TALKING POINTS
FOR THE
FINANCING PRESS CONFERENCE

JANUARY 31, 1990

Today we are announcing the terms of our regular February quarterly refunding. I will also discuss the Treasury's financing requirements for the balance of the current calendar quarter and our estimated cash needs for the April-June 1990 quarter.

1. We are offering $30.0 billion of notes and bonds to refund $18.1 billion of privately-held notes maturing on February 15 and to raise approximately $11.9 billion of cash. The three securities are:

-- First, a 3-year note in the amount of $10.0 billion maturing on February 15, 1993. This note is scheduled to be auctioned on a yield basis on Tuesday, February 6. The minimum denomination will be $5,000.

-- Second, a 10-year note in the amount of $10.0 billion maturing on February 15, 2000. This note is scheduled to be auctioned on a yield basis on Wednesday, February 7. The minimum denomination will be $1,000.

-- Third, a 30-year bond maturing on February 15, 2020, in the amount of $10.0 billion. This bond is scheduled to be auctioned on a yield basis on Thursday, February 8. The minimum denomination will be $1,000.

We will accept noncompetitive tenders up to $1,000,000 for each of these issues. If the auction of 3-year notes results in an average yield of 8.25 percent to and including 8.37 percent, the Treasury will reopen the 8-1/4 percent notes of February 15, 1993.

2. For the current January-March quarter, we estimate a net market borrowing need of $41.6 billion, assuming a $10 billion cash balance at the end of March. We may want to have a higher balance, depending upon our assessment of cash needs and market conditions at the time.

Including this refunding, we will have raised $24.5 billion of the $41.6 billion in marketable borrowing in the January-March quarter. This was accomplished as follows:

-- $2.8 billion of new cash from the 2- and 4-year notes that settled January 2;

-- $3.0 billion of new cash from the 7-year note that settled January 16;

-- $.5 billion of new cash from the 2-year note that settled today;

-- $5.8 billion of new cash in regular weekly bills, including the bills announced yesterday;

-- $0.4 billion of cash in 52-week bills issued January 18; and

-- $11.9 billion of cash from the refunding issues announced today.

The $17.1 billion to be raised in the rest of the January-March quarter could be accomplished through sales of regular 13-, 26-, and 52-week bills, 2-year notes in February and a 5-

year, 2-month note in early March. Cash management bills may be necessary to cover the low points in the cash balance.

3. We estimate a paydown in a range of $5 to $10 billion in market borrowing in the April-June 1990 quarter, assuming a $35 billion cash balance at the end of June.

4. The Treasury market borrowing estimates that we are announcing today for the first half of calendar year 1990 do not include any allowance for financing the working capital needs of the Resolution Trust Corporation. Such working capital financing will be temporary in nature and will carry assets of problem savings and loans at current market value until they can be disposed of by RTC.

A decision has not been made as to the method to fund RTC's working capital requirements. The Treasury and the RTC Oversight Board have indicated to Congress that three options are under consideration. Each of these options would replace the current financing for the assets that are held by troubled thrifts with funds from an alternate source. Therefore, on balance, there will be no increase in the total demand for funds in the credit market as a result of the RTC working capital program.

One of the three options is borrowing from the Federal Financing Bank, which obtains its funds from the Treasury. Although there would be no net change in the total demand for credit, Treasury's borrowing requirements would increase temporarily if the FFB option were selected.

Neither of the other two options -- financing through the Federal Home Loan Banks and through brokered deposits -- would affect Treasury borrowing requirements directly. We expect a decision to be made on the funding for RTC working capital in mid-February. At that time, we will be in a better position to identify the impact of RTC working capital on Treasury borrowing requirements.

5. We expect the financing needs of the Resolution Funding Corporation to continue to be funded in long-term maturities. REFCORP borrowing finances the losses of problem savings and loans with funds from thrift industry sources and Federal contributions. REFCORP long-term bond sales are tentatively scheduled for early in the first month of each calendar quarter and will continue until REFCORP uses its remaining $20.5 billion of borrowing authority. Assuming that we stay on a quarterly schedule, the next REFCORP bond sale tentatively will occur during the week of April 9, the same week as the Treasury 7-year note.

6. The Treasury notes and 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.