DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
February 1, 1995

REMARKS BY DARCY BRADBURY
DEPUTY ASSISTANT SECRETARY (FEDERAL FINANCE)
TREASURY QUARTERLY REFUNDING PRESS CONFERENCE

Today, we are announcing the terms of the regular Treasury February midquarter refunding. I will also discuss Treasury financing requirements for the balance of the current calendar quarter and our estimated cash needs for the April-June 1995 quarter.

1. We are offering $40.0 billion of notes and bonds to refund $30.5 billion of privately held notes and bonds maturing on February 15 and to raise approximately $9.5 billion of cash.

The three securities are:

-- First, a 3-year note in the amount of $17.0 billion, maturing on February 15, 1998. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Tuesday, February 7, 1995. 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 February 15, 2005. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Wednesday, February 8. The minimum purchase amount will be $1,000.

-- Third, a 30-year bond in the amount of $11.0 billion, maturing on February 15, 2025. This bond is scheduled to be auctioned on a yield basis at 1:00 p.m. on Thursday, February 9. The minimum purchase amount will be $1,000.

2. We are also announcing that we plan to sell a 64-day cash management bill, which will be issued on February 15 and mature on April 20, 1995. This bill is scheduled to be auctioned at 11:30 a.m. on Thursday, February 9. We will announce the amount to be sold at about 10:00 a.m. Eastern time on Tuesday, February 7. 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. On October 12, 1994, the Treasury announced that on February 15 it will call the 7 7/8% bond of 1995-00. This bond, of which approximately $2 billion is privately held, will be

repaid from available funds. We estimate that the Treasury is saving about $35 million by exercising the call.

4. As announced on Monday, January 30, 1995, we estimate a net market borrowing need of $93.7 billion for the January-March 1995 quarter. The estimate assumes a $20 billion cash balance at the end of March. Including this refunding, we have raised $31.7 billion of cash from the sale of marketable securities. This was accomplished as follows:

-- raised $4.9 billion from the 2-year notes that settled January 3 and 31;
-- raised $14.6 billion from the 5-year notes that settled January 3 and 31;
-- raised $2.0 billion from the 52-week bills;
-- raised $8.0 billion new cash in the regular weekly bills, including those announced yesterday, January 31;
-- paid down $7.3 billion in the 7-year note that matured January 15; and
-- raised $9.5 billion of cash from the notes and bonds announced for the refunding today.

5. The Treasury will need to raise $62.0 billion in market borrowing during the rest of the January-March quarter. The financing remaining to be done before the end of March can be accomplished through regular sales of 13-, 26-, and 52-week bills and 2-year and 5-year notes in February and March. Another

cash management bill may be necessary to cover the cash low-point in early March.

6. We estimate that the Treasury will paydown $5 to $10 billion in marketable securities in the April-June quarter assuming a $35 billion cash balance on June 30.

7. Although the Treasury decided to issue a bond maturing in February 2025 in the refunding announced today, we do expect to periodically issue bonds with May or November maturity dates as we did in August of 1994. This strategy will help to balance interest payments between the February-August and the May-November payment dates and is expected to facilitate stripping of long-term Treasury securities.

8. Beginning with the two-year note auctions scheduled for February 22, 1995, competitive bids in Treasury note and bond auctions must show the yield bid, expressed with three decimals, for example, 7.123 percent. Three-decimal bidding will apply to all Treasury note and bond auctions.

Competitive bidding in Treasury bill auctions will remain unchanged. That is, the bid must show the discount rate bid, expressed with two decimal places. There is no change to noncompetitive bid procedures. The restriction against using fractions still applies to bids for all securities.

The purpose of three-decimal yield competitive bidding for notes and bonds is to increase participation in Treasury auctions and to conform the auctions to market practice for when-issued trading.

9. We will accept noncompetitive tenders up to $5 million for each of the notes and bonds being offered.

10. The 10-year note and 30-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.

11. I also want to mention that the Treasury is seeking comments on proposed rules to implement large position reporting. The Treasury authority to require reporting of large positions in certain Treasury securities was enacted as part of the 1993 amendments to the Government Securities Act. Our request for comments was published in the Federal Register for January 24, 1995, and we want to encourage all interested parties to comment by April 24, 1995.

12. The May midquarter refunding press conference will be held Wednesday, May 3, 1995.