

TALKING POINTS
FOR THE
FINANCING PRESS CONFERENCE

August 3, 1994

Today, we are announcing the terms of the regular Treasury August midquarter refunding. I will also discuss Treasury financing requirements for the balance of the current calendar quarter and our estimated cash needs for the October-December 1994 quarter.

1. We are offering \$40.0 billion of notes and bonds to refund \$29.6 billion of privately held notes and bonds maturing on August 15 and to raise approximately \$10.4 billion of cash.

The three securities are:

- First, a 3-year note in the amount of \$17.0 billion, maturing on August 15, 1997. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Tuesday, August 9, 1994. 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 \$12.0 billion, maturing on August 15, 2004. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Wednesday, August 10. The minimum purchase amount will be \$1,000.

-- Third, a 30 1/4-year bond in the amount of \$11.0 billion, maturing on November 15, 2024. This bond is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Thursday, August 11. The minimum purchase amount will be \$1,000.

2. We are also announcing a \$7 billion 38-day cash management bill, which will be issued on August 15 and mature on September 22, 1994. This bill is scheduled to be auctioned on a discount rate basis at 11:30 a.m. Eastern time on Thursday, August 11. Noncompetitive tenders will be accepted up to \$1 million and, in order to be timely, must be submitted by 11:00 a.m. Eastern time. The minimum purchase amount will be \$10,000 and purchases above \$10,000 may be in multiples of \$1,000.

3. As announced on Monday, August 1, 1994, we estimate a net market borrowing need of \$45 billion for the July-September 1994 quarter. The estimate assumes a \$40 billion cash balance at the end of September. Including the notes and the bond in this refunding, we have raised \$19.6 billion of cash from the sale of marketable securities. This was accomplished as follows:

- raised \$3.2 billion from the 2-year note that settled August 1;
- raised \$11.5 billion from the 5-year note that settled August 1;

- raised \$1.7 billion from the 52-week bills;
- raised no new cash in the regular weekly bills, including those announced yesterday, August 2;
- paid down \$7.2 billion in the 7-year note that matured July 15; and
- raised \$10.4 billion of cash from the securities announced for the refunding today.

4. The Treasury will need to raise \$25.5 billion in market borrowing during the rest of the July-September quarter. We have taken into account the fact that both the \$7 billion cash management bill to be issued on August 15 and the \$6 billion cash management bill that was issued on July 15 will mature on September 22, before the end of the quarter. The financing remaining to be done before the end of September can be accomplished through regular sales of 13-, 26-, and 52-week bills and 2-year and 5-year notes, although a cash management bill may be necessary to cover the cash low-point in mid-September.

5. We estimate Treasury net market borrowing needs to be in the range of \$45 to \$50 billion for the October-December 1994 quarter, assuming a \$30 billion cash balance on December 31.

6. We are also announcing that we intend to establish 3-decimal competitive yield bidding for auctions of Treasury notes

and bonds, possibly beginning in the spring of 1995. We believe that 3-decimal bidding will tend to encourage participation in Treasury auctions and will conform Treasury auctions to current market practice for when-issued trading of Treasury securities.

7. We are also announcing that the Treasury will continue to auction regular monthly offerings of 2- and 5-year notes using the single-price method.

Treasury's use of the single-price auction method began with the 2- and 5-year note auctions in September 1992. The stated purpose of the experiment was to determine whether the uniform-price auction technique broadens participation and reduces concentration of securities on original issue, and whether it reduces the Treasury's financing costs, by encouraging more aggressive bidding by participants.

The results of the single-price auction technique to date have been neutral to slightly positive. Certain information concerning the results of the auction technique are included in the package summarizing the Borrowing Advisory Committee meeting, which you can pick up as you leave.

Until recently, market conditions had been very stable with a prolonged period when interest rates were declining to flat. We want to continue to examine evidence on the single-price

technique over more varied interest rate environments. We expect to release more information in the future for review by market participants and other interested parties.

8. We will accept noncompetitive tenders up to \$5 million for each of the notes and the bonds. The 10-year note and the 30 1/4-year bond being announced today are 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.

9. The November midquarter refunding press conference will be held Wednesday, November 2, 1994.