

The Primary Dealer Auction Size Perspectives for March 19, 2015

The Treasury Department's Office of Debt Management (ODM) would like your perspectives on current Treasury auction sizes. This information would be used to help test ODM's debt-issuance modeling assumptions, and does not reflect potential policy decisions.

For each of the 14 securities that Treasury currently issues regularly, we would be interested in your views on the following matters:

- 1) *All else equal, what is the minimum auction size needed to maintain benchmark liquidity? Specifically, what is the smallest auction size (weekly for bills, monthly for coupons) necessary to support "on-the-run" issue liquidity in the secondary market?*
- 2) *All else equal, what is the maximum auction size that could be issued without causing "significant yield deviations" from current fair value? This fair value could, for example, be as measured by your spline, or other analytical models.*
- 3) *All else equal, what is your definition, in basis points, of a "significant yield deviation"?*
- 4) *All else equal, what is the maximum change in monthly coupon auction size (+/- X \$billions) that can be implemented over a single quarter without causing "significant yield deviations"?*

Tranche	Minimum Auction Size needed to maintain Benchmark Liquidity (\$bil)		Maximum Auction Size that could be issued without causing significant yield deviations from fair value (\$bil)		Maximum change (+/-) per quarter in auction size (\$bil)		Your estimate of a significant yield deviation (basis points)	
	MEAN	STD	MEAN	STD	MEAN	STD	MEAN	STD
Bills								
4-week	22	4.5	56	5.4	17	7.8	2.6	1.5
13-week	20	2.7	39	6.5	11	5.2	2.7	1.7
26-week	19	2.5	37	4.5	10	5.0	3.1	1.8
52-week	17	2.6	32	4.3	6	2.3	2.8	2.1
Coupons								
2-year	20	1.4	42	6.3	5	1.4	4.1	1.9
3-year	20	1.7	38	6.1	5	1.4	4.4	3.0
5-year	26	3.5	42	2.3	3	1.1	5.2	3.7
7-year	22	2.3	36	2.3	3	1.0	5.2	4.2
10-year	18	1.6	29	1.3	4	0.9	6.4	5.0
30-year	11	1.7	20	1.2	2	0.8	7.4	5.9
TIPS								
5-year	13	1.2	21	1.3	3	1.5	5.9	2.2
10-year	10	1.0	18	0.7	3	1.5	5.5	1.3
30-year	6	0.6	12	1.1	3	0.5	6.6	2.6
FRN								
2-year	10	1.6	19	2.7	3	1.2	2.2	1.2