



# Quarterly Refunding Charts

January 31, 2005

Office of Debt Management

# Current Financing

- **FY 2005 Q2 and FY 2005 Q3 Outlook**
  - **We expect net marketable borrowing of \$147 billion this quarter and \$12 billion next quarter**
- **Projections of borrowing needs have risen since last quarter**
- **Net interest is estimated at \$180 billion for FY 2005**

## Treasury Financing Requirements

(\$ Billions)

	October - December 2004		January - March 2005 (Projected)
	(Projected)	(Actuals)	
<b><u>Deficit Funding (Def + / Surplus -)</u></b>	<b>127</b>	<b>118</b>	<b>178</b>
<b><u>Means of Financing</u></b>			
Change in Cash Balance	11	12	15
Net Non-Marketable Financing	5	2	5
Net Marketable Financing	100	98	147
Other*	10	7	11
<b><u>Net Marketable Financing</u></b>	<b>100</b>	<b>98</b>	<b>147</b>
Bills		42	
Nominal Notes		48	
TIPS		21	
Bonds		-13	
<b><u>Notes:</u></b>			
Starting Cash Balance	36	36	25
Ending Cash Balance	25	25	10

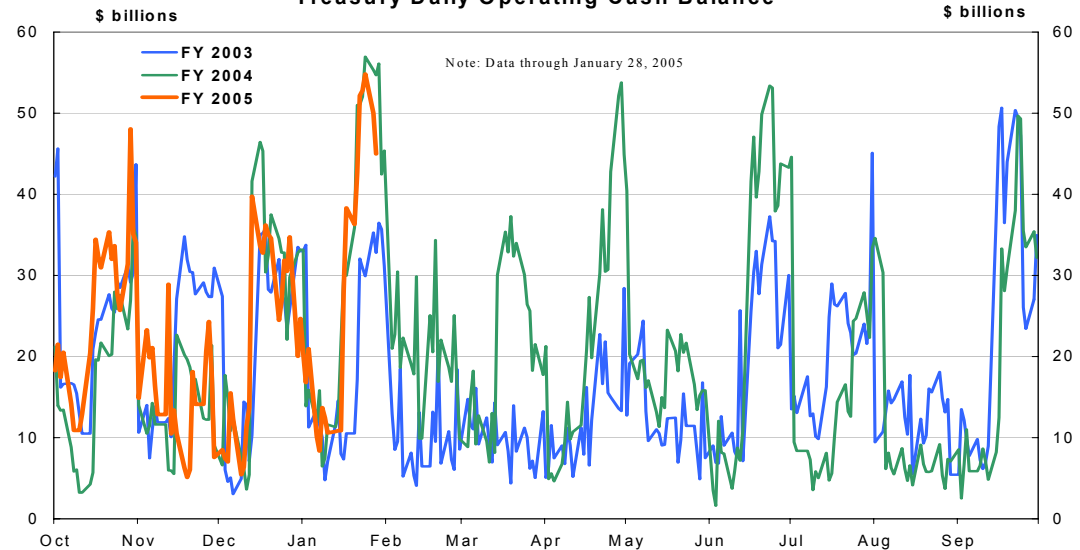
\* Includes direct loan activity, changes in accrued interest and checks outstanding and minor miscellaneous transactions.

Note: Totals may not add due to rounding

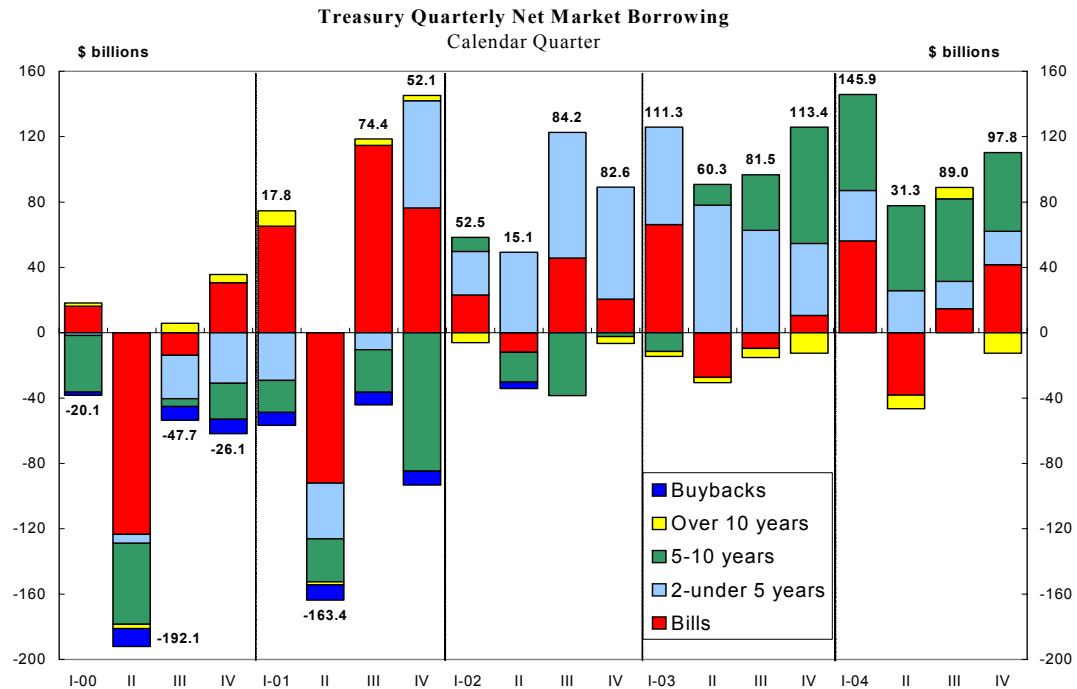
- Estimated net market borrowing for the Jan-March 2005 quarter, if realized, is similar to the actual net market borrowing of \$146 billion in Jan-Mar 2004.
- Actuals for Oct-Dec were in line with expectations.

- Cash balances have been within historical ranges.

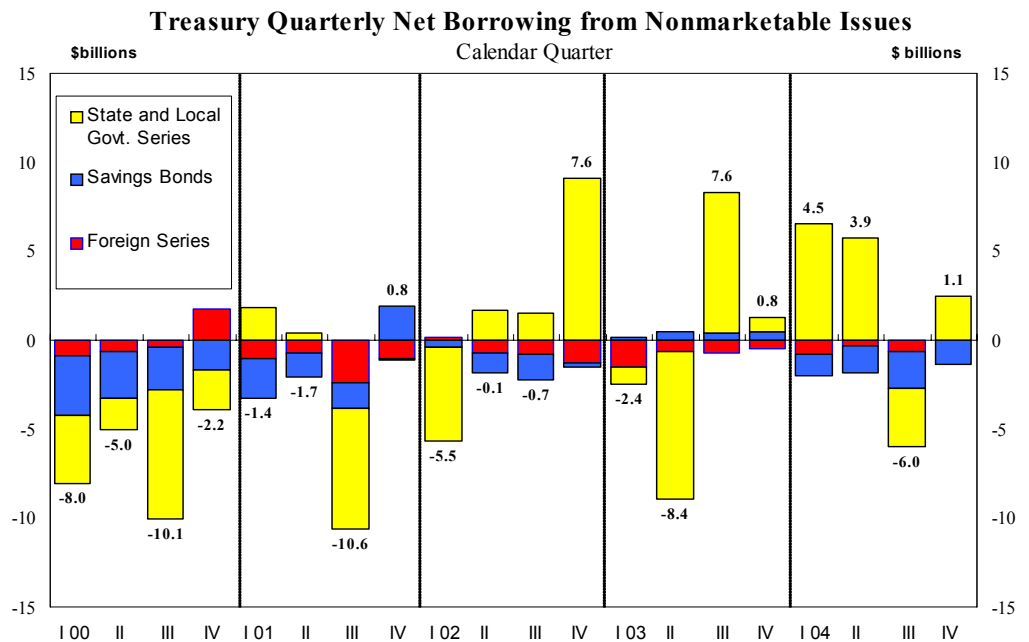
## Treasury Daily Operating Cash Balance



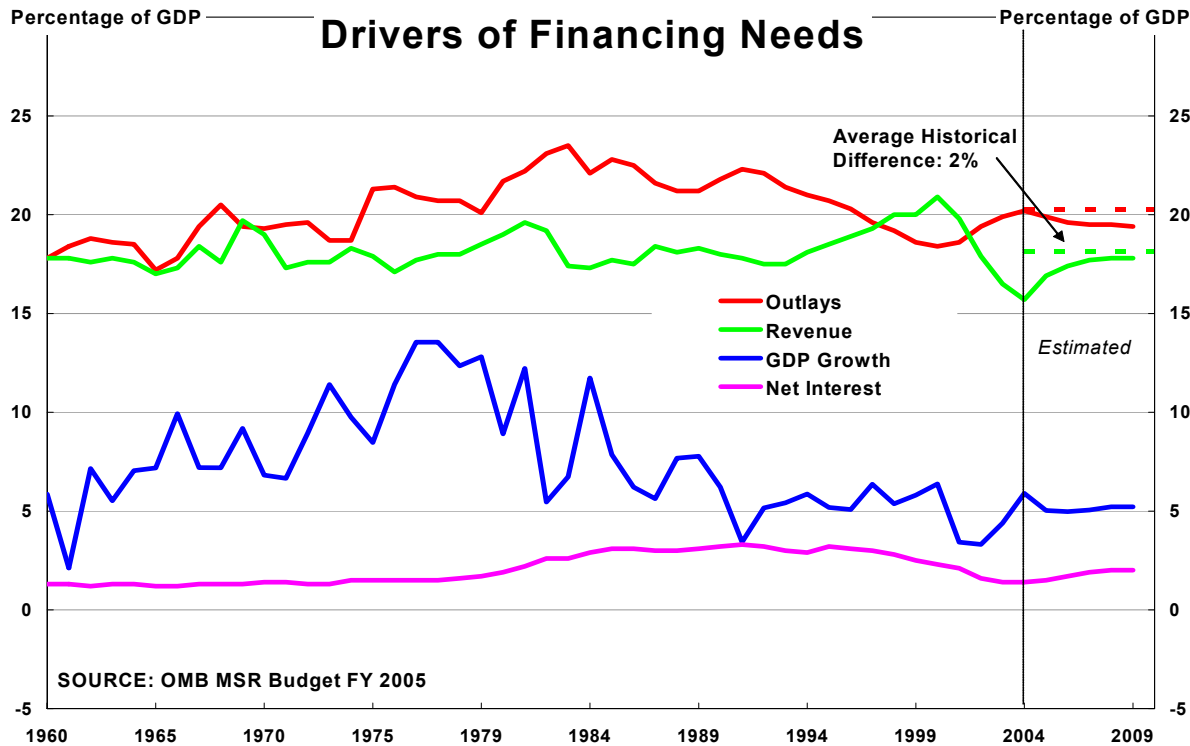
- Financing needs are being met by net new issuance across the nominal and TIPS curves.
- Small pay downs in 2-yr notes and nominal bonds.



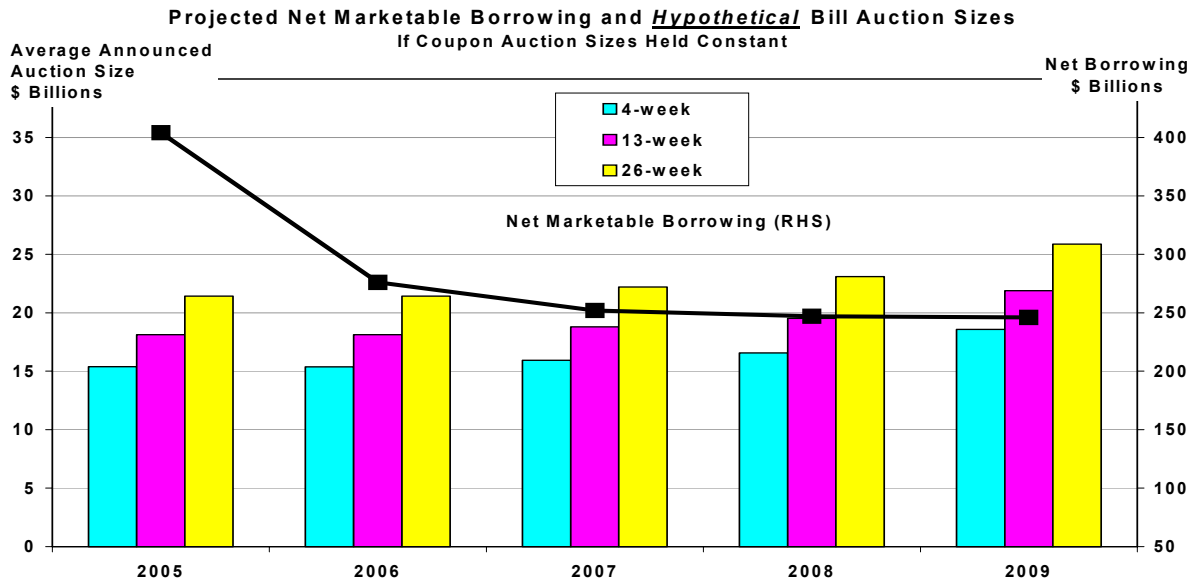
- State and Local Govt. Series (SLGS) were the only source of net new cash from non-marketable issuance, despite SLGS suspension in Fall 2004.



- Current forecasts suggest outlays closer to historical norms than MSR projection (shown here).



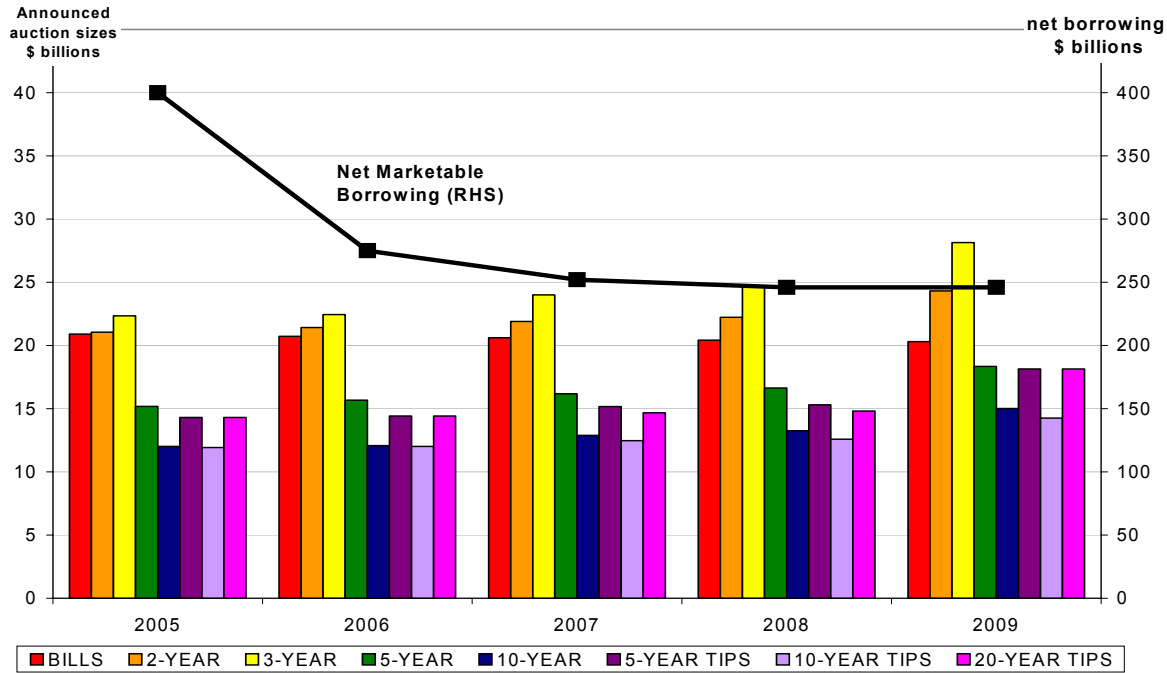
- Bill growth manageable with current coupon pattern.



Assumes OMB's FY 2005 MSR deficit projections (except internal Treasury estimate used for FY05) and coupon auction sizes remain at most recently announced amounts. Bill issuance sizes are shown in fixed shares to meet residual financing needs.

**Projected Net Marketable Borrowing and *Hypothetical* Auction Sizes**  
 If Bill Issuance held Constant at FY 2005 Level

- Coupon sizes show reasonable growth under MSR deficit projection and constant bill issuance.



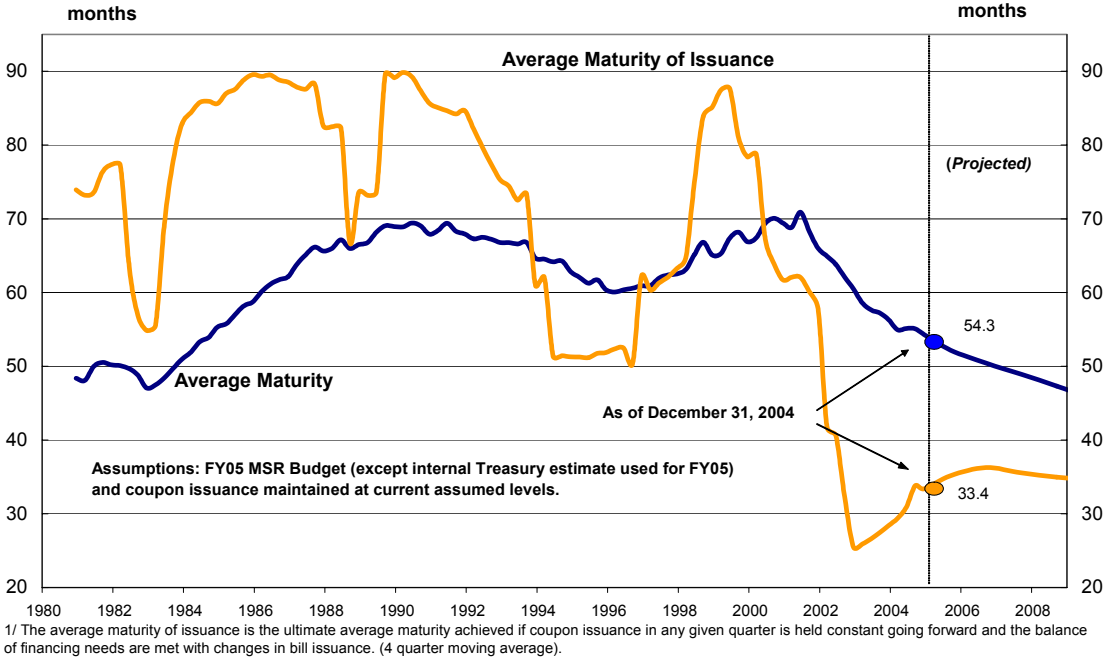
\* For bills, the average auction size equals the amount outstanding at the end of the fiscal year divided by 43 (i.e., 4 1-month auctions, 13 3-month auctions, plus 26 6-month auctions).

# Debt Portfolio

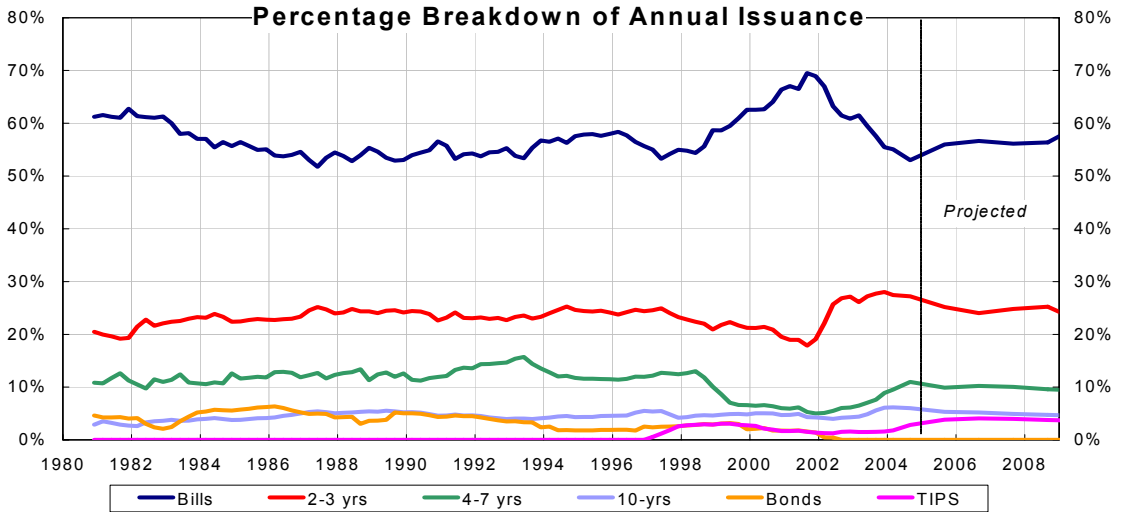
- **Average maturity of issuance has stabilized at roughly 3 years**
- **Maturity of total outstanding drops from 4.6 years to less than 4 years over the next 5 years**
- **Composition of nominal issuance is within historical ranges**
- **Current issuance patterns lead to a growing proportion of 5-year notes and TIPS in the portfolio**
- **The percent of debt maturing with 3 years or less to maturity is projected to remain stable at slightly more than 60%**

# DEBT MATURITY MEASURES <sup>1/</sup>

- Average maturity of outstanding debt continues to decline due to maturing bonds.
- Average maturity of issuance is projected to be stable because coupon issuance meets projected financing needs.



- Current issuance consistent with historical patterns.

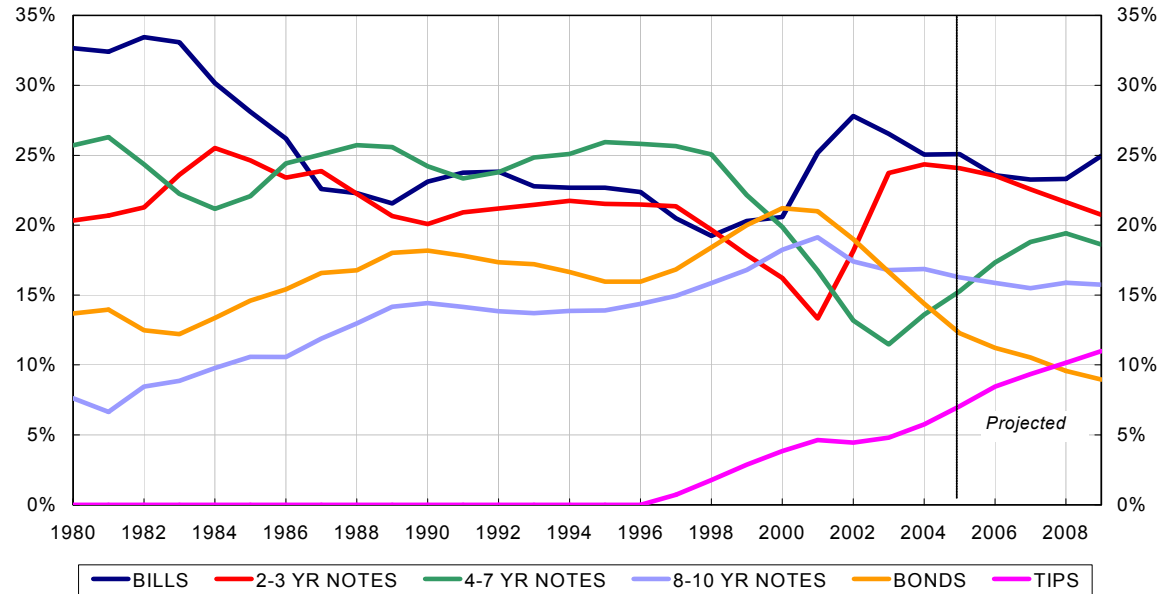


Projections based on OMB's FY 2005 MSR (except internal Treasury estimate used for FY05) and assumes coupon auction sizes remain at most recently announced amounts. Residual amounts financed with bills.



- Bonds continue steady pay down pace.
- TIPS growth continues.

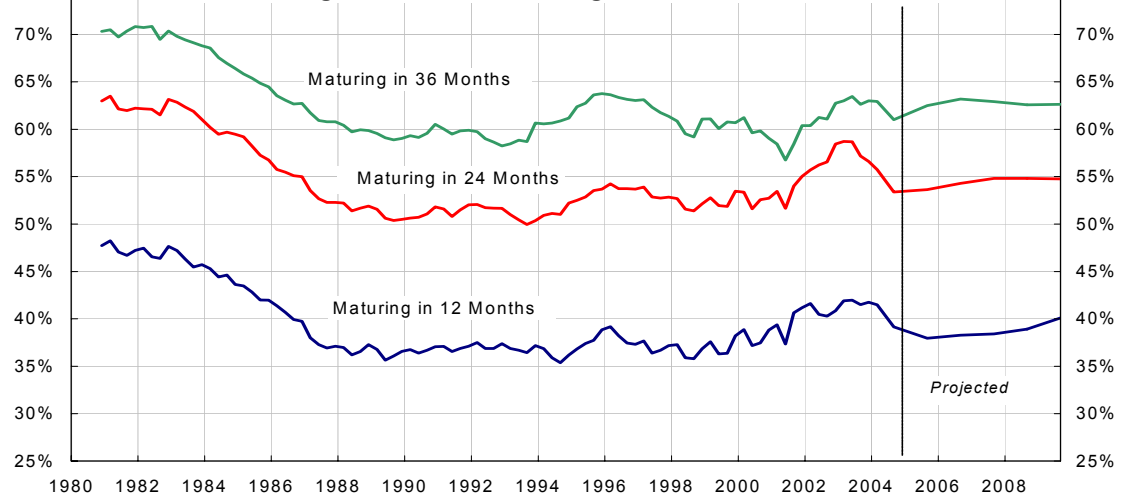
**Distribution of Marketable Debt Outstanding by Security**



Projections based on OMB's FY 2005 MSR (except internal Treasury estimate used for FY05) and assumes coupon auction sizes remain at most recently announced amounts. Residual amounts financed with bills.

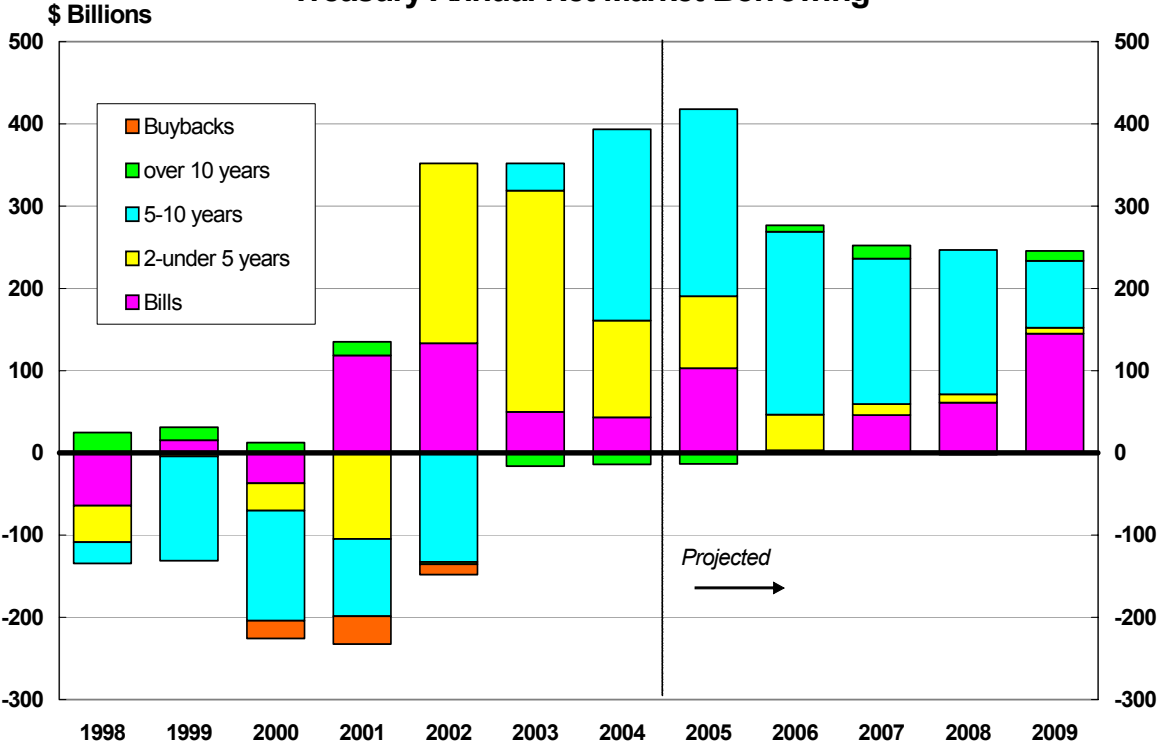
- Maturing debt with 1-3 years is increasing, consistent with declining average maturity.

**Percentage of Debt Maturing in Next 12 to 36 Months**



Projections based on OMB's FY 2005 MSR (except internal Treasury estimate used for FY05) and assumes coupon auction sizes remain at most recently announced amounts. Residual amounts financed with bills.

# Treasury Annual Net Market Borrowing



Projections are based on FY 2005 OMB's MSR (except internal Treasury estimate used for FY05) and assume coupon auction sizes remain at most recently announced amounts. Residual amounts financed with bills.

- Longer-dated coupons providing greatest share of net new financing.

# Uncertainty

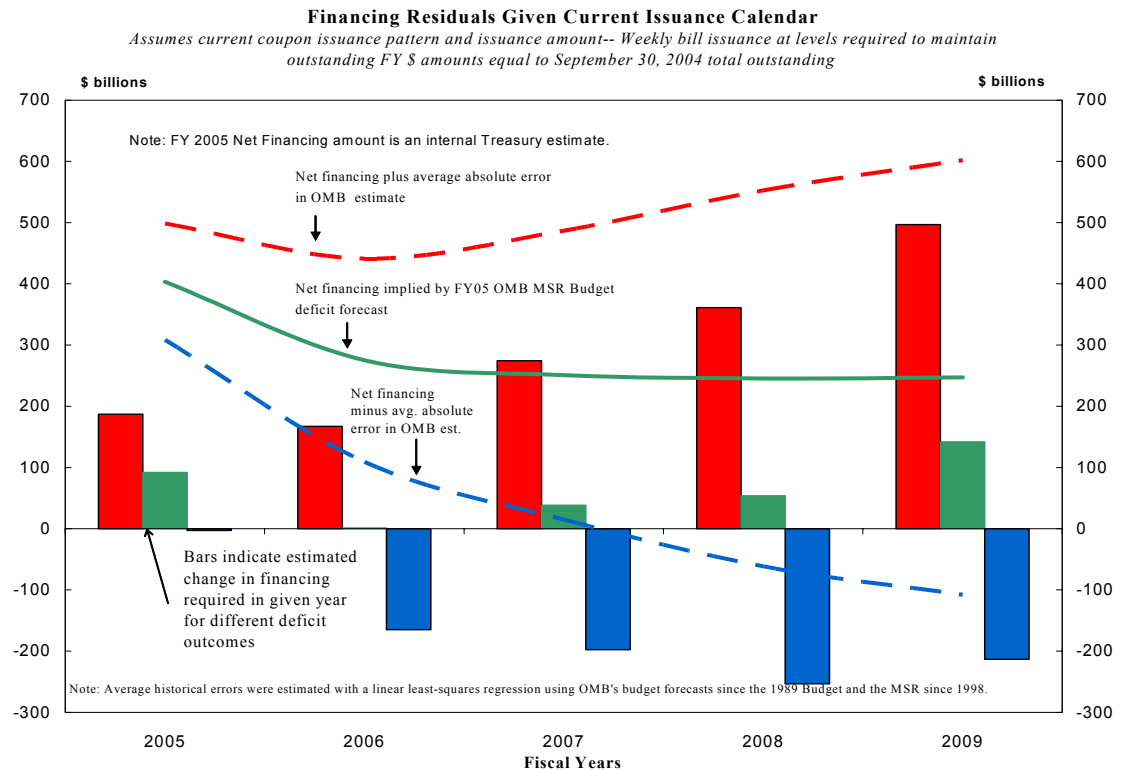
- **Deficit forecast errors for FY 2004 were comparable to previous forecast errors**
- **Current issuance pattern equally well positioned for higher or lower deficits**

- Primary dealer estimates are in line with recent CBO release.

FY 05 Deficit Estimates			
	(\$ Billions)		
	Primary Dealers	CBO	OMB
<b>Current:</b>	370	368	427
<b>Range based on average absolute error</b>	287-453	267-469	342-512
<b>Estimates as of:</b>	1/28/05	1/25/05	1/25/05

Note: Ranges based on Errors from 1997-2004

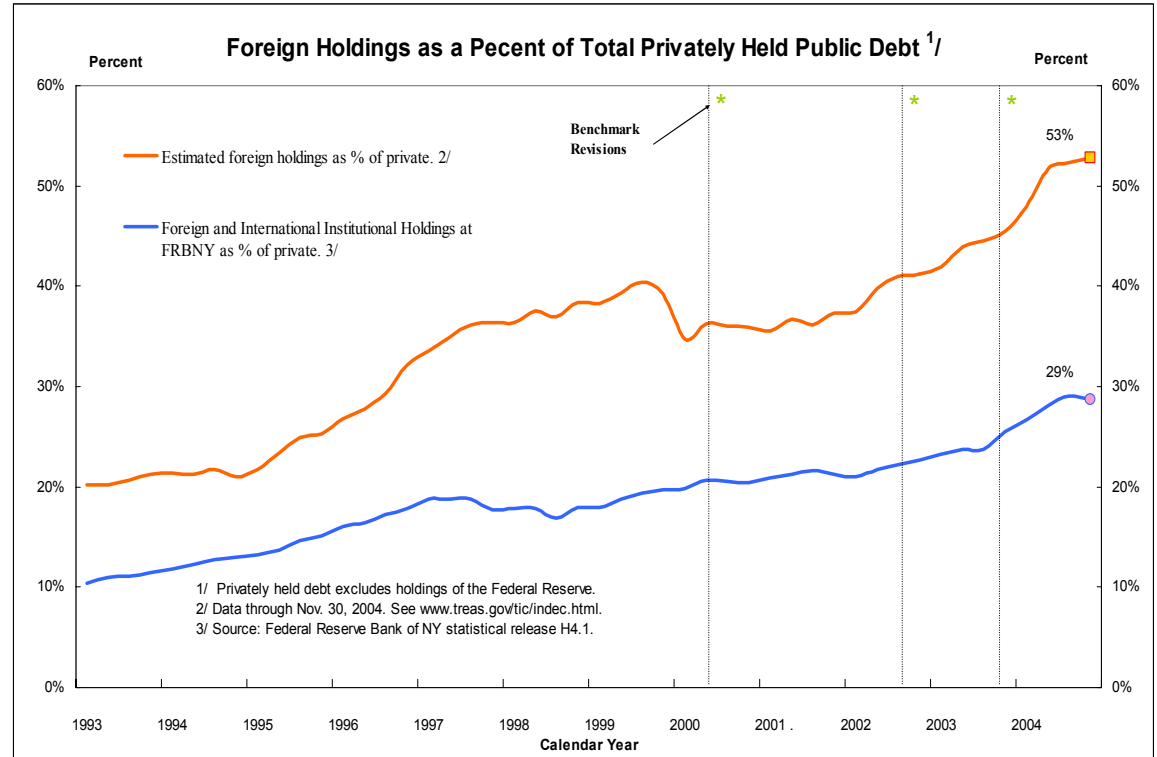
- FY 2005 residual has increased due to increased Treasury net financing estimate.
- New out year forecast available February 7.



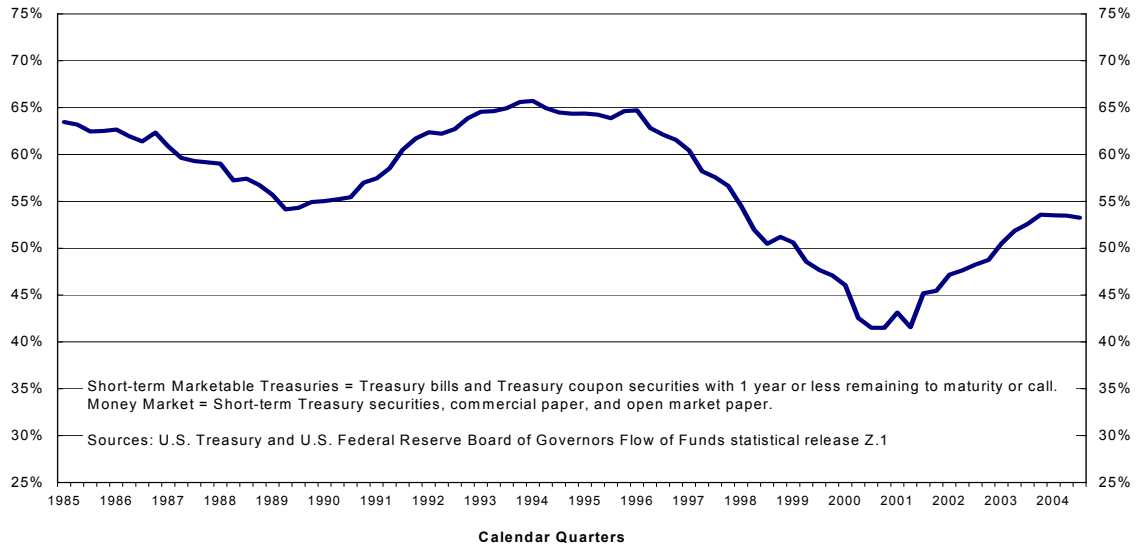
# Capital Markets

- **Foreign holdings of Treasury debt continue at historical highs**
- **Treasuries represent a small proportion of the domestic debt stock**

- Foreign holdings growth at 53 percent of privately held debt.

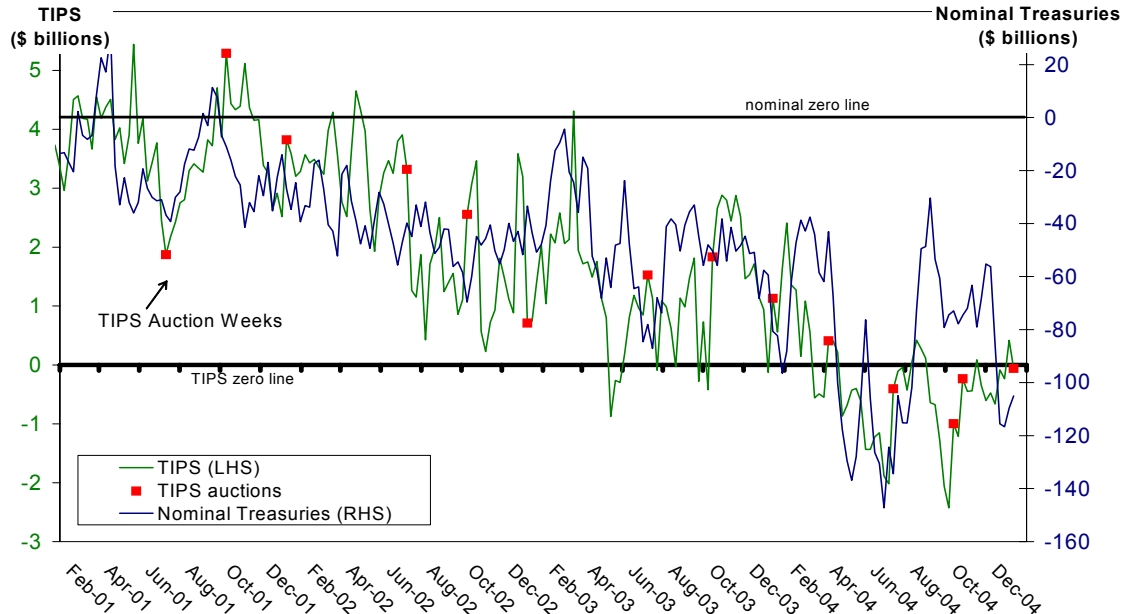


Outstanding Short-term Marketable Treasury Securities as a Percentage of Money Market Instruments



- Treasury a stable portion of U.S. money markets.

Net Primary Dealer Positions in Treasuries



- Primary dealers were less short nominals in second half of year.
- Primary dealers shorting of TIPS stays on trend.

# Auction Release Time Performance

## Exceptions to Treasury's 2 minute auction release times

11/08/04 – 3-Year Note: An unintended reopening required manual intervention and this took 1-2 additional minutes to process the auction.

11/10/04 – 10-Year Note: The mainframe program which initiates the creation of the XML file took approximately one minute longer than normal.

11/29/04 – 13- and 26-week Bills: Trouble with connections to some primary dealers persisted through the morning. Several dealers ultimately phoned in bids. Further internal problems caused delays between the systems that receive bids and the system that processes the auction and caused auction release times to exceed 28 minutes.

## Auction Release Times for February 2004 - January 2005

Data through January 19, 2005

(In Minutes and Seconds)

