

FOR IMMEDIATE RELEASE
October 30, 1996

**REMARKS BY ROGER L. ANDERSON
DEPUTY ASSISTANT SECRETARY FOR FEDERAL FINANCE
FALL 1996 TREASURY QUARTERLY REFUNDING
PRESS CONFERENCE**

Good afternoon. I will begin today's refunding announcement with the terms of the regular Treasury November quarterly refunding. I will also discuss Treasury financing requirements for the balance of the current calendar quarter and our estimated cash needs for the January-March 1997 quarter. I will then discuss certain other financing issues.

1. We are offering \$38.5 billion of notes and bonds to refund \$36.7 billion of privately held notes maturing on November 15 and to raise approximately \$1.8 billion of cash.

The three securities are:

-- First, a 3-year note in the amount of \$18.5 billion, maturing on November 15, 1999. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on November 5.

- Second, a 9-year, 11-month note in the amount of \$10.0 billion, maturing on October 15, 2006. This is a reopening of the 6-1/2 percent 10-year note originally issued October 15. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Wednesday, November 6.
- Third, a 30-year bond in the amount of \$10.0 billion, maturing on November 15, 2026. This bond is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Thursday, November 7.

2. We are also offering a 34-day cash management bill to mature on December 19 in the amount of \$13 billion; this bill is to be auctioned on a yield basis on Wednesday, November 13.

3. As announced on Monday, October 28, we estimate a net market borrowing need of \$48 billion for the October-December quarter. The estimate assumes a \$30 billion cash balance at the end of December. Including the securities in this refunding, we have raised \$15.6 billion of cash from sales of marketable securities. See the attachment for details.

4. Treasury will need to raise \$32.4 billion in market borrowing during the rest of the October-December quarter. This financing can be accomplished through regular sales of 13-, 26-, and 52-week bills in November and December and 2- and 5-year notes in November and December. Other cash management bills may

be needed to cover the low points in the cash balance in early December.

The tentative auction calendars for November, December, and January are included in the chart package which was distributed today.

5. We estimate Treasury net market borrowing to be in a range of \$50 billion to \$55 billion for the January-March quarter, assuming a \$20 billion cash balance on March 31.

6. On September 25, President Clinton and Secretary Rubin announced the terms and conditions of the first Treasury inflation-indexed security. It will be a 10-year note to be auctioned and issued in January. The security will follow the Canadian model in which the principal will be adjusted for changes in inflation. The inflation adjustment will be paid at maturity. Semi-annual interest payments will be a fixed percentage of the adjusted principal. The security will use the CPI for all urban consumers as the gauge of inflation.

Since September 25, we have been engaged in a series of informational discussions with investors of all kinds, to assist as many people as possible in familiarizing themselves with these new notes by the time of the auction in January.

7. Treasury is also announcing that we intend to change the way Treasury bill auctions will be announced. Beginning later this year or early in 1997, announcements of the amounts to be sold in T-bill auctions will no longer include amounts available for purchase by the Federal Reserve for the System Open Market Account to replace maturing bills. The amounts announced will be awarded to the public and to foreign official accounts to replace maturing bills. Awards to the Federal Reserve for the System Open Market Account to replace maturing bills will be treated as additions to the announced size of the auctions.

We are making this change to provide better information to the market place on the amount of bills that will actually be available for sale to the public.

8. New regulations designed to make the Treasury State and Local Government Series securities (SLGS) more attractive and easier to buy went into effect on Monday, October 28. Also attached is a copy of last week's announcement describing the major changes made to the SLGS program.

9. The next quarterly refunding press conference is scheduled to be held on Wednesday, February 5.

ATTACHMENT

CASH RAISED

Including the securities announced in this refunding, we have raised \$15.6 billion of cash from sales of marketable securities.

This was accomplished as follows:

- raised \$4.4 billion from the 2-year notes to be issued October 31;
- raised \$3.1 billion from the 5-year notes to be issued October 31;
- raised \$1.7 billion from the 52-week bills issued October 17;
- raised \$3.0 billion from the sale of the 10-year note issued October 15 to refund the 7-year note;
- raised \$1.6 billion in cash in the regular weekly bills, including those announced yesterday;
- raised \$1.8 billion from the notes and bonds announced today.
- the cash management bills announced yesterday mature within the quarter and do not effect the total net market borrowing.