

TREASURY



NEWS

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REMARKS BY DARCY BRADBURY
ASSISTANT SECRETARY FOR FINANCIAL MARKETS
TREASURY QUARTERLY REFUNDING PRESS
CONFERENCE

Good afternoon. I will begin with today's refunding announcement and then I will discuss modifications in the Treasury's longer range borrowing plans.

1. We are offering \$46.0 billion of notes and cash management bills to refund \$35.0 billion of privately held notes maturing on May 15 and to raise approximately \$11.0 billion of cash.

The three securities are:

First, a 3-year note in the amount of \$19.0 billion, maturing on May 15, 1999. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Tuesday, May 7, 1996. The minimum purchase amount will be \$5,000 and purchases above \$5,000 may be made in multiples of \$1,000.

Second, a 10-year note in the amount of \$14.0 billion, maturing on May 15, 2006. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Wednesday, May 8. The minimum purchase amount will be \$1,000.

Third, a 36-day cash management bill in the amount of \$13.0 billion, maturing on June 20, 1996. This bill is scheduled to be auctioned on a yield basis at 1:00 p. m. Eastern time on Thursday, May 9. The minimum purchase amount will be \$10,000.

The new schedule will be as follows:

- the six issues of 10-year notes each year will occur in the regular midquarter refunding operations and on July 15 and October 15;
- the July 15 and October 15 10-year notes will have July 15 and October 15 maturity dates, unless those issues were reopenings of outstanding midquarter refunding securities;
- the new issue sizes for the February and May 10-year notes be could be somewhat larger than those in the second half of the calendar year, since they will be the only 10-year issues in those quarters; and
- the three issues of 30-year bonds each year will occur in the February 15, August 15, and November 15 midquarter refunding operations.

The Treasury has sold 10-year notes in regular midquarter refunding offerings since May 15, 1980. The 30-year bonds were offered in regular quarterly refundings between 1977 and May 1993, and they have been offered twice each year since August 1993. The size of each 10-year note and 30-year bond issue has grown. With the reductions in the frequency of 30-year bonds to two auctions per year and the elimination of 7-year note auctions, the Treasury's intermediate and longer term borrowing have become increasingly bunched. The attached charts show the growth in 10- and 30-year auction sizes from 1986 to the present.

While offering six 10-year notes and three 30-year bonds each year, the Treasury will reduce the size of each auction somewhat from current levels so that total annual issuance in future years will not change significantly from the levels that otherwise would have been necessary. The larger number of somewhat smaller auctions will improve Treasury's cash management, as well as spread out our exposure to unusual market conditions, without compromising the market liquidity of individual notes and bonds. Also, the somewhat smaller auctions held closer together should enhance the Treasury's ability to reopen issues. The added maturity and coupon dates will also open more possibilities for stripping.

The new issues have been added to the borrowing schedule in the second half of the calendar year, when the Treasury's seasonal borrowing requirements are relatively large. The schedule for the new issues was also matched with the maturity dates of the old 7-year notes and the midquarter refunding maturity dates. The decision we are announcing today concerning the Treasury's longer term borrowing strategy is consistent with the mix of new issues of marketable securities that the Treasury announced in May 1993 and is not expected to alter the average life of the Treasury debt to any significant degree. Today's decision also takes into account the smaller Federal budget deficits that are forecast today, compared with those estimated in 1993, as shown in the chart that is also attached.

6. The tentative auction calendars for May, June, and July are included in the chart package that was distributed today.