

Quarterly Refunding Charts

U.S. Department of the Treasury
Office of Debt Management
July 31, 2006



UNITED STATES
DEPARTMENT OF
THE TREASURY



Financing Near Term Outlook

- ◆ **Estimated net marketable borrowing for FY 2006 is \$188 billion, a decline of \$100 billion from the estimate last quarter.**

- ◆ **Estimated Net Marketable Borrowing**
 - **\$30 billion July-September**
 - **\$104 billion October-December**

- ◆ **FY 2006 Q4 net marketable borrowing is \$59 billion less than estimated in May. All major categories of receipts continue to exceed forecasts, while outlays have fallen below forecasts.**



Treasury Financing Requirements

\$ Billions

	April - June 2006		July - September 2006
	(Projected)	(Actuals)	(Projected)
Deficit Funding (Def + / Surplus -)	-47	-97	55
Means of Financing			
Change in Cash Balance	-17	-38	11
Net Non-Marketable Financing	7	4	-5
Other*	15	29	19
Net Marketable Financing	-51	-92	30
Net Marketable Financing			
Bills		-125	
Nominal Notes		18	
TIPS		19	
Bonds		-4	
Notes:			
Starting Cash Balance	8	8	46
Ending Cash Balance	25	46	35

* Includes direct loan activity, changes in accrued interest, checks outstanding, minor miscellaneous transactions, discount and inflation accretion on Treasuries.

Note: Totals may not add due to rounding.

- ◆ April-June pay down was larger than projected, leading to large a reduction in bills outstanding.
- ◆ Net non-marketable issuance continues to taper off from prior year record.

Marketable Treasury Coupon Flows

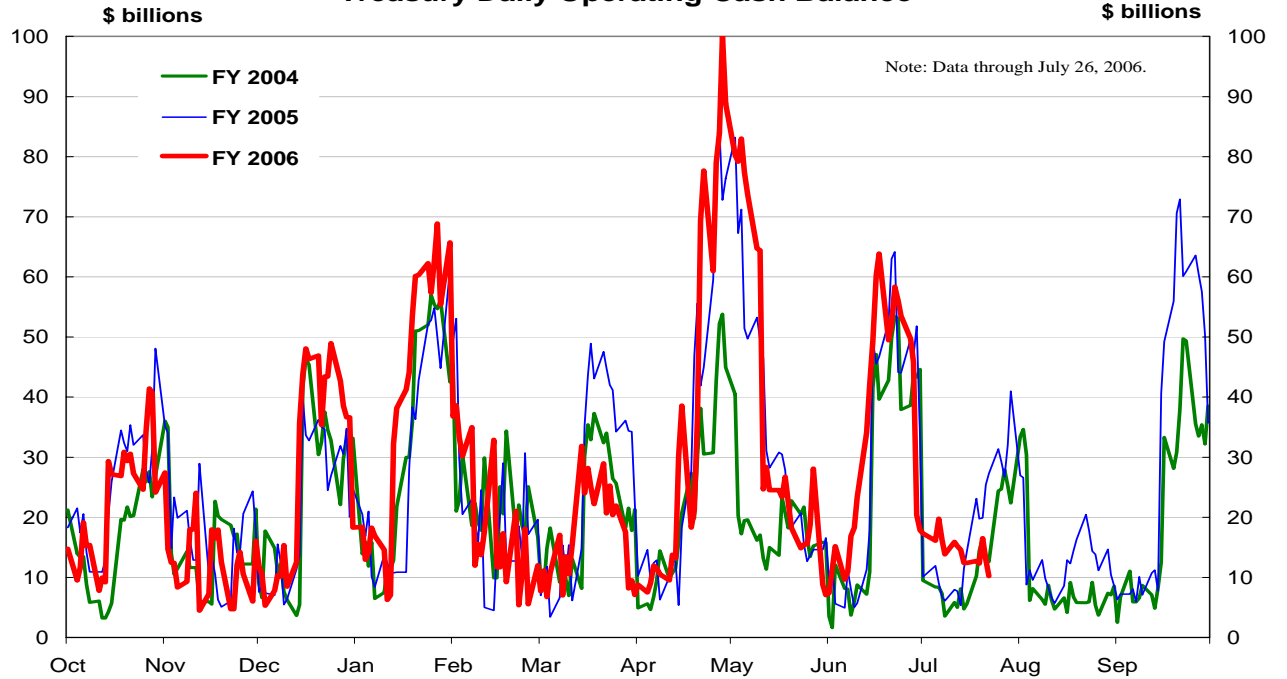
\$ Billions

Date	Maturing Coupon Securities (Excluding SOMA holdings)	Coupon Payments	Total Outflows
August 15, 2006	22	26	48
August 31, 2006	24	2	26
September 15, 2006	0	1	1
September 30, 2006	24	3	26
October 15, 2006	17	3	20
October 31, 2006	22	3	25
November 15, 2006	54	22	76
November 30, 2006	23	3	25

- ◆ September 15 issuance raises nearly all new cash.
- ◆ October 15 outflows include a maturing off-cycle 10-year note.
- ◆ November 15 outflows are large.

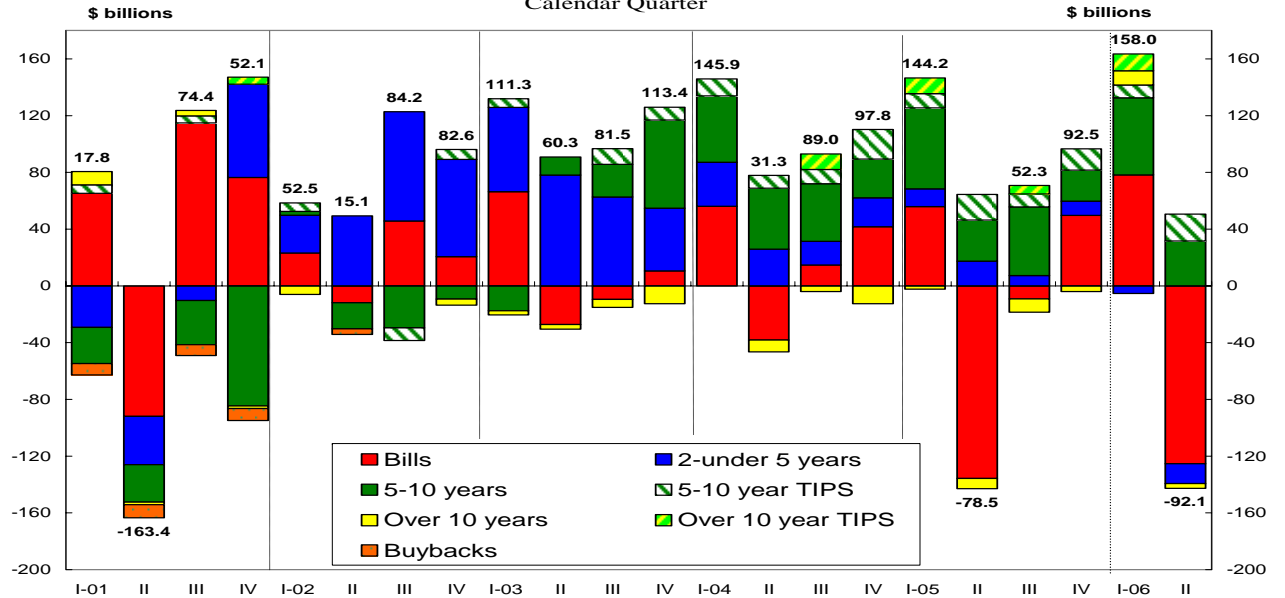


Treasury Daily Operating Cash Balance



- ◆ June cash balances rose earlier than usual due to early corporate payments.
- ◆ Early July balances ran higher than historical balances due to the change in the 5-year calendar.

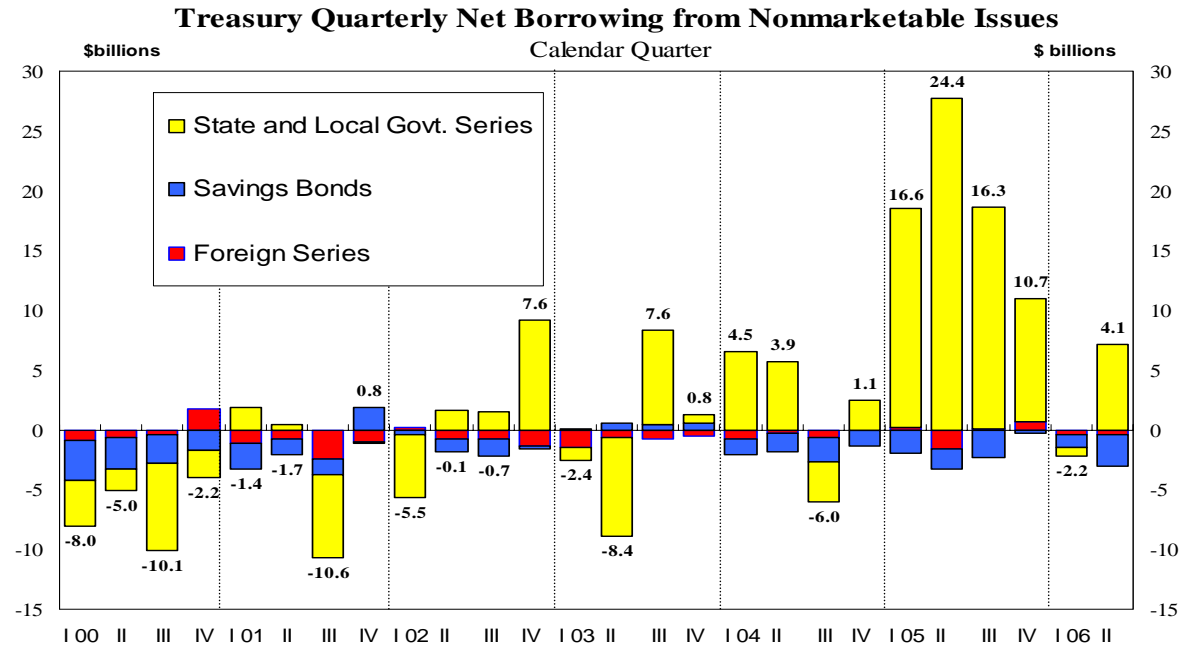
Treasury Quarterly Net Marketable Borrowing



- ◆ The net marketable pay down for Q2 was the largest since Q2 2001.
- ◆ Net Bill issuance fell dramatically.
- ◆ Net 2-year note issuance fell to levels not seen since Q2 2001.

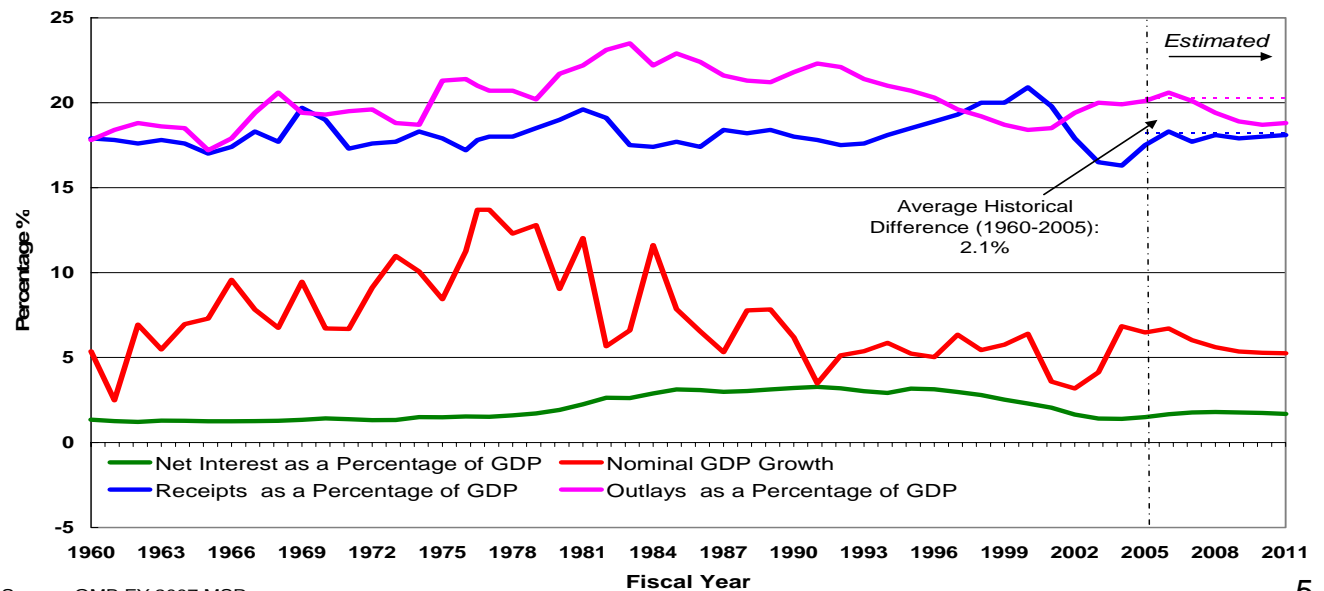


- ◆ Net nonmarketable issuance for Q2 was below expectations.



Drivers of Financing Needs

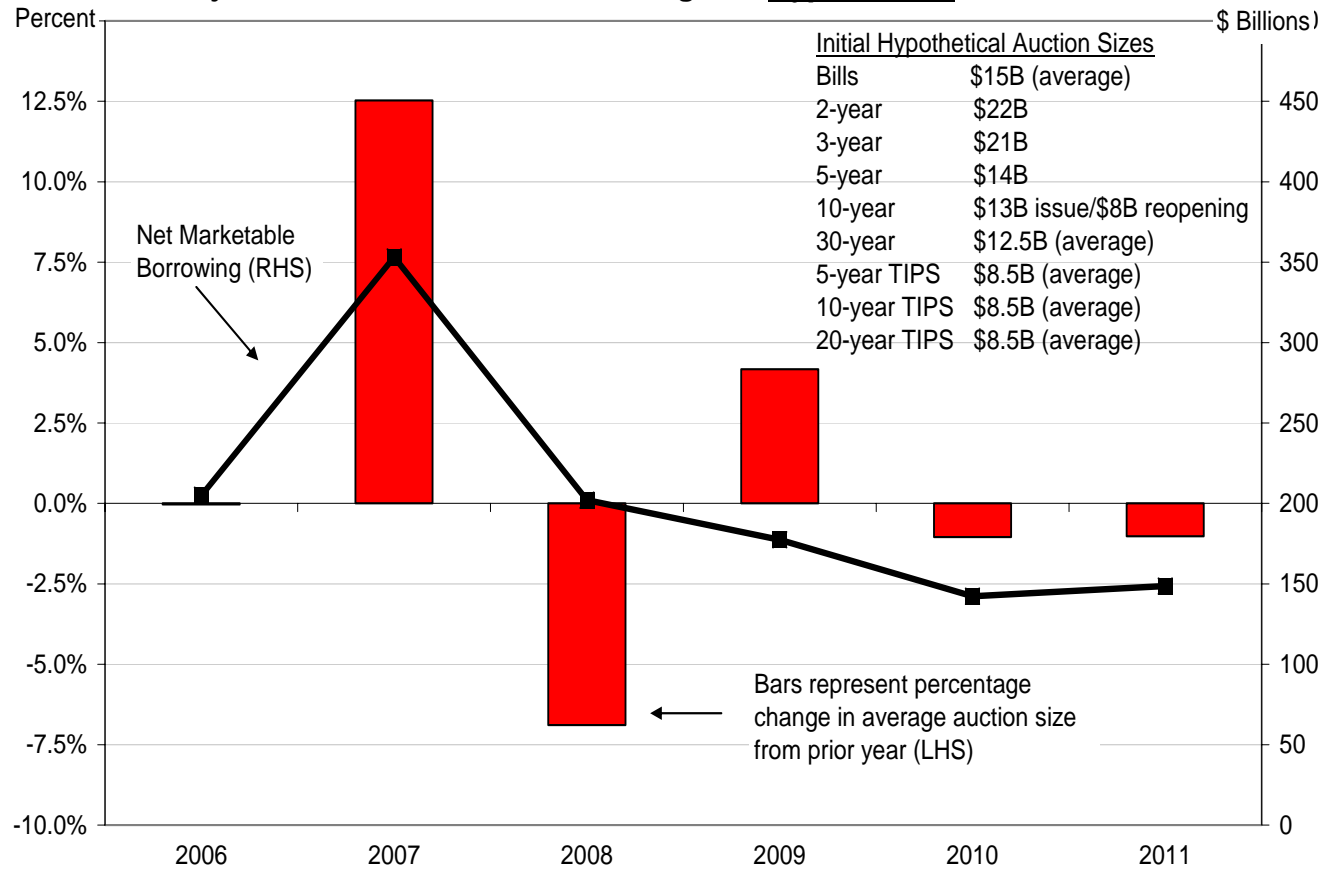
- ◆ Given recent OMB MSR estimates, revenues as a share of GDP are expected to remain mostly below the historical average, while the difference between outlays and revenues as a share of GDP declines sharply.



Source: OMB FY 2007 MSR



Projected Net Marketable Borrowing and Hypothetical Auction Sizes



◆ Despite improvements in the fiscal outlook, we still forecast a sharp one-year increase in marketable borrowing in FY 2007.

Internal Treasury budget estimate used for FY 2006. Projections for FY 2007-2011 are based on OMB 2007 MSR Budget estimates. Future residual financing needs are spread proportionally across auctioned securities to maintain constant maturity of issuance.

Debt Portfolio

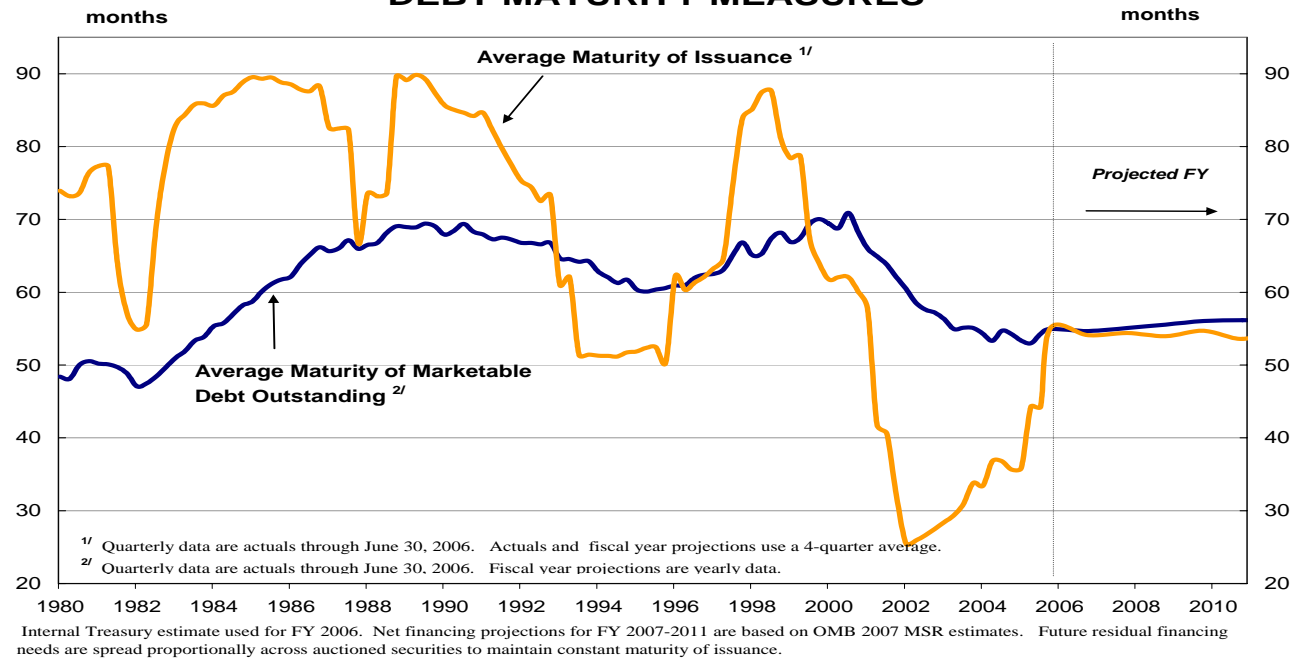
- ◆ Average maturity of total outstanding debt remains stable around 55-56 months over the next 5 years
- ◆ Average maturity of issuance stabilizes between 54-55 months
- ◆ The percent of debt maturing with 3 years or less to maturity declines to around 57 percent

Assumptions used in the next 5 charts:

- ◆ Future residual financing needs are spread proportionally across auctioned securities to maintain constant maturity of issuance, based on hypothetical initial auction sizes
- ◆ OMB 2007 MSR estimates, with internal Treasury estimate for current fiscal year

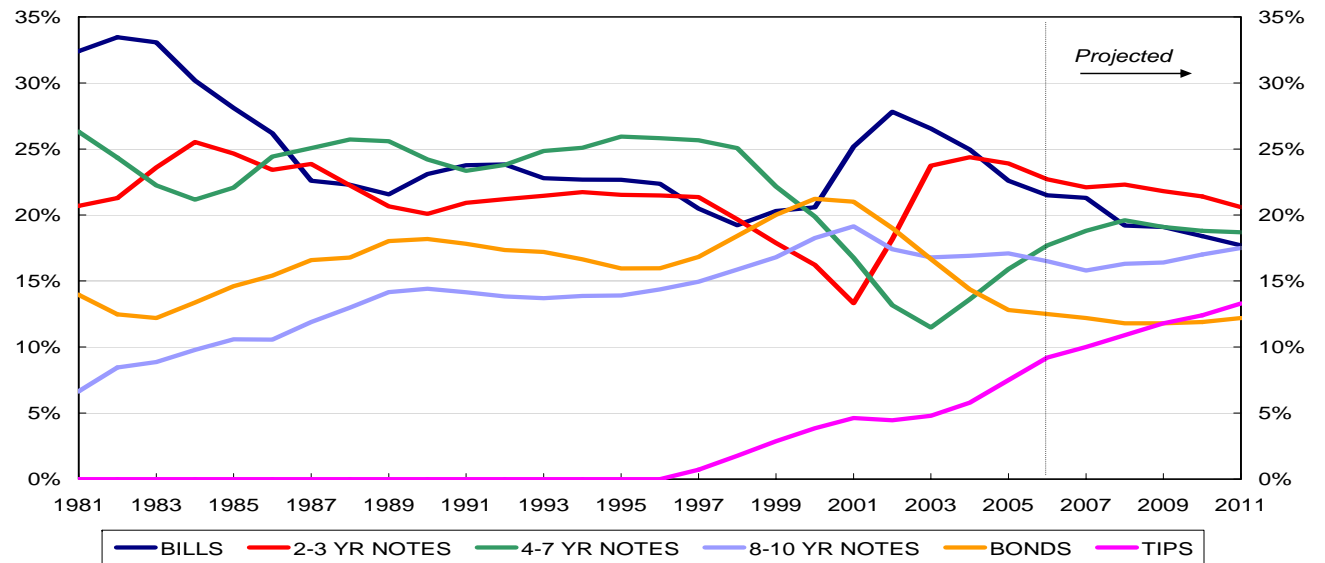


DEBT MATURITY MEASURES



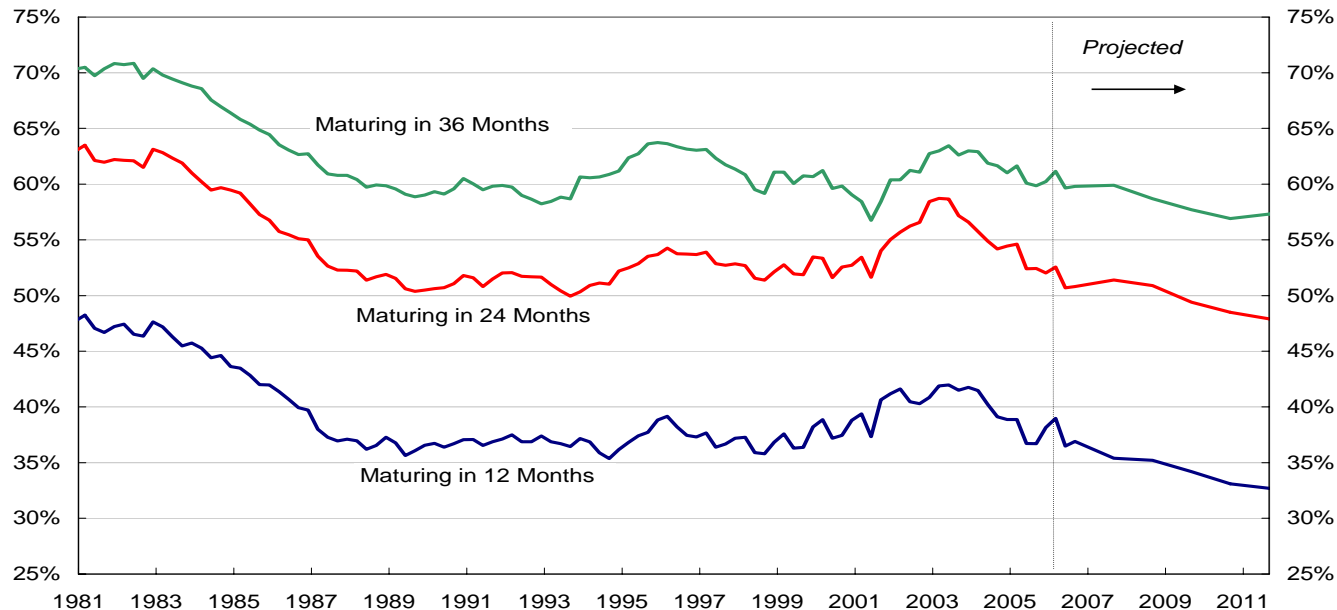
- ◆ Average maturity stabilizes and slowly ascends with assumption of stable 30-year bond issuance.
- ◆ The end of FY 2006 average maturity of issuance (a 4-quarter moving average) is expected to reach 56-months.

Distribution of Marketable Debt Outstanding by Security



- ◆ The share of 8-10 year notes is projected to approach bill levels, as bills' share of the portfolio declines to historic lows.

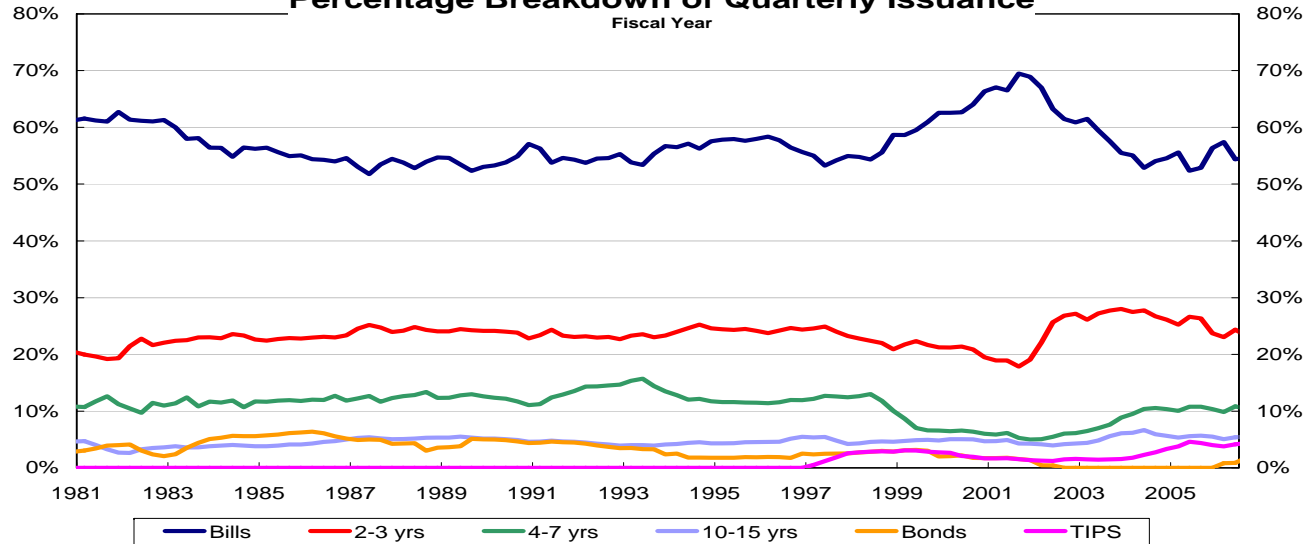
Percentage of Debt Maturing in Next 12 to 36 Months



Internal Treasury budget estimate used for FY 2006. Projections for FY 2007-2011 are based on OMB 2007 MSR Budget estimates. Future residual financing needs are spread proportionally across auctioned securities to maintain constant maturity of issuance.

- ◆ Debt with a residual maturity of 3 years or less trends toward the lower end of historical ranges.

Percentage Breakdown of Quarterly Issuance

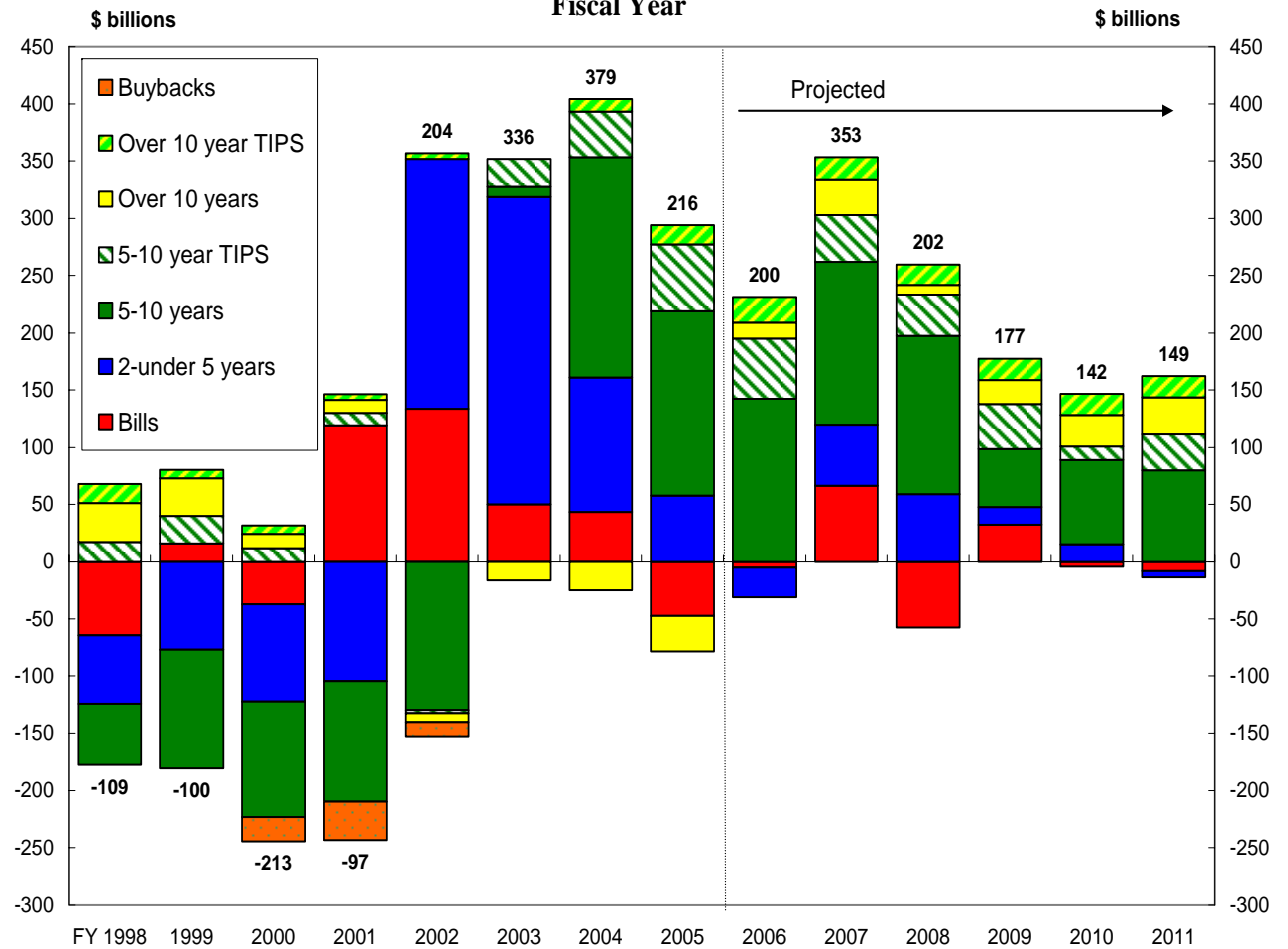


Note: Data through June 30, 2006.

- ◆ Bill issuance declined sharply due to seasonal tax inflows. TIPS and 5-year notes continue to gain as a percentage of issuance.



Treasury Annual Net Marketable Borrowing Fiscal Year



◆ The bulk of net marketable borrowing through FY 2011 will be met by 5- and 10-year note issuance.



Uncertainty

- ◆ Further positive receipts surprises would help to smooth auction sizes over the next two years.
- ◆ If the forecast errors reverse, however, the current issuance pattern requires heavy reliance on bills in the 2nd quarter of FY 2007. Given the reduction in bill supply recently, however, we believe the bill sector can accommodate negative FY 2007 fiscal shocks.



FY 06 Deficit Estimates

\$ billions

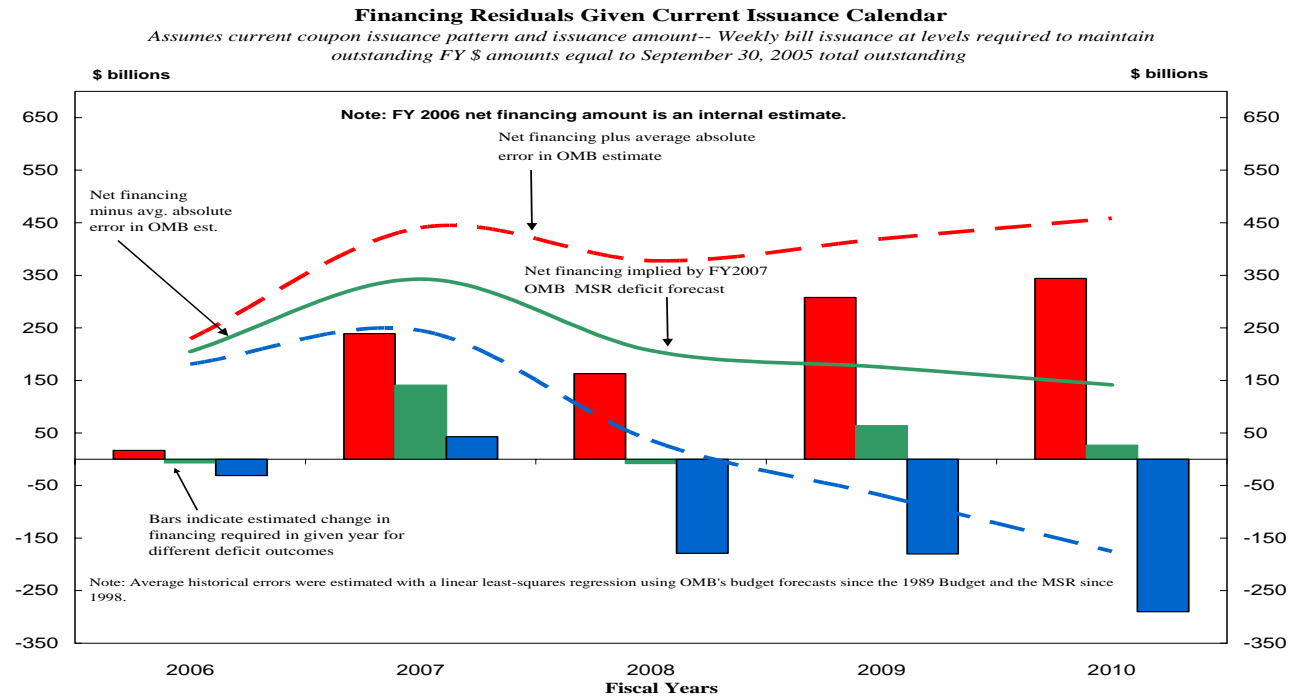
- ◆ Deficit estimates are significantly lower since May.

	Primary Dealers*	CBO	OMB
Current:	291	300	296
Range based on average absolute forecast error	273-309	289-311	267-325
Estimates as of:	July 06	May 06	July 06

Note: Ranges based on errors from 1997-2005.

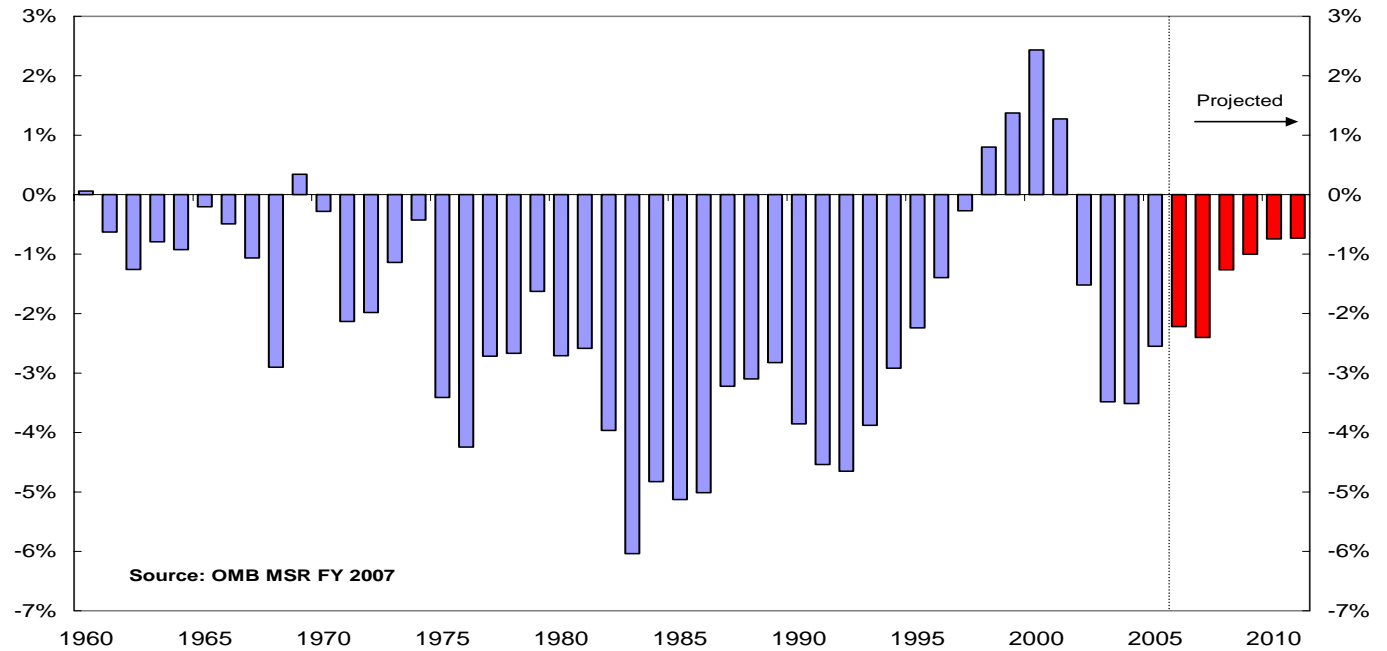
* Primary Dealers reflect average estimate.

- ◆ Current coupon pattern and issuance amounts will provide approximately \$205 billion of new financing in FY 06 and \$200 billion in FY07.



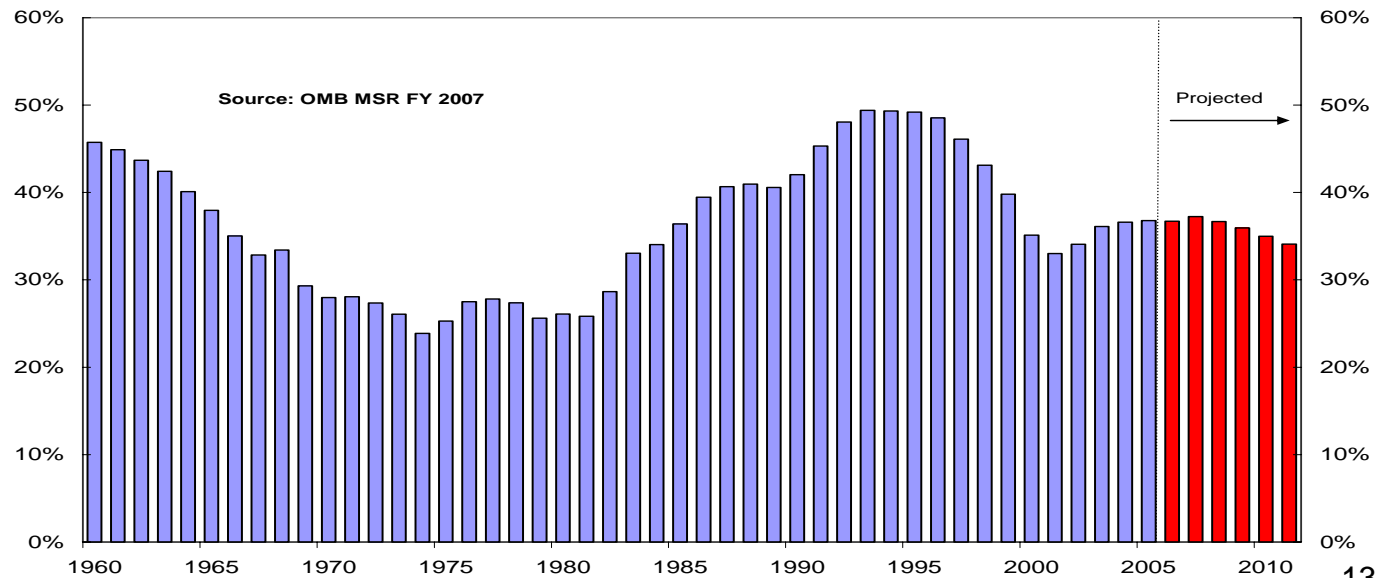
Surplus/Deficit as a Percentage of GDP

- The deficit as a percentage of GDP falls below the 40-year average of 2.3 percent in each fiscal year, except 2007.



Debt Held by the Public as a Percentage of GDP

- Debt held by the public trends below the 40-year average of 36 percent starting in FY 2009.

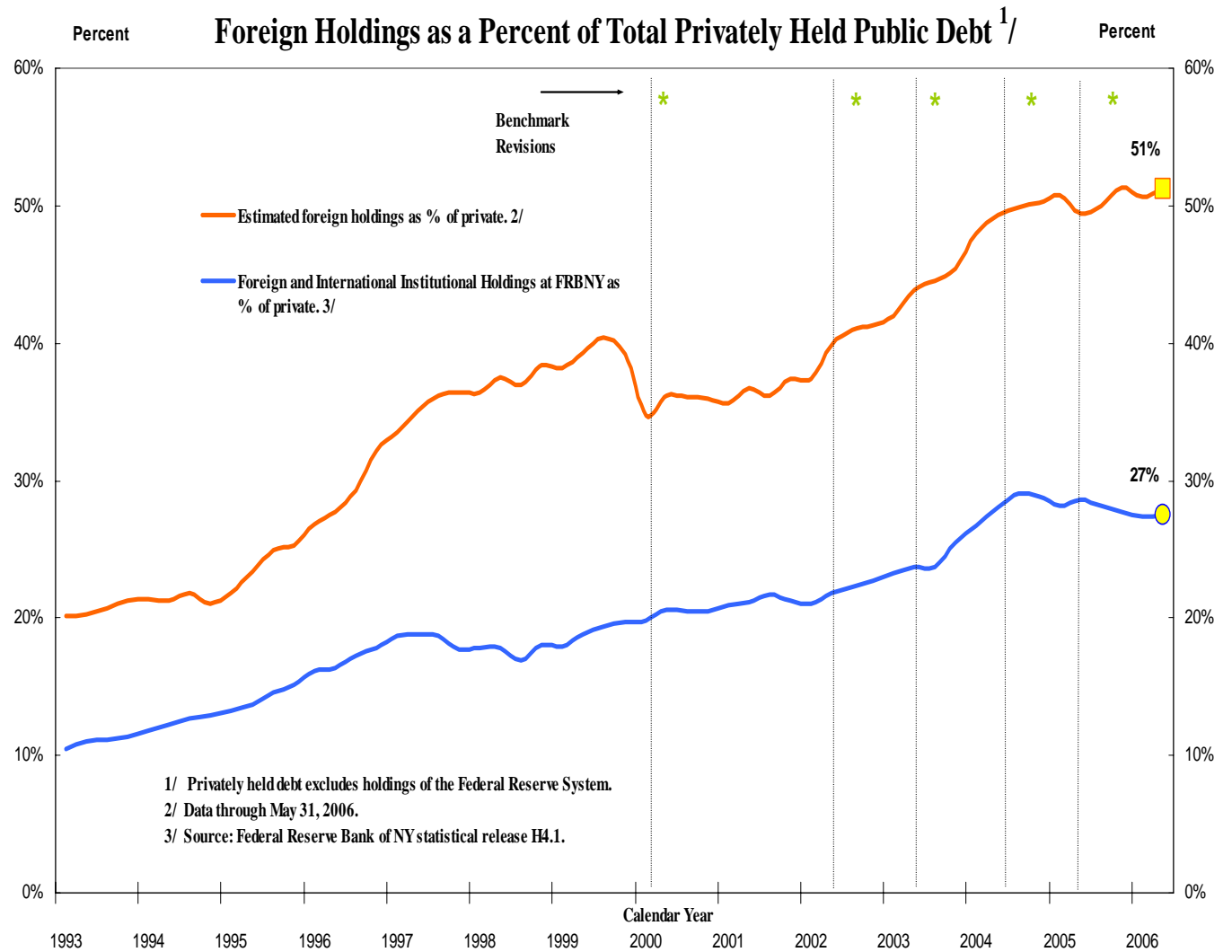


Capital Markets

- ◆ Foreign holdings of Treasuries have stabilized



- ◆ Foreign holdings of U.S. Treasury debt as a percentage of total privately held are stable despite a small decline in official holdings at the FRBNY.



Auction Release Time Performance

- ◆ No current quarter exceptions to Treasury's 2 minute (+/- 30 seconds) target auction release times

Auction Release Times for August 2005 - July 2006

Data through July 27, 2006

(In Minutes and Seconds)

