

TREASURY



NEWS

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FOR IMMEDIATE RELEASE  
February 5, 1997

**REMARKS BY ROGER L. ANDERSON  
DEPUTY ASSISTANT SECRETARY FOR FEDERAL FINANCE  
FEBRUARY 1997 TREASURY QUARTERLY REFUNDING  
PRESS CONFERENCE**

Good afternoon. I will begin with today's refunding announcement and the terms of the regular Treasury February quarterly 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 1997 quarter. I will then discuss certain other debt management issues.

1. We are offering \$39.75 billion of notes and bonds to refund \$18.0 billion of privately held notes maturing on February 15 and to raise approximately \$21.75 billion of cash.

The three securities are:

- First, a 3-year note in the amount of \$17.75 billion, maturing on February 15, 2000. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on February 11.
- Second, a 10-year note in the amount of \$12.0 billion, maturing on February 15, 2007. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Wednesday, February 12.
- Third, a 30-year bond in the amount of \$10.0 billion, maturing on February 15, 2027. This bond is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Thursday, February 13.

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2. As announced on Monday, February 3, we estimate a net market borrowing need of \$50.0 billion for the January-March quarter. The estimate assumes a \$20 billion cash balance at the end of March. Including the securities in this refunding, we have raised \$9.7 billion of cash from sales of marketable securities. See the attachment for details.

3. The Treasury will need to raise \$40.3 billion in market borrowing during the rest of the January-March quarter. This financing can be accomplished through regular sales of 13-, 26-, and 52-week bills in February and March and 2- and 5-year notes in February and March. Cash management bills may be needed to cover the low points in the cash balance in March.

The tentative auction calendars for February, March and April are included in the chart package which was distributed today.

4. We estimate Treasury market borrowing to result in a pay down in the range of \$10 to \$15 billion for the April-June quarter, assuming a \$35 billion cash balance on June 30.

5. On January 29, Treasury successfully auctioned its first inflation-indexed notes. We are very pleased with the reception of this new form of financing. This is a good start to what will become a substantial part of Treasury's issuance program. The next auction will be in April.

6. At last quarter's press conference, we described the major changes we had made to the SLGS program. On January 24, the Vice President's office recognized the efforts of our staff, along with staff from Public Debt, Tax Policy, and General Counsel's office with a Hammer Award for redesigning the SLGS program to make SLGS more attractive and easier for state and local government entities to use.

7. Last quarter, we announced that we intend to change the way Treasury bill auctions are announced. The change will exclude from the announced offering amount of each bill auction any amounts that will be purchased by the Federal Reserve's System Open Market Account. The amount 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 will be making this change in order to provide more complete information to market participants. We are currently completing the testing of modifications to one of our computer systems to incorporate this change, and we expect to announce the effective date of this change within the next few weeks.

8. In February 1995, Treasury began requiring bids in note and bond auctions to be expressed in three decimal places. At the time, Treasury did not extend three decimal bidding to bill auctions because three-decimal bidding with .001 percent minimum increments provides unique prices only for bills with maturities greater than 360 days. We

asked the Borrowing Advisory Committee yesterday for their views on instituting three decimal bidding with minimum increments of .005 percent, in effect half-decimal bidding, for regular Treasury bill auctions. The Committee unanimously recommended that we make such a change. Accordingly, we anticipate seeking public comment on this suggestion shortly.

9. We also asked the Borrowing Advisory Committee for their views on certain recent bill auctions that have been somewhat smaller in size than has been the case in the past years. The Committee did not feel that such small sizes had caused problems for the market, but did express some concern for Treasury's ability to enforce the 35% rule in such auctions. Accordingly, the Committee recommended that we reduce the \$2 billion net long position reporting limit to \$1 billion for bill auctions only. We anticipate seeking public comment on this suggestion shortly also.

10. The May quarterly refunding press conference is scheduled to be held on Wednesday, April 30.

## ATTACHMENT

### CASH RAISED

Including the securities announced in this refunding, we have raised \$9.7 billion of cash from sales of marketable securities.

This was accomplished as follows:

- raised \$0.5 billion from the 2-year notes issued January 31;
- raised \$3.9 billion from the 5-year notes issued January 31;
- raised \$3.8 billion from the 52-week bills;
- paid down \$7.9 in the 7-year notes maturing January 15;
- raised \$7.0 billion from the sale of the new 10-year indexed note to be issued tomorrow, February 6 and dated January 15;
- paid down \$19.4 billion in cash in the regular weekly bills, including those announced yesterday;
- raised \$21.75 billion from the notes and bonds announced today.