Feb 1986 Refunding

TALKING POINTS
FOR THE
FINANCING PRESS CONFERENCE
January 29, 1986

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 quarter and our estimated cash needs for the April-June quarter.

1. We are offering $23.0 billion of 3- 10- and 30-year domestic securities to refund $9.8 billion of publicly-held coupon securities maturing on February 15 and raise approximately $13.2 billion of new cash. In addition, we are offering up to $1.0 billion of foreign targeted securities in conjunction with the 10-year domestic issue.

   The three new securities are:

   --First, a 3-year note in the amount of $9.0 billion maturing on February 15, 1989. This note will be auctioned on a yield basis on Tuesday, February 4. The minimum denomination will be $5,000.

   --Second, a 10-year note in the amounts of $7.0 billion for the domestic issue and up to $1 billion for the foreign targeted companion issue, both maturing on February 15, 1996. These notes will be auctioned on a yield basis on Wednesday, February 5. The minimum denomination will be $1,000.

   --Third, a 30-year bond in the amount of $7.0 billion maturing on February 15, 2016. This bond will be auctioned on a yield basis on Thursday, February 6. The minimum denomination will be $1,000.

On each of the three domestic issues, we will accept non-competitive tenders of up to $1,000,000. The size of the domestic 10-year issue is the same as the amount announced in the November refunding; the 3-year and the 30-year issues are each $1/4 billion higher than the comparable issues in November.

2. For the current January-March quarter, we estimate a net market borrowing of $36.3 billion, assuming a $10 billion cash balance at the end of March.

3. Including this refunding, we will have raised $25.7 billion in marketable borrowing. This was accomplished as follows:

--$6.5 billion of new cash from the 7-year note which settled on January 15.

--$4.8 billion of new cash from the 20-year bond which settled on January 15.

--$1.2 billion of new cash from the 2-year note which settles January 31.

--$2.4 billion of new cash in weekly bills, including the bills announced yesterday.

--$.6 billion of new cash from the 52-week bills which settled January 23.

--$4.0 billion paydown in the cash management bill which matured January 23.

--$13.2 billion of new cash from the February refunding domestic issues.

--up to $1 billion from the 10-year foreign targeted issue.

The remaining net financing requirement of $10.6 billion could be accomplished through sales of regular weekly and monthly bills, monthly 2-year notes, a 4-year note at the end of March, and a note in early March in the 5-year maturity range.

4. Our net market borrowing need in the April-June quarter is currently estimated in the range of $30 to $35 billion, assuming a $15 billion cash balance at the end of June. We may wish to have a somewhat higher cash balance than the $15 billion amount we have assumed for June 30, depending upon our assessment of cash needs and market conditions at the time.

The 10-year domestic note and the 30-year bond being offered today will be eligible for conversion to STRIPS (Separate Trading of Registered Interest and Principal of Securities) and, accordingly, may be divided into their separate Interest and Principal components.

TALKING POINTS
FOR THE
FINANCING PRESS CONFERENCE
April 30, 1986

Today we are announcing the terms of our regular May quarterly refunding. I will also discuss the Treasury's financing requirements for the balance of the current quarter and our estimated cash needs for the July-September quarter.

1. We are offering $27.0 billion of 3- 10- and 30-year securities to refund $14.2 billion of publicly-held coupon securities maturing on May 15 and raise approximately $12.8 billion of new cash. This is somewhat less than the $13.2 billion of new cash raised in the February refunding and the $13.0 billion raised in the November refunding.

   The three new securities are:

   --First, a 3-year note in the amount of $9.0 billion maturing on May 15, 1989. This note will be auctioned on a yield basis on Tuesday, May 6. The minimum denomination will be $5,000.

   --Second, a 10-year note in the amount of $9.0 billion maturing on May 15, 1996. This note will be auctioned on a yield basis on Wednesday, May 7. The minimum denomination will be $1,000.

   --Third, a 30-year bond in the amount of $9.0 billion maturing on May 15, 2016. This bond will be auctioned on a yield basis on Thursday, May 8. The minimum denomination will be $1,000.

On each of the three issues, we will accept non-competitive tenders of up to $1,000,000. The size of the 3-year issue is the same as the amount announced in the February refunding; the 10-year and the 30-year issues are each $2 billion higher than the comparable issues in February.

2. For the current April-June quarter, we estimate a net market borrowing of $31.4 billion, assuming a $15 billion cash balance at the end of June. We may wish to have a somewhat higher June 30 cash balance, depending upon our assessment of cash needs and market conditions at the time.

3. Including this refunding, we will have raised $21.6 billion in marketable borrowing. This was accomplished as follows:

--$6.5 billion of new cash from the 7-year note which settled on April 3.

--$2.1 billion of new cash from the 2-year note which settles April 30.

--$1.4 billion of new cash from the 52-week bills which settled April 17.

--$1.2 billion paydown in weekly bills, including the bills announced yesterday.

--$12.8 billion of new cash from the May refunding issues.

The remaining net financing requirement of $9.8 billion could be accomplished through sales of regular weekly and monthly bills, monthly 2-year notes, a 4-year note at the end of June, a note in early June in the 5-year maturity range, and cash management bills.

4. Our net market borrowing need in the July-September quarter is currently estimated in the range of $50 to $55 billion, assuming a $20 billion cash balance at the end of September.

The 10-year note and the 30-year bond being offered today will be eligible for conversion to STRIPS (Separate Trading of Registered Interest and Principal of Securities) and, accordingly, may be divided into their separate Interest and Principal components.

We have also decided to eliminate the regular quarterly 20-year bond cycle. We announced on March 18 the cancellation of the 20-year bond that we normally would have auctioned in late March, because Congress had not yet acted to increase the amount of Treasury's authority to issue long-term bonds without regard to the 4-1/4 percent statutory interest rate ceiling. We stated at that time that we wished to preserve our then remaining bond authority for the 30-year bond to be offered in the May refunding, because the 30-year bond is a more attractive issue in the market and thus less costly to the Treasury. Over the past month we have carefully assessed the market's reaction to the cancellation of the March 20-year bond, and we have concluded that it would be more cost-effective for the Treasury to issue larger amounts of 10- and 30-year securities rather than 20-year issues. That decision is reflected in the significant increases in the amounts of the 10- and 30-year issues we are announcing today. While there will be no 20-year issues in the near future, the maturities and timing of our issues over the longer run will, of course, depend upon market conditions and our total financing needs at the time.

On another Treasury debt management matter, I would like to note that we are considering the need to reduce the guaranteed minimum interest rate on new issues of U.S. Savings Bonds.

The Treasury is pleased with the success of the market-based variable rate savings bond we introduced in November 1982. Since then Series EE savings bonds have provided a yield equivalent to 85 percent of the 5-year Treasury marketable rate for savings bonds held at least 5 years. Such bonds, like the previous EE bonds, have early redemption and tax deferral advantages not offered on Treasury marketable securities, and also have a guaranteed minimum rate of 7.5 percent if held at least 5 years. The new savings bond has been well received by savers, while at the same time it has been a cost effective means of financing a portion of the public debt, as compared to financing with marketable securities. Sales of savings bonds have more than doubled, from $779 million in the third quarter of 1982 to $1.7 billion in the first quarter of 1986.

Market yields have declined substantially since the current terms of the market-based savings bond rate were established. The market-based savings bond rates are calculated in six-month blocks, and are announced early in May and November each year. The first market-based rate announced in November 1982 was 11.09 percent. The rate for the current 6-month period is 8.36 percent, for bonds purchased through today. The rate for the May-October period, to be announced later this week, will be about 7 percent. Thus, the variable market-based rate, for the first time, will be lower than the 5-year floor rate of 7.5 percent.

In these circumstances, we are considering a reduction in the 7.5 percent floor for future issues of Series EE savings bonds, in order to preserve the cost effectiveness of the program and to avoid excessive competition with other savings forms. We are not considering a change in the market-based formula, and any reduction in the 7.5 percent guaranteed minimum rate will apply only to bonds sold, or extended in maturity, after the reduction is announced.

TO BE RELEASED AT 4:00 p.m.
PRESS CONFERENCE

April 30, 1986

TREASURY ANNOUNCES ELIMINATION OF 20-YEAR BONDS AND CONSIDERATION OF REDUCTION IN SAVINGS BONDS INTEREST RATE FLOOR

20-year bond

The Treasury Department announced today that it will eliminate the regular quarterly 20-year bond cycle. The Department announced on March 18 the cancellation of the 20-year bond that it normally would have auctioned in late March, because Congress had not yet acted to increase the amount of Treasury's authority to issue long-term bonds without regard to the 4-1/4 percent statutory interest rate ceiling. The Department stated at that time that it wished to preserve its then remaining bond authority for the 30-year bond to be offered in the May refunding, because the 30-year bond is a more attractive issue in the market and thus less costly to the Treasury. Over the past month Treasury has carefully assessed the market's reaction to the cancellation of the March 20-year bond and concluded that it would be more cost-effective for the Treasury to issue larger amounts of 10- and 30-year securities rather than 20-year issues. That decision is reflected in the significant increases in the amounts of the 10- and 30-year issues announced today. While there will be no 20-year issues in the near future, the maturities and timing of Treasury issues over the longer run will, of course, depend upon market conditions and total financing needs at the time.

Savings Bond rate

The Treasury also announced that it is considering the need to reduce the guaranteed minimum interest rate on new issues of U.S. Savings Bonds.

The Treasury is pleased with the success of the market-based variable rate savings bond introduced in November 1982. Since then Series EE savings bonds have provided a yield equivalent to 85 percent of the 5-year Treasury marketable rate for savings bonds held at least 5 years. Such bonds, like the previous EE bonds, have early redemption and tax deferral advantages not offered on Treasury marketable securities, and also have a guaranteed minimum rate of 7.5 percent if held at least 5 years. The new savings bond has been well received by savers, while at the same time it has been a cost effective means of financing a portion of the public debt, as compared to financing with marketable securities. Sales of savings bonds have more than doubled, from $779 million in the third quarter of 1982 to $1.7 billion in the first quarter of 1986.

Market yields have declined substantially since the current terms of the market-based savings bond were established. The market-based savings bond rates are calculated in six-month blocks, and are announced early in May and November each year. The first market-based rate announced in November 1982 was 11.09 percent. The rate for the current 6-month period is 8.36 percent, for bonds purchased through today. The rate for the May-October period, to be announced later this week, will be about 7 percent. Thus, the variable market-based rate, for the first time, will be lower than the 5-year floor rate of 7.5 percent.

In these circumstances, Treasury is considering a reduction in the 7.5 percent floor for future issues of Series EE savings bonds, in order to preserve the cost effectiveness of the program and to avoid excessive competition with other savings forms. The Department is considering a change in the market-based formula, and any reduction in the 7.5 percent guaranteed minimum rate will apply only to bonds sold, or extended in maturity, after the reduction is announced.

August 1986
refunding file

TALKING POINTS
FOR THE
FINANCING PRESS CONFERENCE
July 30, 1986

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

1. We are offering $28.0 billion securities to refund $14.3 billion of publicly-held coupon securities maturing on August 15 and raise approximately $13.7 billion of new cash.

   The three securities are:

   --First, a 3-year note in the amount of $9.5 billion maturing on August 15, 1989. This note will be auctioned on a yield basis on Tuesday, August 5. The minimum denomination will be $5,000.

   --Second, a 9-3/4 year note in the amount of $9.5 billion maturing on May 15, 1996. This note will be a reopening of the 10-year note issued in May of this year and will be auctioned on a yield basis on Wednesday, August 6. The minimum denomination will be $1,000.

   --Third, a 29-3/4 year bond in the amount of $9.0 billion maturing on May 15, 2016. This bond will be a reopening of the 30-year bond issued in May of this year and will be auctioned on a yield basis on Thursday, August 7. The minimum denomination will be $1,000.

On each of the three issues, we will accept noncompetitive tenders of up to $1,000,000. The sizes of the 3-year and 9-3/4 year issues are $1/2 billion higher than the amounts announced in the May refunding, and the size of the 29-3/4 year issue is the same as the May issue.

2. For the current July-September quarter, we estimate a net market borrowing of $43.5 billion, assuming a $20 billion cash balance at the end of September. We may wish to have a somewhat higher September 30 cash balance, depending upon our assessment of cash needs and market conditions at the time.

3. Including this refunding, we will have raised $27.9 billion in marketable borrowing. This was accomplished as follows:

--$6.8 billion of new cash from the 7-year note which settled on July 7.

--$1.5 billion of new cash from the 2-year note which settles July 31.

--$1.9 billion of new cash from the 52-week bills on July 10 and August 7.

--$4.0 billion of new cash from weekly bills, including the bills announced yesterday.

--$13.7 billion of new cash from the August refunding issues.

The remaining net financing requirement of $15.6 billion could be accomplished through sales of regular weekly and monthly bills, monthly 2-year notes, a 4-year note at the end of September, and a note in early September in the 5-year maturity range.

4. Our net market borrowing need in the October-December quarter is currently estimated in the range of $50 to $55 billion, assuming a $15 billion cash balance at the end of December. We may wish to have a somewhat higher December 31 cash balance, depending upon our assessment of cash needs and market conditions at the time.

The 9-3/4 year note and the 29-3/4 year bond announced today will be eligible for conversion to STRIPS (Separate Trading of Registered Interest and Principal of Securities) and, accordingly, may be divided into their separate Interest and Principal components.

Our current cash and debt projections indicate that there will be adequate room under the debt ceiling to accommodate the August 15 issues announced today, though we may need to reduce the size of the weekly bill issues settling on August 14.

Revenues have been higher and outlays lower than agency estimates provided to Treasury as recently as July 15. Therefore, it now appears likely that we will be able to avoid a default through September 1 provided we use borrowing authority available to the Federal Financing Bank.

However, because we will be at the statutory debt limit, Treasury will be unable to invest the Social Security normalized tax transfer on September 2 and there is also some possibility that the Treasury will run out of cash that day. It will not be possible to pay Social Security benefits on September 3 without taking actions that could adversely affect the Social Security trust funds. To pay benefits, we would probably have to do redemptions earlier than normal and we would have to redeem long-term securities held by the trust funds that would ordinarily not have been redeemed in September.

Even though these actions would be taken exclusively to pay benefits, they would result in lost earnings to the trust funds. Congress will not return from its August recess until after September 3. Therefore, to avoid these losses and their adverse psychological effect on Social Security recipients, and because Treasury cannot assure that there will be sufficient cash on September 2, we strongly urge Congress to increase the debt limit prior to the August recess.

On another Treasury debt management matter, I would like to repeat our statement at the April 30 press conference that we are considering the need to reduce the 7.5 percent guaranteed minimum interest rate on new issues of U.S. Savings Bonds, in order to preserve the cost effectiveness of the program and to avoid excessive competition with other savings forms.

The Treasury is pleased with the continued success of the market-based variable rate savings bond we introduced in November 1982. The new savings bond has been well received by savers, while at the same time it has been a cost effective means of financing a portion of the public debt, as compared to financing with marketable securities. Sales of savings bonds have increased sharply, from $779 million in the third quarter of 1982 to $2,230 million in the second quarter of 1986. We are not considering a change in the market-based formula, and any reduction in the 7.5 percent guaranteed minimum rate will apply only to bonds sold, or extended in maturity, after the reduction is announced.

We are also making a change in the timing of our note auctions in the third month of each quarter. As indicated in the tentative schedule we distributed today, we are combining the 2-year, 4-year and 7-year note auctions in the fourth week of September, rather than continuing the past practice of auctioning the 2-year note about a week earlier. This change is possible since we are no longer selling 20-year bonds in that week. Combining the three note auctions in one week will help focus the market on the end-of-quarter financing and will reduce the lengthy period between the auction and issue dates for the 2-year note.

I am pleased to announce that the Treasury has implemented its new automated Treasury Direct Book-Entry Securities System. The three securities announced today will be the first securities to be issued in TREASURY DIRECT. Beginning with these offerings, no engraved securities will be issued for new marketable note and bond offerings. Implementation of TREASURY DIRECT fulfills the Department's goal of issuing all of its marketable securities exclusively in book-entry form, and will save the Treasury approximately $46 million over a 7 year period. The TREASURY DIRECT system will provide payments that are automatically credited on the due date to investors' designated checking or savings accounts, thus eliminating delays and potential loss of mailed checks. Treasury bills, which are already offered exclusively in book-entry form are scheduled to have new issues phased into the TREASURY DIRECT system in 1987.

The Treasury is also planning to make available a facility for the conversion of physically stripped bearer securities into a book-entry form at the Federal Reserve Bank of New York. This will reduce the current costs and risks to the market in holding these physical coupons and will improve the liquidity and efficiency of the market. This facility is expected to be available in January 1987. Additional information will be provided in the near future. This new facility will be maintained separately from the Treasury STRIPS program.

Finally, under the STRIPS program, the Treasury's earlier announced plans to provide for reconstitution of STRIPS are now at a stage where we expect to make this option available early in the Spring of 1987.

Nov 15, 1986 Refunding

TALKING POINTS
FOR THE
FINANCING PRESS CONFERENCE
October 29, 1986

Today we are announcing the terms of our regular November quarterly refunding. I will also discuss the Treasury's financing requirements for the balance of the current quarter and our estimated cash needs for the January-March quarter.

1. We are offering $29.0 billion of securities to refund $13.4 billion of publicly-held coupon securities maturing on November 15 and to raise approximately $15.6 billion of new cash.

   The three securities are:

   --First, a 3-year note in the amount of $10.0 billion maturing on November 15, 1989. This note will be auctioned on a yield basis on Tuesday, November 4. The minimum denomination will be $5,000.

   --Second, a 10-year note in the amount of $9.75 billion maturing on November 15, 1996. This note will be auctioned on a yield basis on Wednesday, November 5. The minimum denomination will be $1,000.

   --Third, a 30-year bond in the amount of $9.25 billion maturing November 15, 2016. This bond will be auctioned on a yield basis on Thursday, November 6. The minimum denomination will be $1,000.

On each of the three issues, we will accept noncompetitive tenders of up to $1,000,000. The size of the 3-year issue is $1/2 billion higher than the amount announced in the August refunding, and the sizes of the 10-year note and 30-year bond are $1/4 billion higher than the amounts announced in the August refunding.

2. For the current October-December quarter, we estimate a net market borrowing of $57.3 billion, assuming a $15 billion cash balance at the end of December. We may wish to have a somewhat higher December 31 cash balance, depending upon our assessment of cash needs and market conditions at the time.

3. Including this refunding, we will have raised $30.8 billion in marketable borrowing. This was accomplished as follows:

--$7.0 billion of new cash from the 7-year note which will settle on November 3.

--$1.7 billion of new cash from the 2-year note which settles on October 31.

--$3.1 billion of new cash from the 52-week bills including the bill settling on October 30.

--$4.0 billion of new cash from the cash management bill settling on November 4.

--$.6 billion paydown in weekly bills including the bills announced yesterday.

--$15.6 billion of new cash from the November refunding issues.

The remaining net financing requirement of $26.5 billion could be accomplished through sales of regular weekly and monthly bills, monthly 2-year notes, a 4-year note at the end of December, a note in early December in the 5-year maturity range and a cash management bill.

4. Our net market borrowing need in the January-March quarter is currently estimated in the range of $40-$45 billion, assuming a $10 billion cash balance at the end of March. We may wish to have a somewhat higher March 31 cash balance, depending upon our assessment of cash needs and market conditions at the time.

The 10-year note and the 30-year bond announced today will be eligible for conversion to STRIPS (Separate Trading of Registered Interest and Principal of Securities) and, accordingly, may be divided into their separate interest and principal components.