MINUTES OF THE MEETING OF THE
TREASURY BORROWING ADVISORY COMMITTEE
OF THE PUBLIC SECURITIES ASSOCIATION
FEBRUARY 2 AND 3, 1993

February 2

The Committee convened at 9:00 a.m. at the Treasury Department. All members were present, except Mr. de la Gueronniere (see the attached list).

I gave the Committee an informational background briefing updating Treasury borrowing estimates and historical information relevant to the February midquarter refunding. The borrowing estimates and background information had been released to the public on February 1, 1993.

The Committee also received a briefing by a Treasury staff member on current economic conditions, which was followed by a question-and-answer period. Acting Assistant Secretary Danker then "charged" the Committee to make recommendations on the February Treasury refunding and related matters (see the attached Charge). The meeting adjourned at 11:00 a.m.

The Committee reconvened at 1:00 p.m. at the Madison Hotel. All members were present, except Mr. de la Gueronniere. The Committee's discussion began with overall Treasury financing needs in the first and second calendar quarters of 1993. It was noted that the Treasury cash position had been relatively strong late in December and in January and that the Treasury had pared the sizes of recent issues.

The Committee voted on the total size of the refunding, with 11 members voting in favor of $37 billion package and 7 in favor of $36 billion. The Committee then voted, by 15 to 3, to recommend a refunding consisting of $15.5 billion of 3-year notes, $11.25 billion of 10-year notes, and $10.25 billion of 30-year bonds. The recommended issue sizes are the same as those for the November 1992 refunding.

The Committee then discussed whether to reopen the most recent 10-year note, the 6-3/8s of 8/15/02. A reopening of the 30-year was not discussed. The advantages of reopening the 6-3/8s were that it had again become scarce in the collateral market (although not as scarce as it had been before it was reopened in November) and that a reopening would add to market liquidity in the issue. The disadvantages were that a new issue probably might save the Treasury a bit in financing costs and that reopening might encourage market participants to rely too heavily on the 6-3/8s as a hedging vehicle, instead of spreading their hedging activities over other similar-maturity Treasury securities. The Committee decided not to recommend reopening the 6-3/8s by a vote of 16 to 2.

For the remainder of the January-March quarter, the Committee recommended issuing 2- and 5-year notes in the sizes issued in January, increasing the 52-week bills to $15 billion, and increasing weekly bills to $24 billion. The Committee also recommended a cash management bill in early March to mature after April 15.

In the April-June quarter, the Committee recommended, by consensus, that the Treasury hold the sizes of coupon securities level at the sizes sold most recently and reduce Treasury bill sizes. The Committee also believed cash management bills would be need to cover the low-points in cash in early April and June. The Committee unanimously recommended a $35 billion or somewhat higher cash balance on June 30.

The members were unanimous in their agreement that the Committee would be available to advise the Treasury in its study of the composition of Treasury market borrowing in the future.

The meeting adjourned at 3:00 p.m.

February 3

The Committee reconvened at 9:00 a.m. at the Treasury. All members were present, except Mr. de la Gueronniere. The Chairman presented the Committee report to Acting Assistant Secretary Danker. There was a question-and-answer period related to the recommendations.

The meeting adjourned at 10:00 a.m.

Jill K. Ouseley

Jill K. Ouseley, Director
Office of Market Finance
Domestic Finance
February 3, 1993

Attachments