bills, including the bills announced yesterday;
- \$3.1 billion of cash in 52-week bills; and
- \$12.25 billion of cash from the refunding issues announced today.

The \$23.4 billion to be raised in the rest of the July-September

quarter could be accomplished through sales of regular 13-, 26-, and 52-week bills, a 2-year note in August and a 5-year 2-month note in early September. Additional cash management bills may be necessary to cover the low point in the cash balance in early September.

The \$4 billion cash management bills announced yesterday and the \$10 billion cash management bills announced today mature September 20. Since these bills will be issued and mature within the July-September quarter they do not affect the net market borrowing total.

5. We estimate Treasury net market borrowing needs to be in the range of \$65 to \$70 billion for the October-December quarter, assuming a \$30 billion cash balance on December 31. The Treasury's October-December borrowing estimate does not include any allowance for FFB lending to the RTC. Treasury plans to update its market borrowing estimate for the October-December quarter as soon as the Oversight Board has reviewed and approved the RTC's working capital budget for that period.

6. We anticipate that the next auction of REFCORP bonds will be announced on October 2, for auction October 9, and settlement October 16.

7. The 10-year notes and 30-year bonds announced today will be eligible for conversion to STRIPS (Separate Trading of Registered Interest and Principal of Securities) and, accordingly, may be divided into separate interest and principal components.