

Presentation to the Treasury Borrowing Advisory Committee



UNITED STATES
DEPARTMENT OF
THE TREASURY



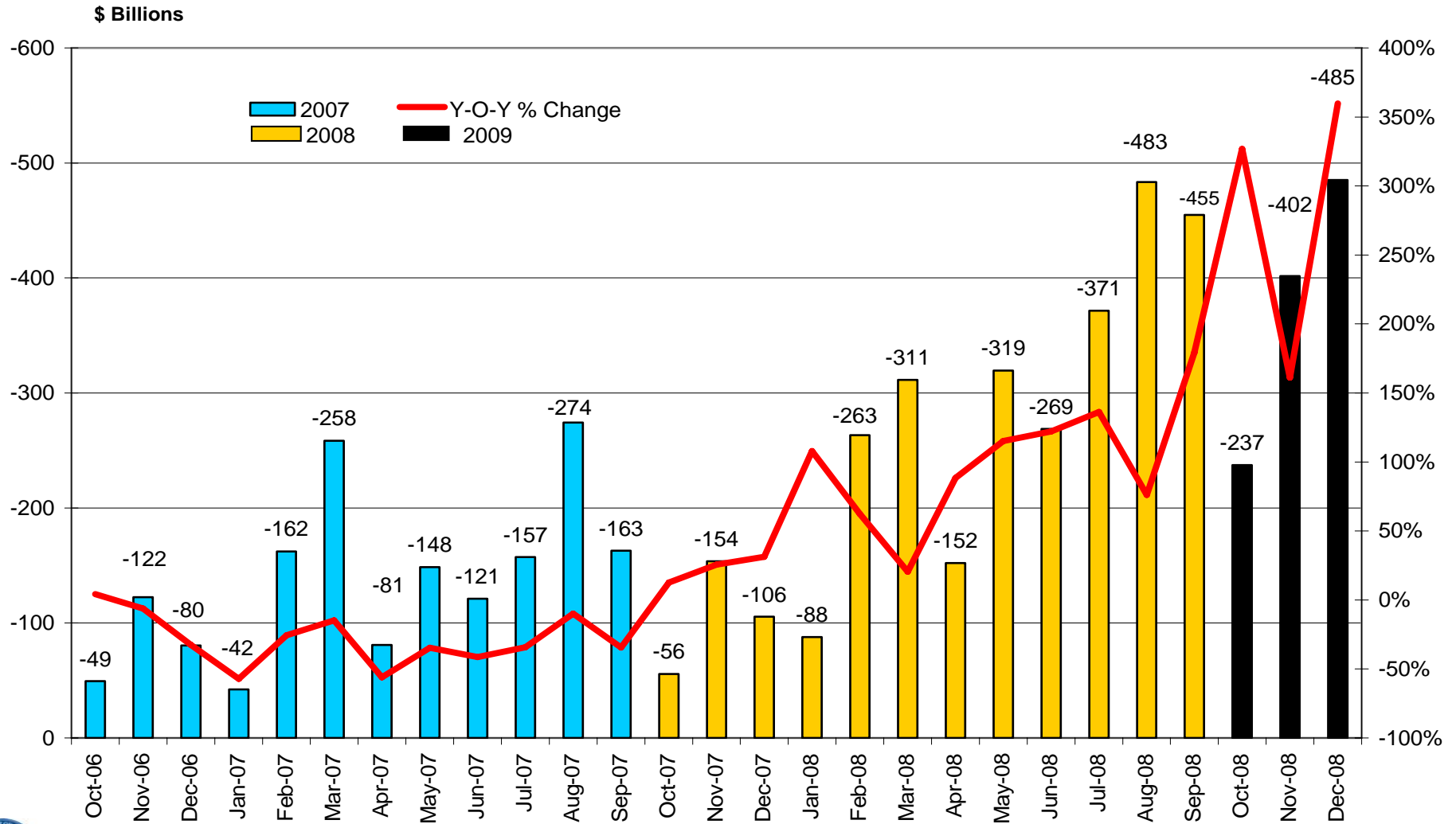
U.S. Department of the Treasury
Office of Debt Management
February 3, 2009

Fiscal Outlook

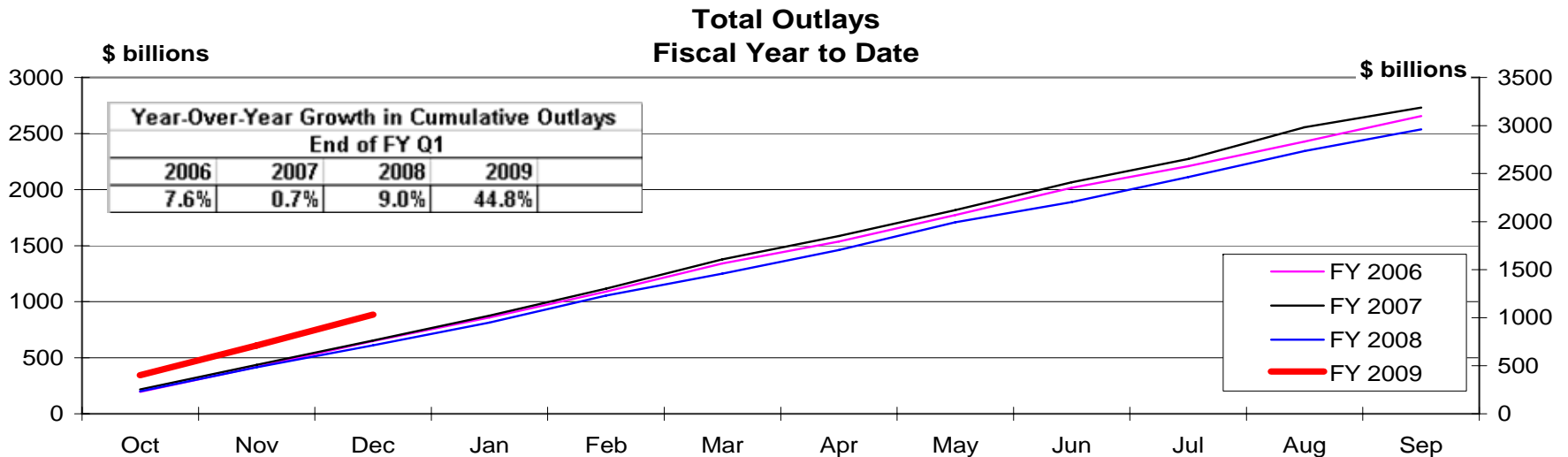
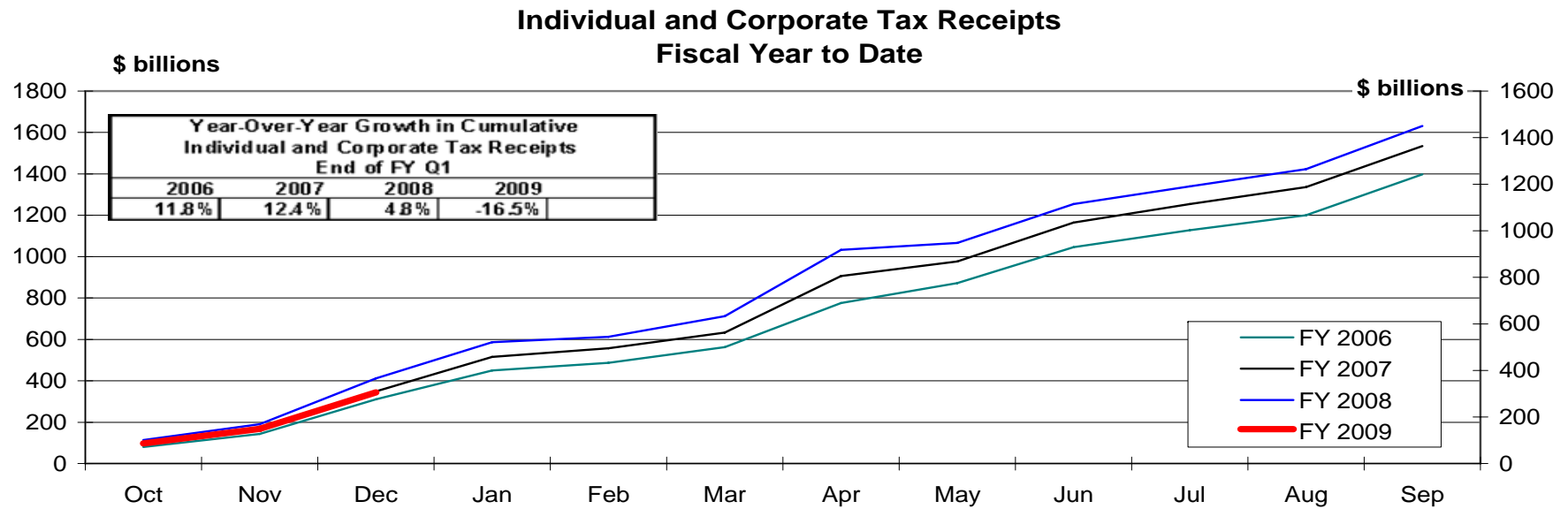


Borrowing requirements continue to grow

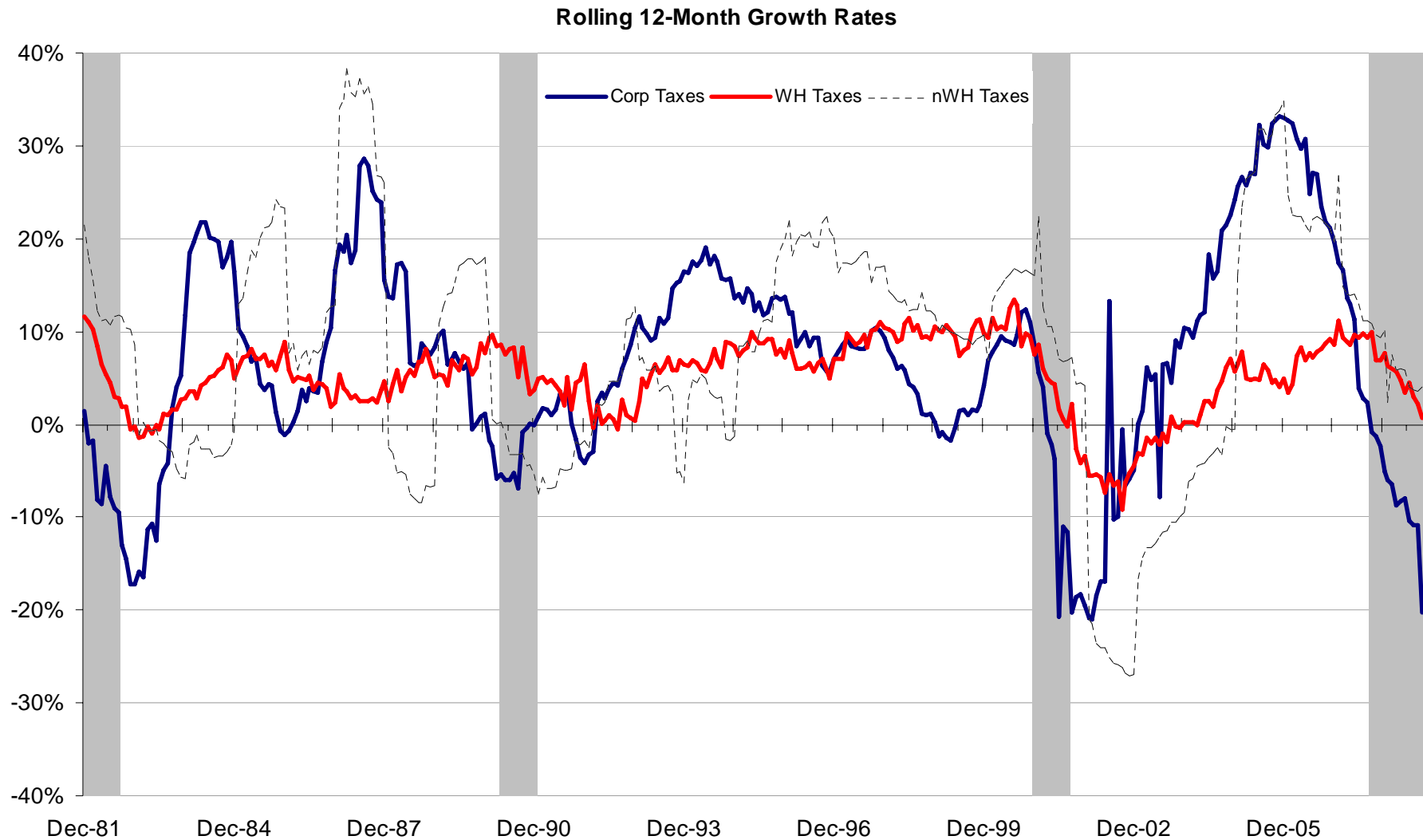
Fiscal Year to Date Deficits
(monthly data)



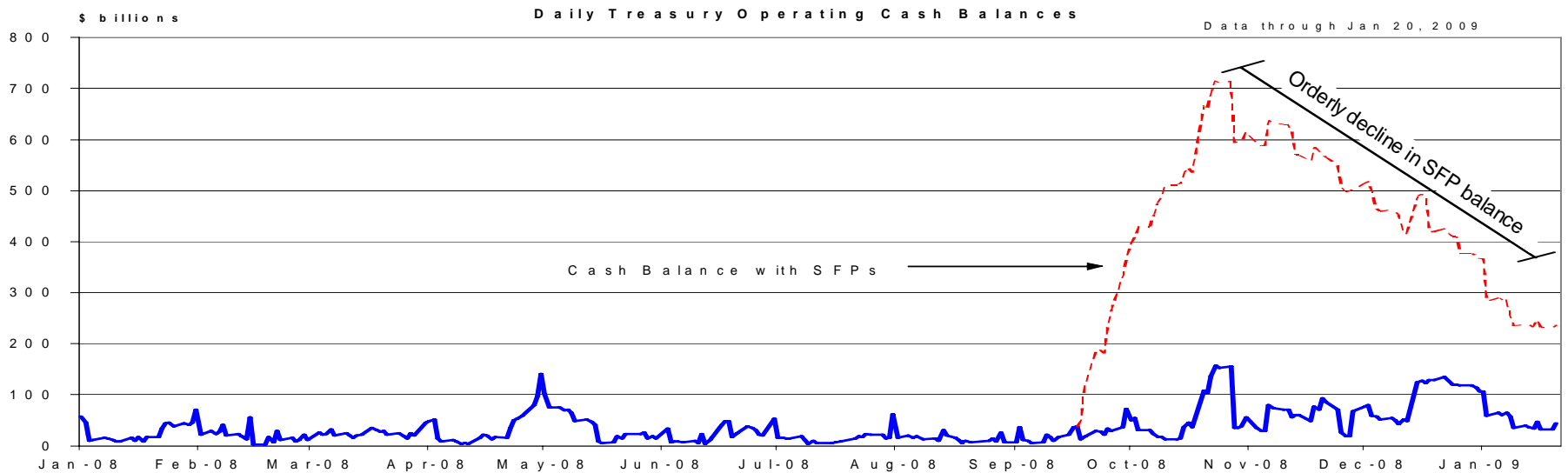
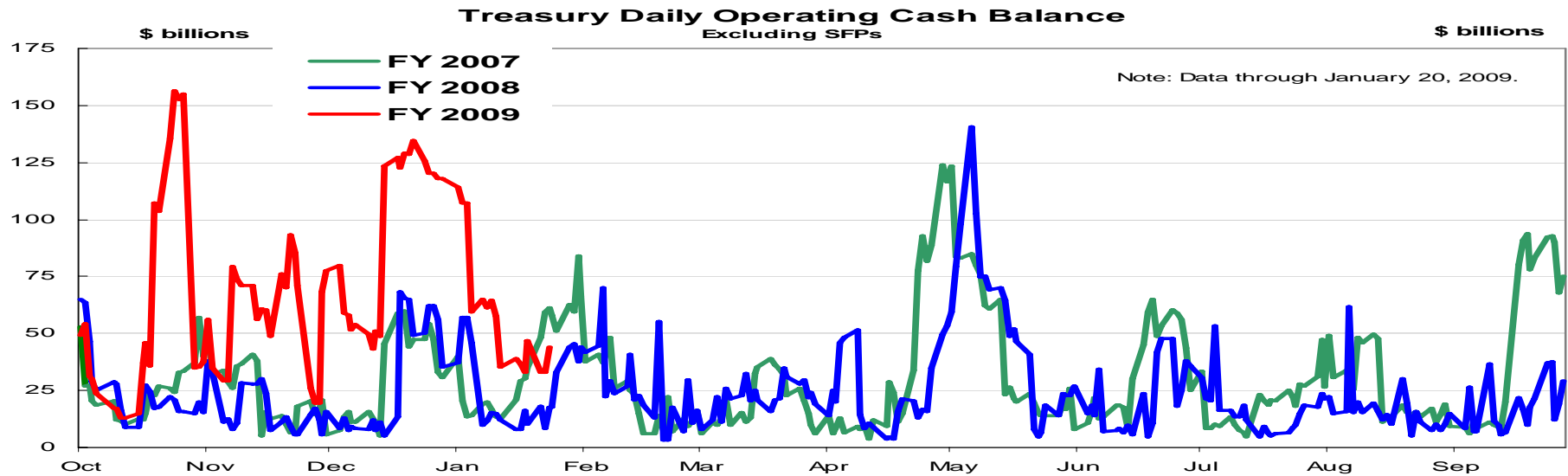
In the first quarter of FY2009, year-over-year growth in individual and corporate tax receipts was negative while outlay growth accelerated



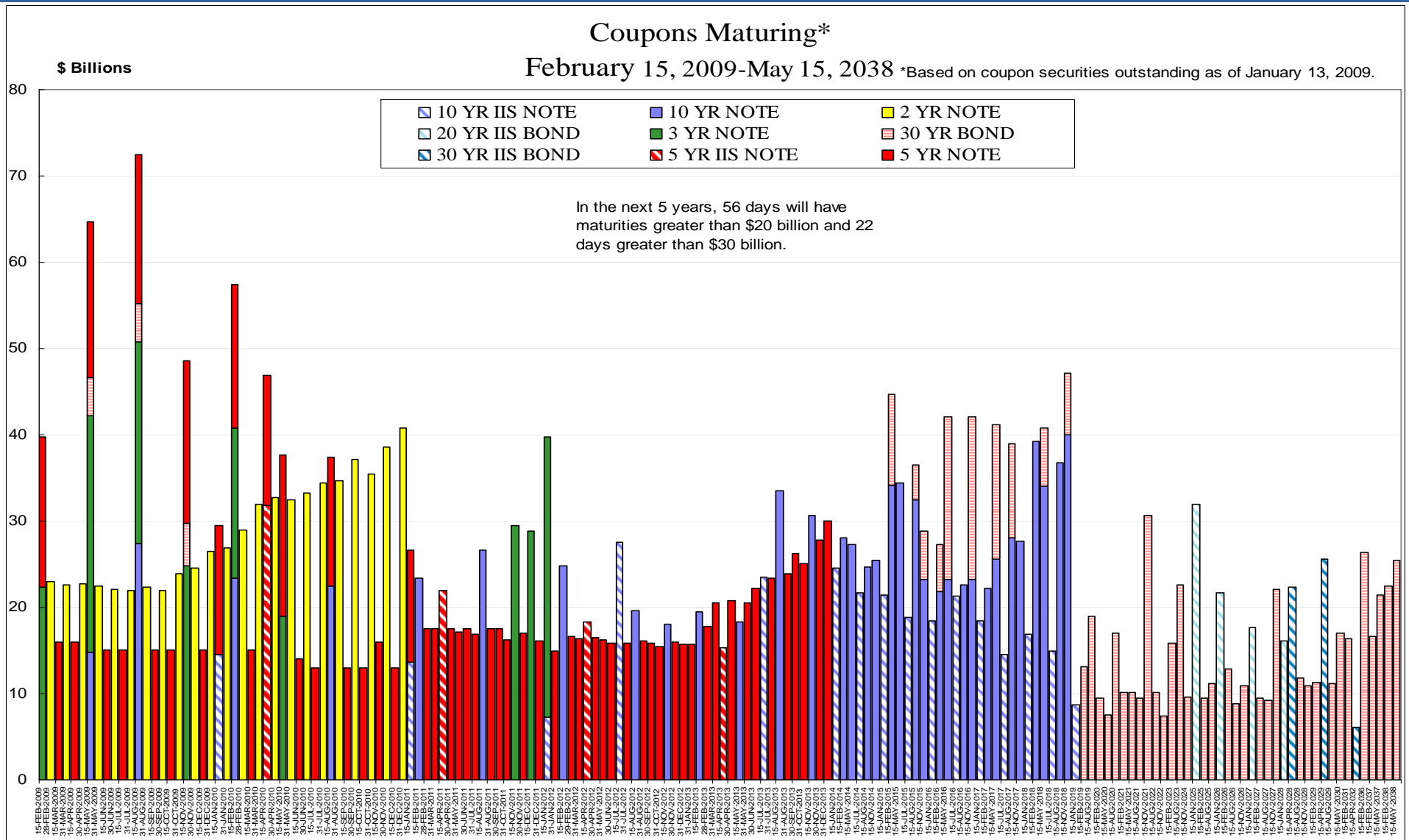
Declines in corporate tax receipts have generally preceded lower growth in individual withheld and non-withheld receipts



Cash balances remain volatile



And maturing securities continue to grow and add to financing needs



Primary dealer estimates of the FY 2009 deficit rose to \$1.6 trillion from \$988 billion ahead of the November refunding

FY 09 Deficit Estimates

\$ billions

	Primary Dealers*	CBO	OMB
Current:	1626	1186	482
Range based on average absolute forecast error**	1535-1717	1086-1286	391 - 573
Estimates as of:	January 09	January 09	July 08

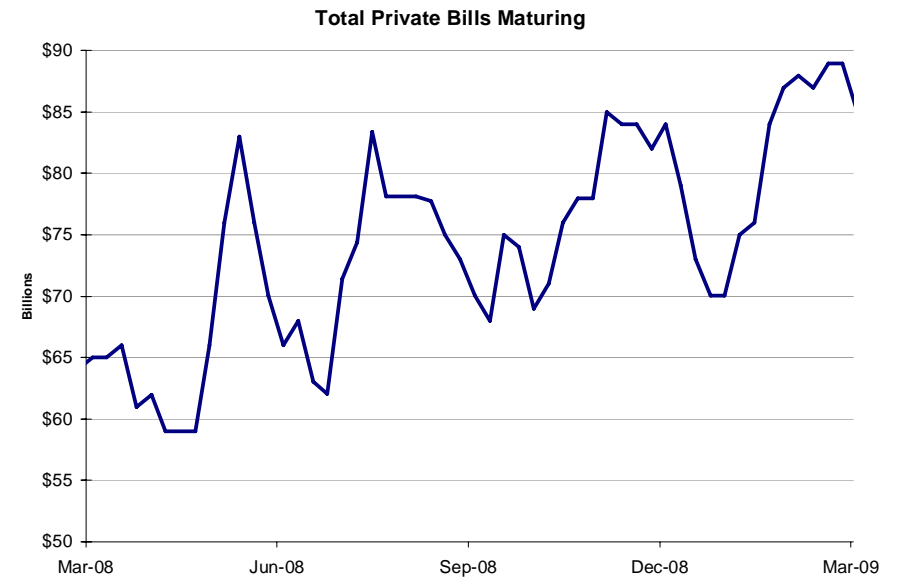
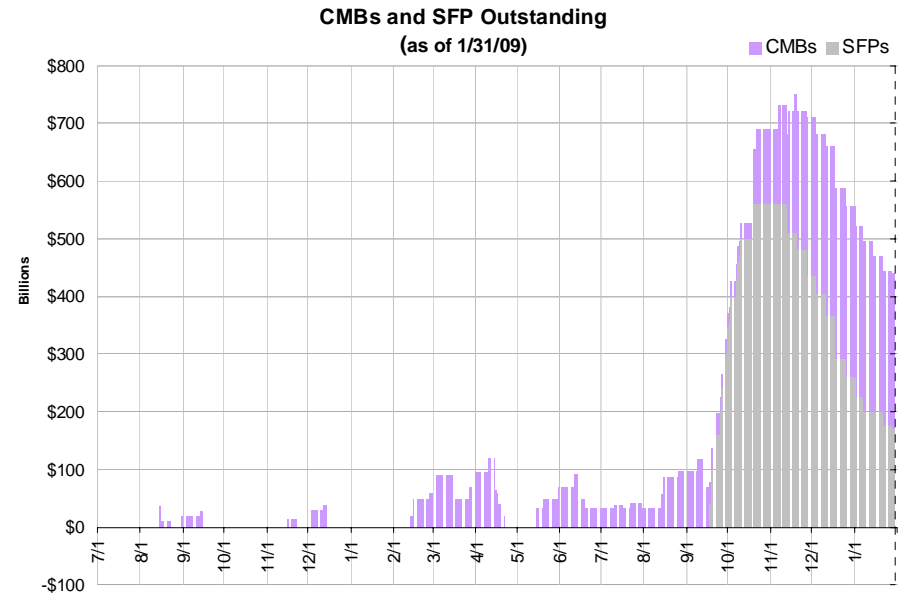
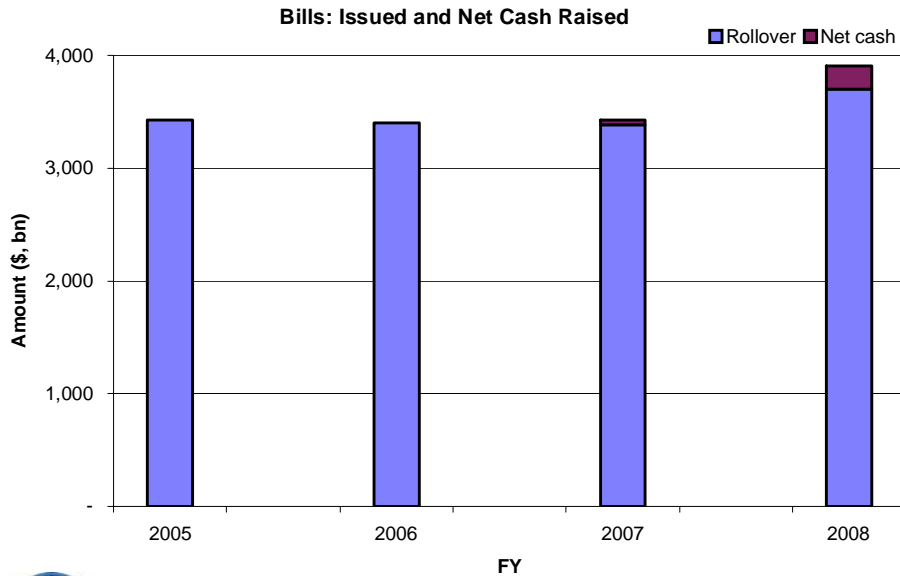
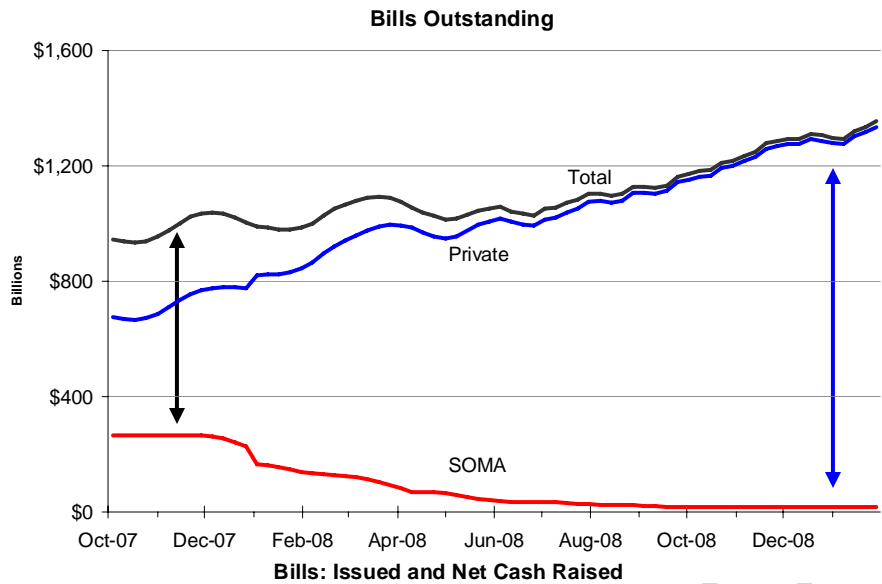
* Primary Dealers reflect average estimate.

** Ranges based on errors from 2004-2008.

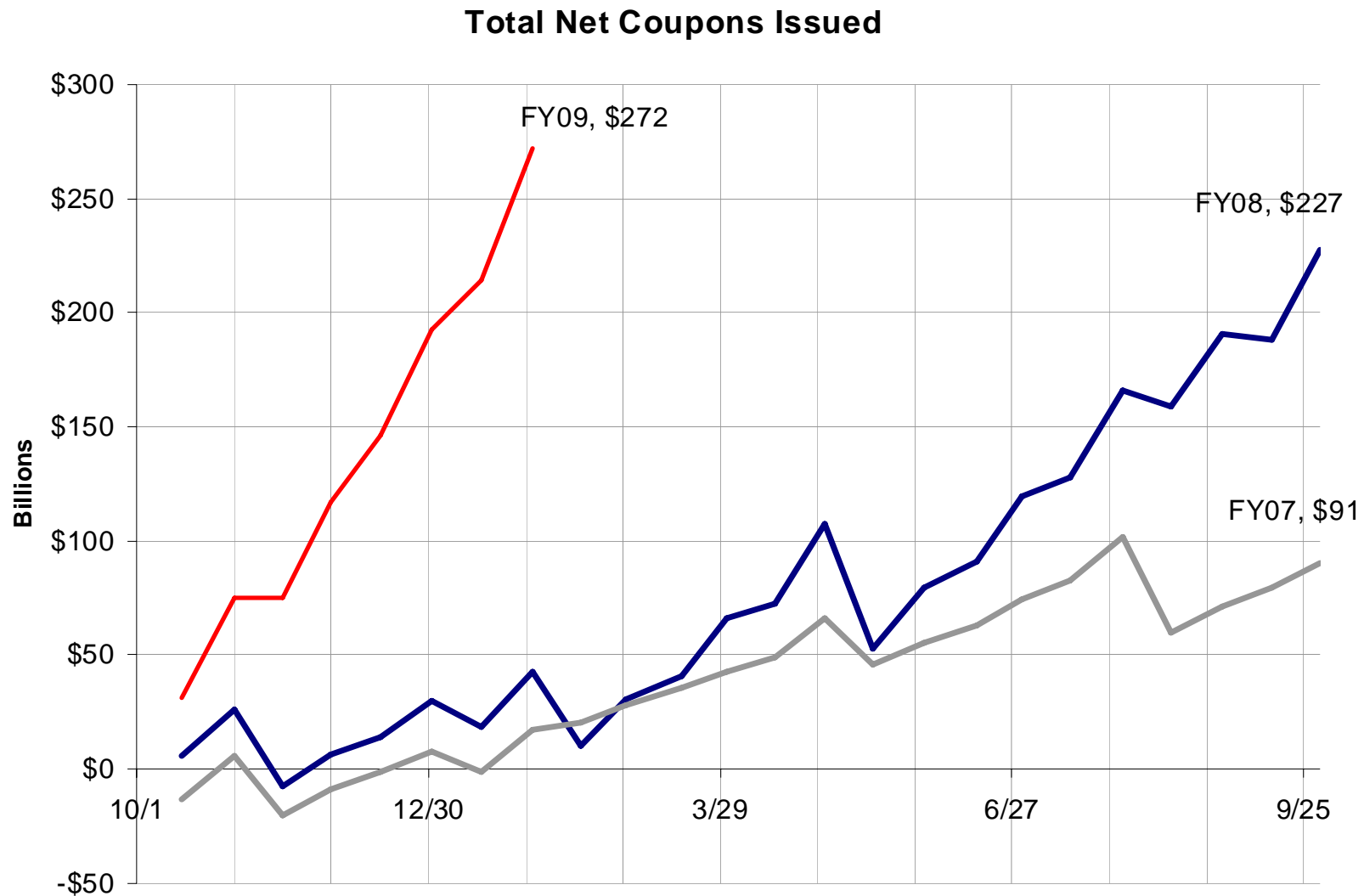
*** Based on Primary Dealer feedback on January 29, 2009.



SFP related financing and funding needs have led to higher bill issuance, including cash management bills

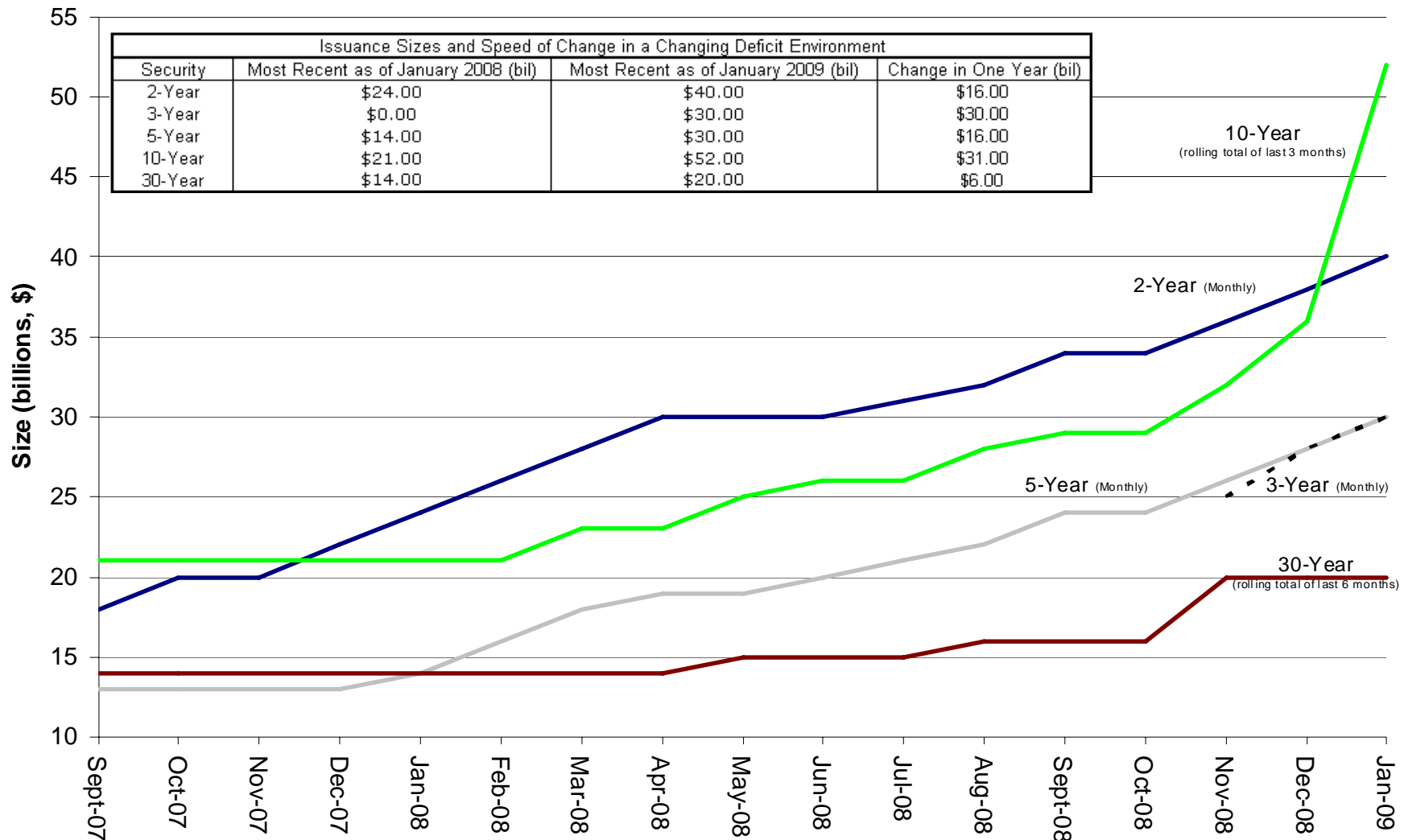


Growing financing needs resulted in significant borrowing via coupons



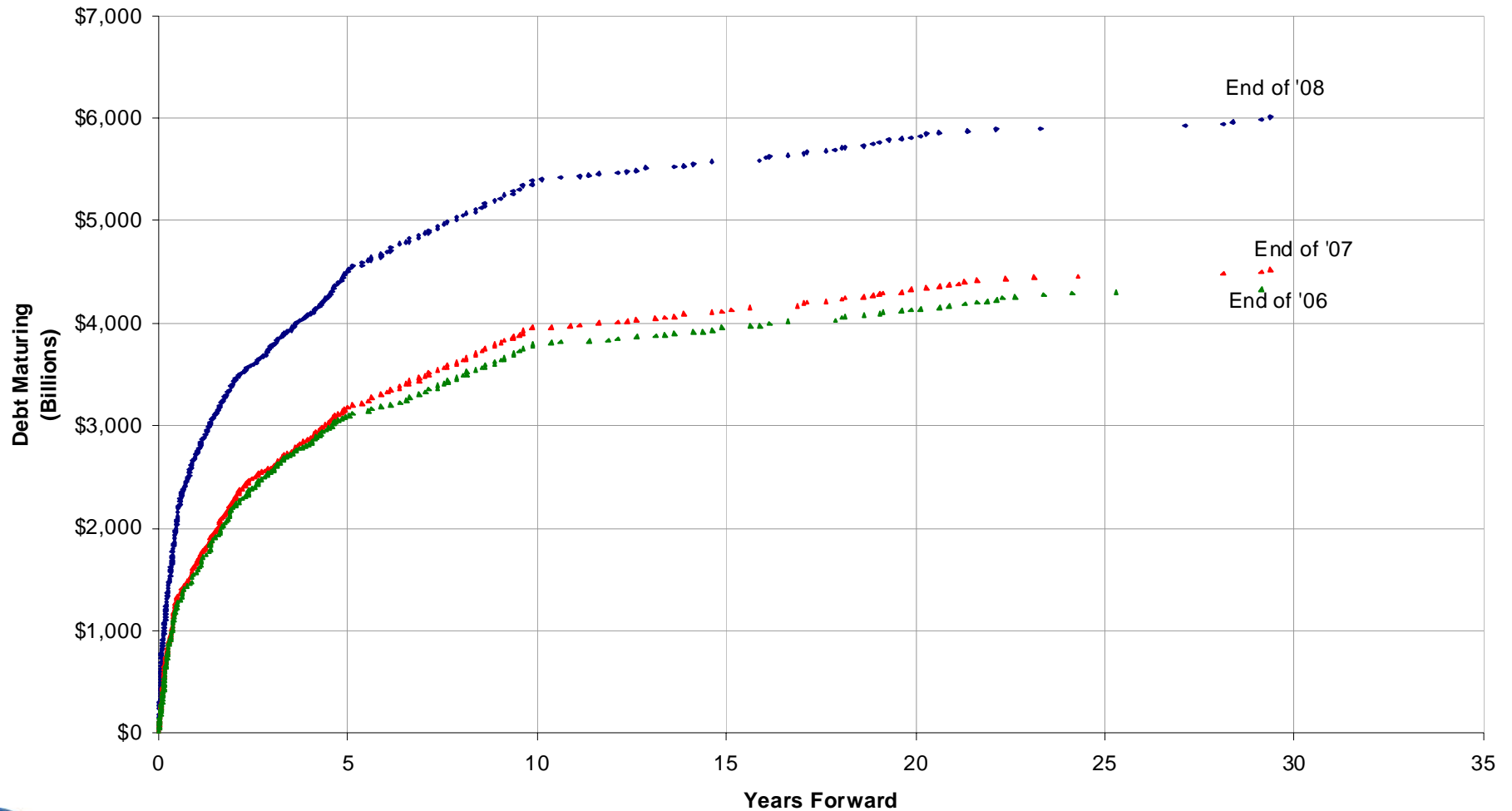
Existing coupon securities continue to increase to larger, more liquid benchmark sizes

Coupon Issuance in 2007-2009



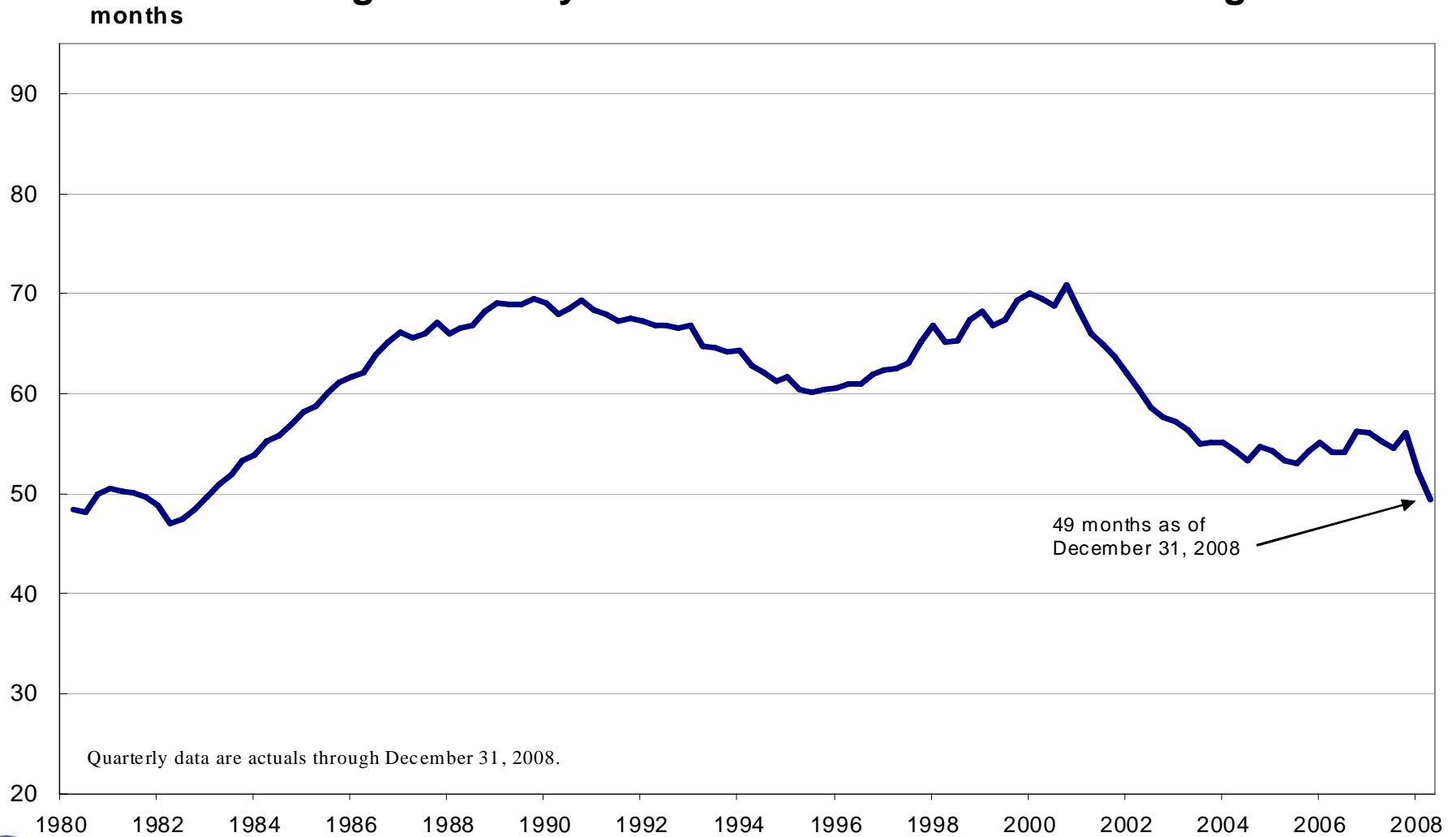
The amount of debt due to mature within 5 years rose between December 2007 and December 2008

Debt Due to Rollover Within N Years



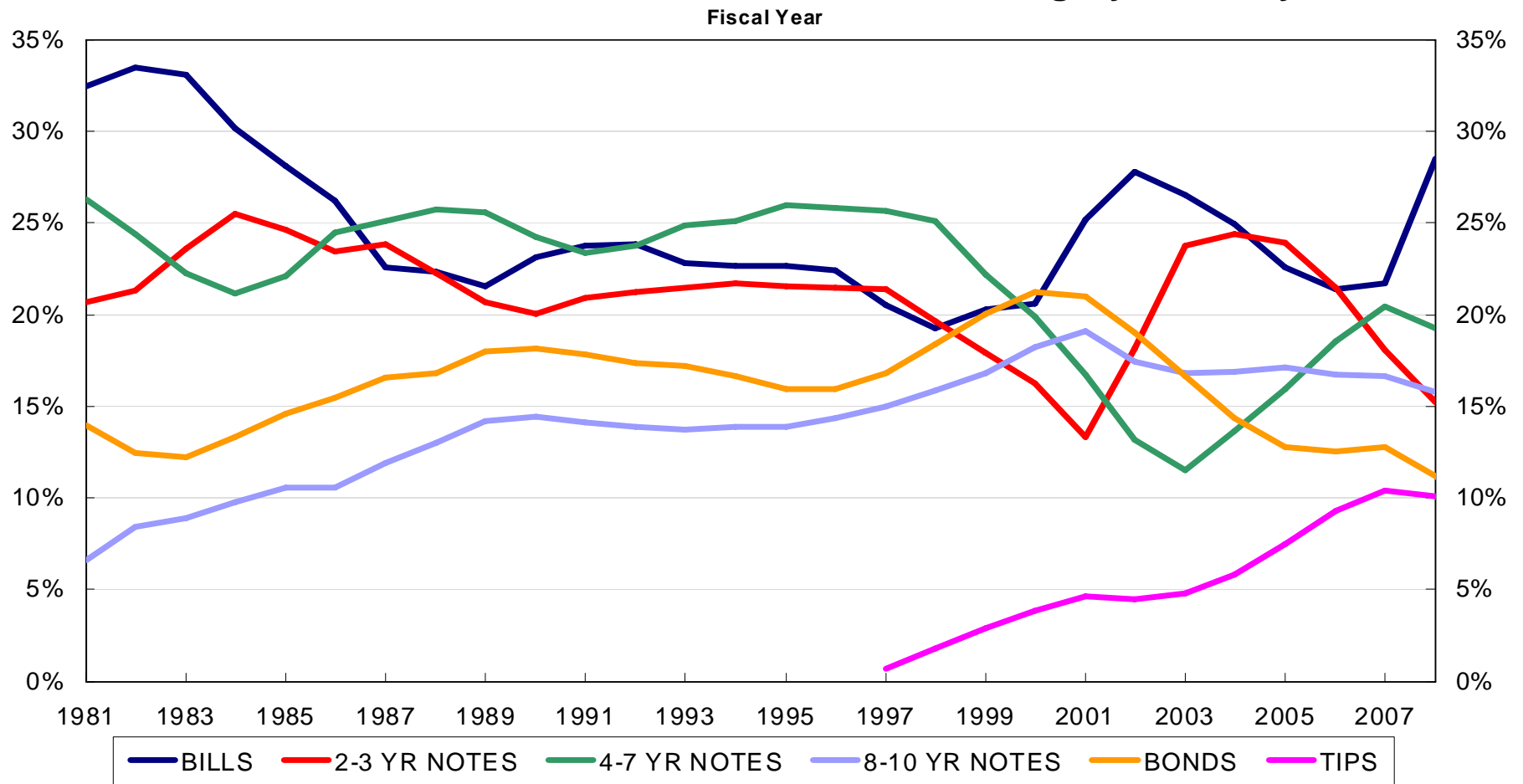
The average maturity of marketable debt outstanding fell in the first quarter of FY 2009 as short-term issuance increased

Average Maturity of Marketable Debt Outstanding



The shares of all securities outstanding other than bills have fallen while the share of bills outstanding has grown to address near term financing needs

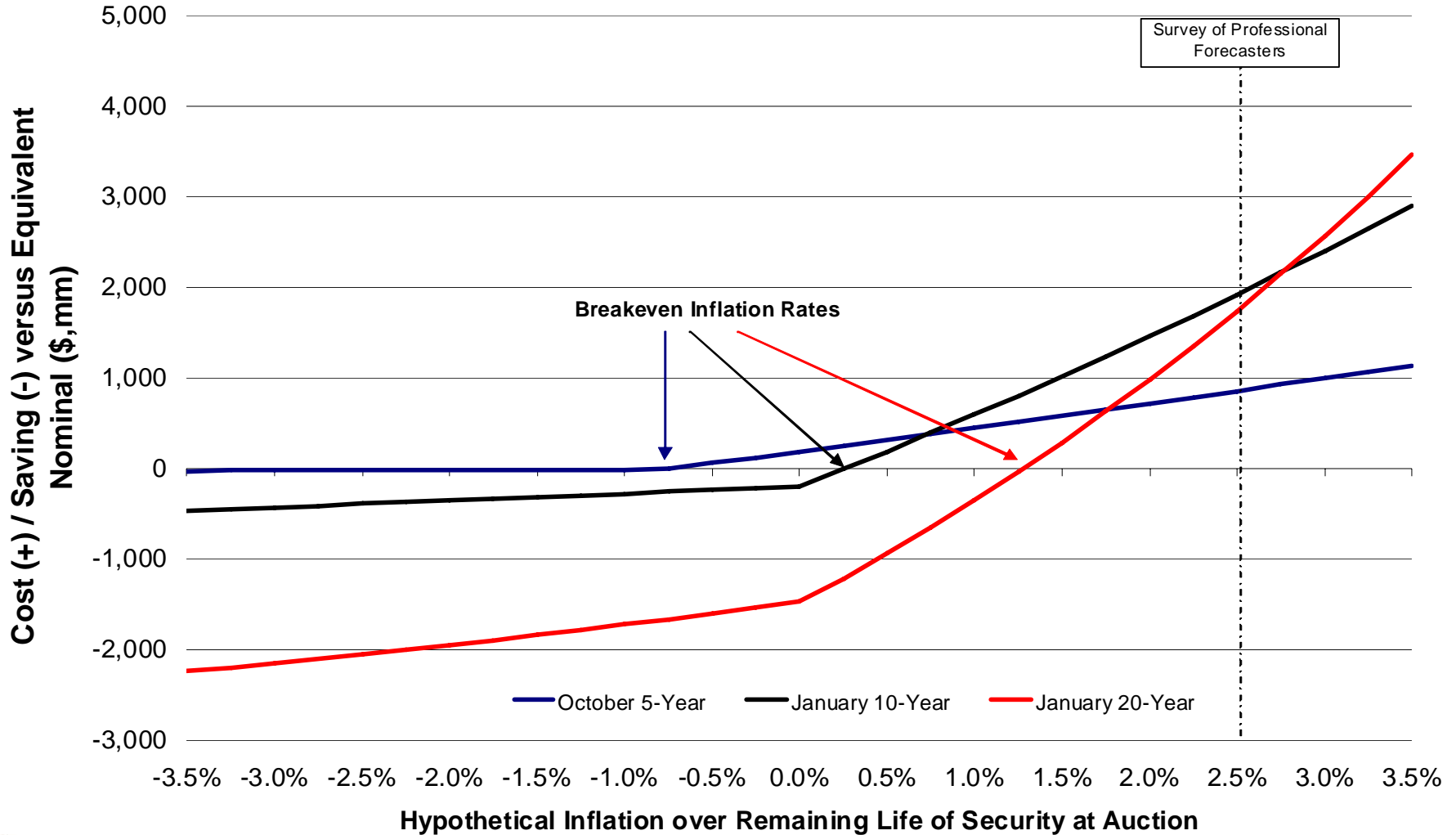
Distribution of Marketable Debt Outstanding by Security



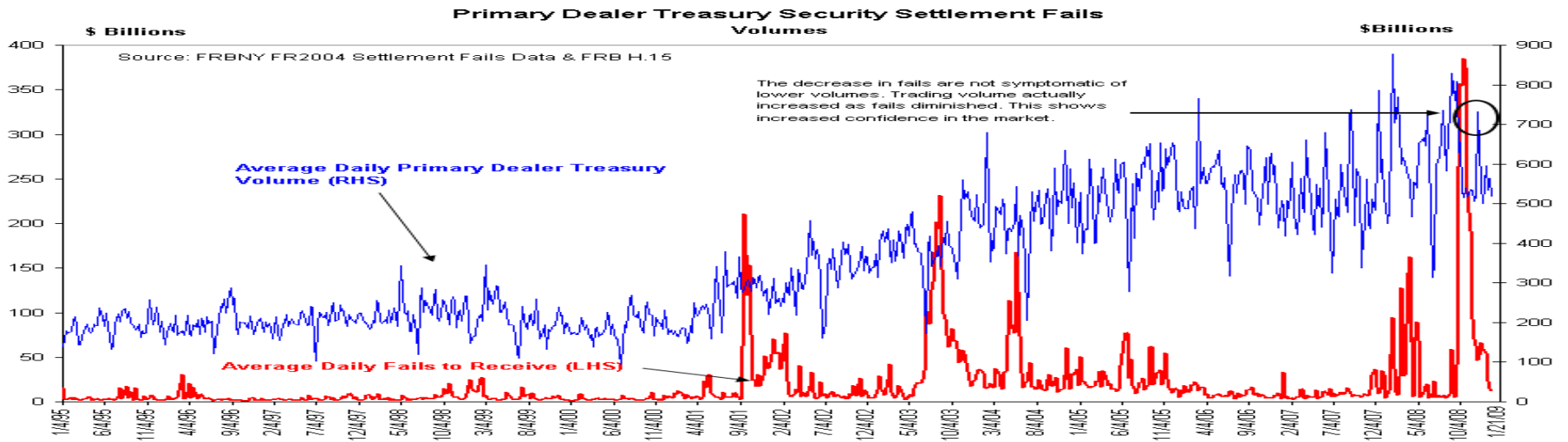
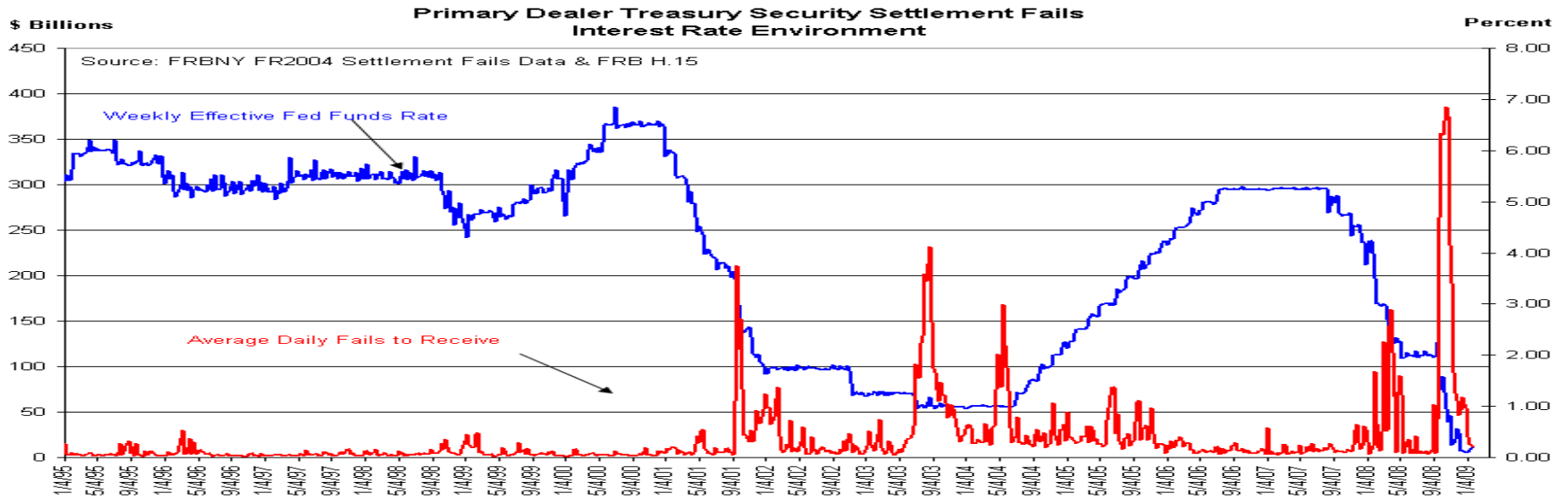
Net financing projections for FY 2009-10 are based on internal estimates; projections for FY 2011-13 are based on OMB 2009 MSR Budget estimates. Future residual financing needs are spread proportionally across auctioned securities and are derived from hypothetical auction sizes. Initial sizes are based on announced coupon amounts as of January 15, 2009 and assume the outstanding level of bills on December 31, 2008. All projections exclude CMB issuance and maturing amounts.

Treasury continues to monitor developments in inflation-indexed markets

Potential Cost / Benefit of the Most Recently Auctioned TIPS versus Comparable Nominal Treasuries under Various Inflation Scenarios



The Treasury repo market, after experiencing dislocations, is gradually readjusting with volumes increasing and fails plateauing



Adjusting the auction calendar should be considered to address borrowing needs

Announced through 1/27/09

<u>Security</u>	<u>Recent Size, \$ Billions</u>
4-week, 13-week, and 26-week bills	32, 29, 28
52-week bills	22 per month
2-year note	40 per month
3-year note	30 per month
5-year note	30 per month
10-year note	52 (20 initial + 16 + 1st reopening + 16 2nd reopening)
30-year bond	20 (10 initial + 10 reopening)
5-year TIPS	14 (8 initial + 6 reopening)
10-year TIPS	14 (8 initial + 6 reopening)
20-year TIPS	14 (8 initial + 6 reopening)
Cash Management Bills (including SFP)	39 (average size in FY 2009)



Treasury is expecting to make further changes to the auction calendar as a result of increased financing needs.

What adjustments to the current securities offerings should Treasury make at this time that would be easily introduced and provide increased flexibility?

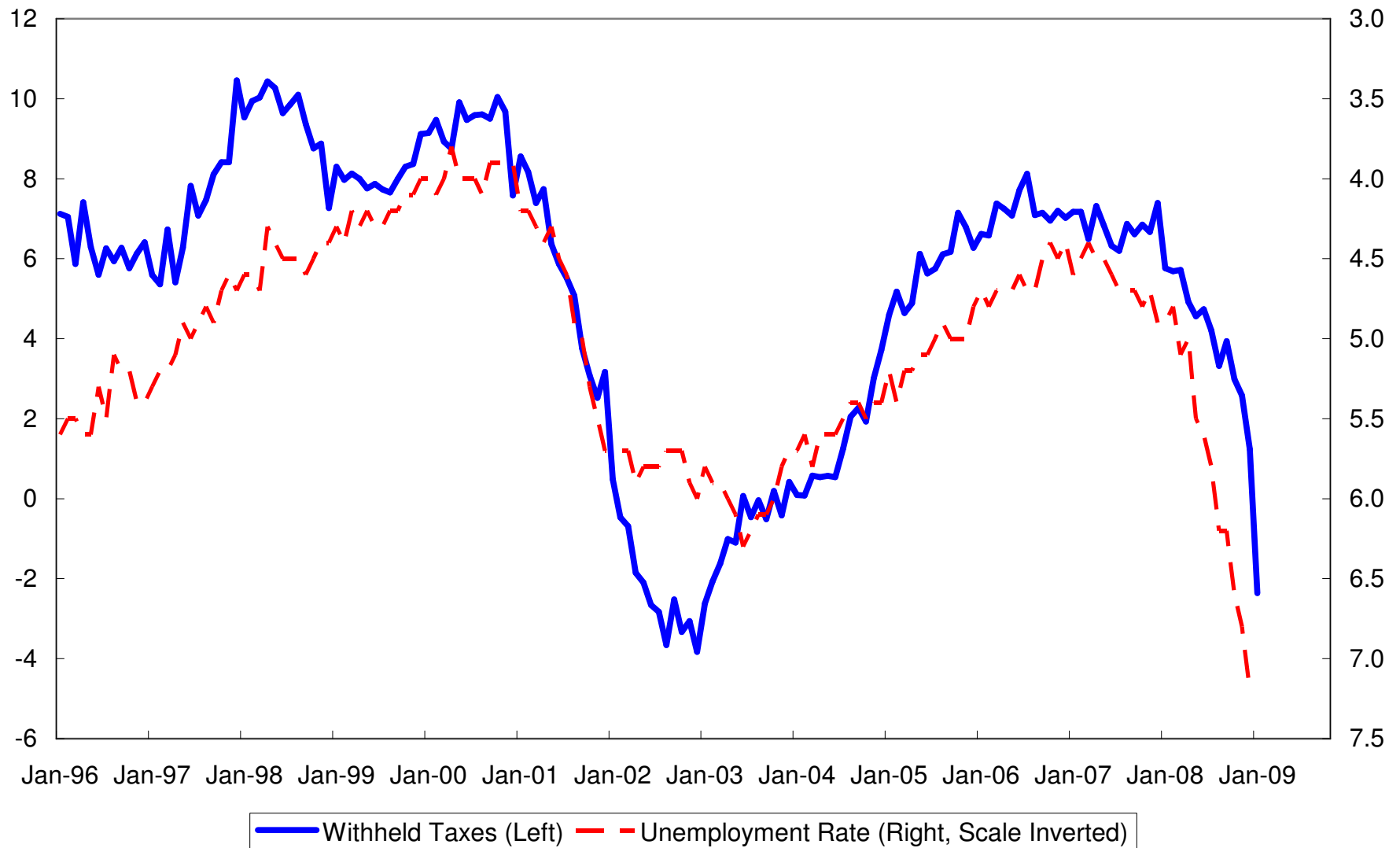


Treasury Borrowing Advisory Committee Presentation to the U.S. Treasury

February 3, 2009

Federal Tax Receipts Collapsing with Rising Unemployment

Federal Withheld Tax Receipts (Year-to-Year Pct Chg) and Unemployment Rate

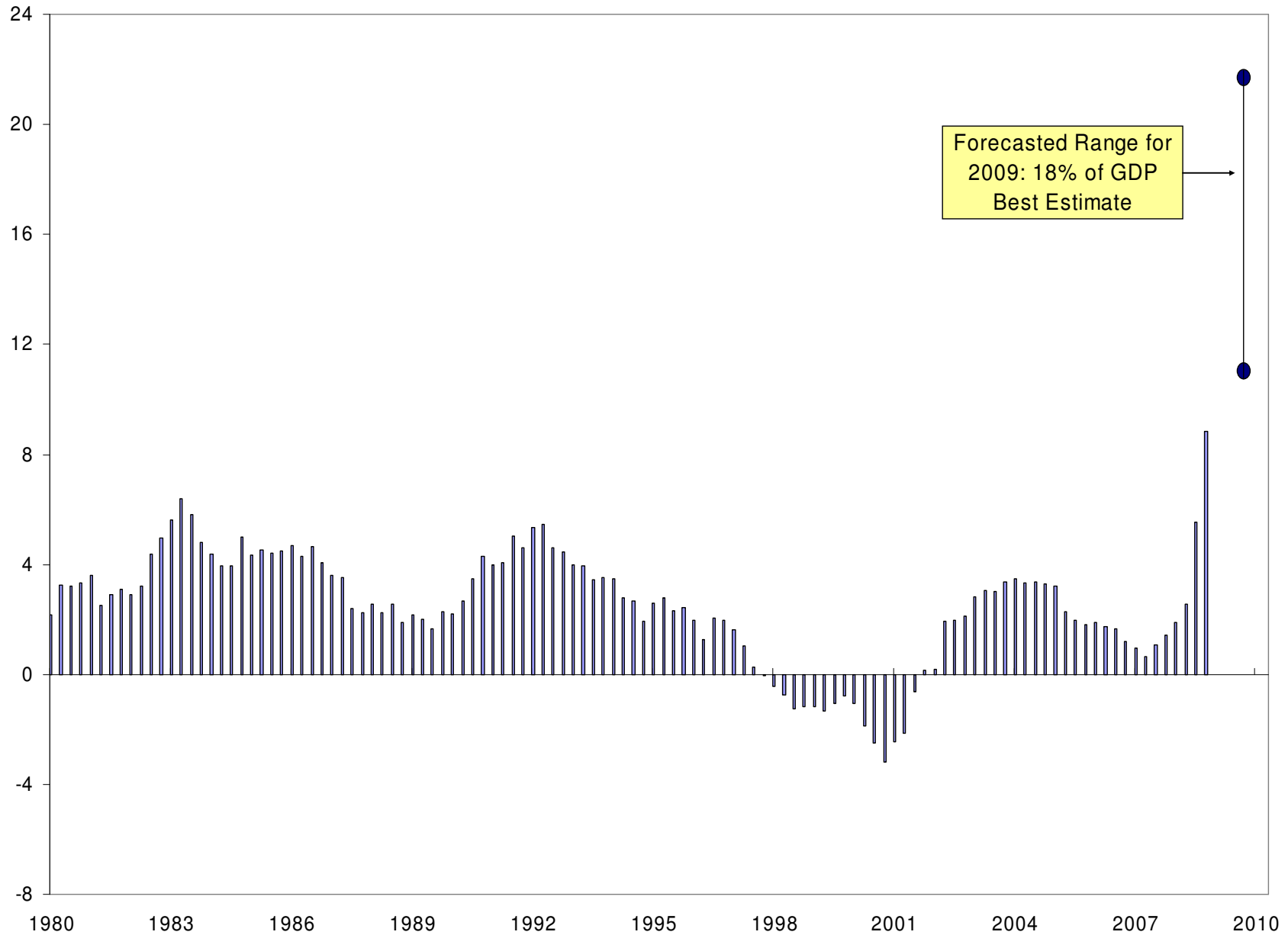


Staggering US Budget Erosion

	FY2006	FY2007	FY2008	FY2009
	<i>(Billions USD)</i>			
Budget Position	-248	-161	-455	-1,750
Net Borrowing	218	145	788	2,500
Debt Outstanding	4,303	4,448	5,236	7,736
	<i>(% GDP)</i>			
Budget Position	-1.9%	-1.2%	-3.2%	-12.0%
Net Borrowing	1.7%	1.1%	5.5%	17.5%
Debt Outstanding	33.1%	32.6%	36.8%	53.5%

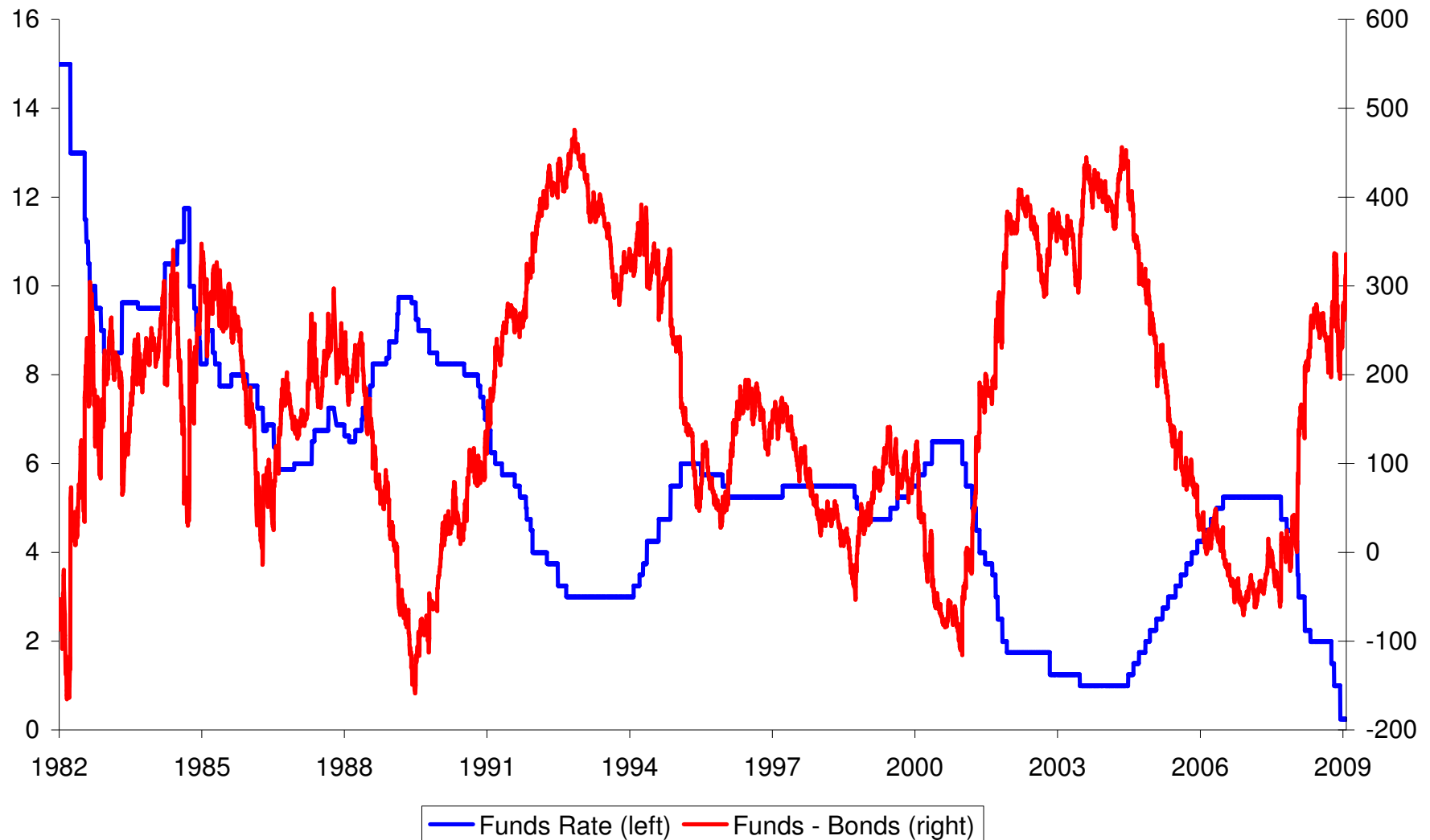
US Government's Massive Funding Needs

TSY Net Borrowing Needs as Pct of Nominal GDP -- Including Range of Estimates For 2009 Scenarios



Treasury Curve Less Steep Than Prior Recessions

Spread Between the Funds Rate and 30-Year Treasury Yield (Basis Points) and the Federal Funds Rate



Fed and Treasury Programs

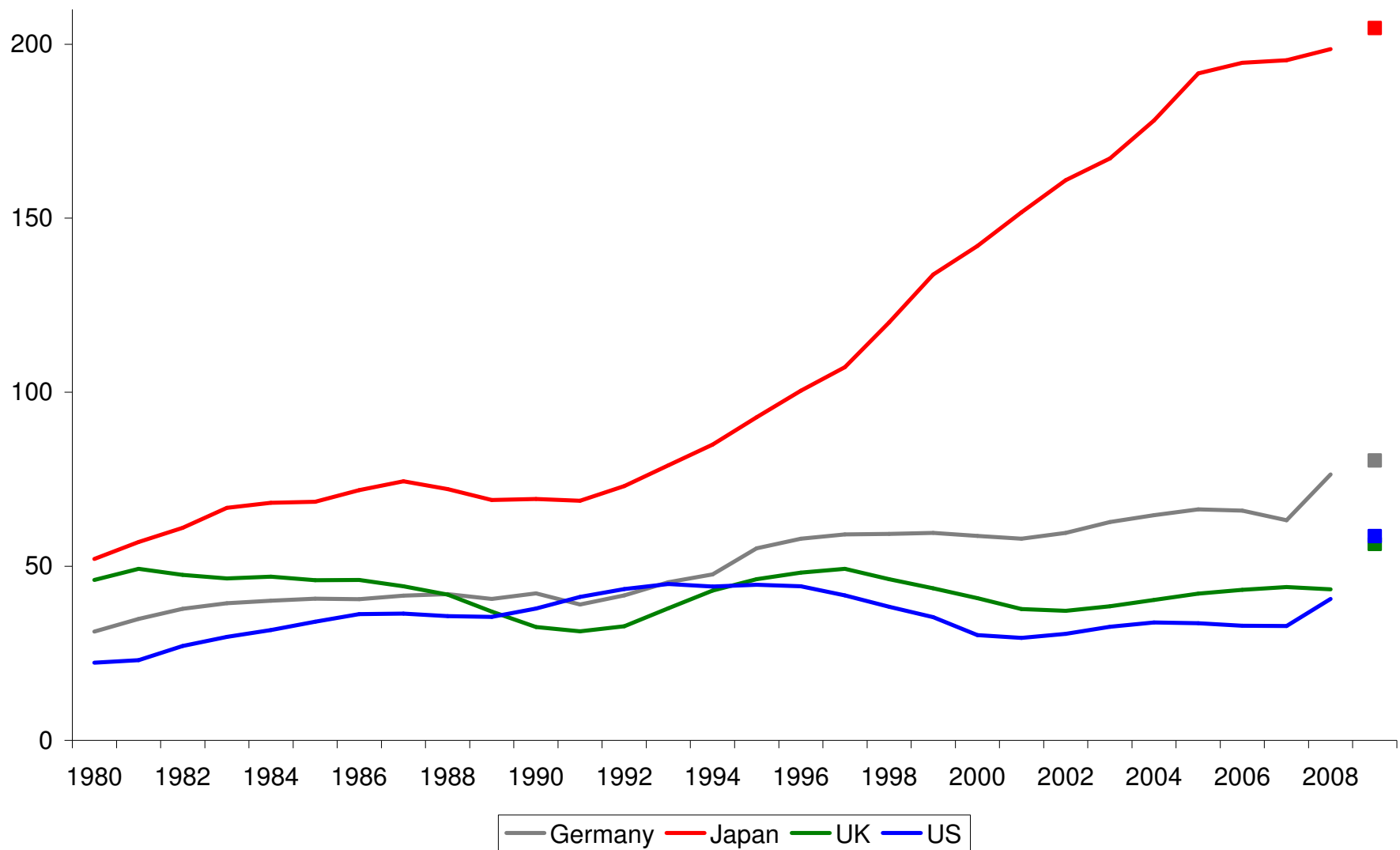
	<u>Allocated Amount</u>	<u>Size</u>	
Federal Reserve - \$5.255 trillion - 62%			
Commercial Paper Funding Facility LLC (CPFF)	1,800,000,000,000	21%	Holdings down \$100B from peak to \$250B
Term Auction Facility (TAF)	900,000,000,000	11%	
Other Assets	601,963,000,000	7%	
Unnamed MBS and GSE Program	600,000,000,000	7%	Fed may hike size of purchases
Money Market Investor Funding Facility (MMIFF)	540,000,000,000	6%	
Term Securities Lending Facility (TSLF)	250,000,000,000	3%	
Term Asset Backed Securities Loan Facility (TALF)	200,000,000,000	2%	February launch - size may rise
Discount Window	139,211,000,000	2%	Borrowing on downward trend
Other Credit Extensions (AIG)	122,800,000,000	1%	
ABCP Money Market Fund Liquidity Facility (AMLF)	61,900,000,000	1%	
Net Portfolio Maiden Lane LLC (Bear Sterns)	28,800,000,000	0%	
Securities Lending Overnight	10,300,000,000	0%	Program being little used following CP/MM facility introduction
Secondary Credit	118,000,000	0%	
	5,255,092,000,000	62%	
Federal Deposit Insurance Corporation - \$1.788 trillion - 21%			
FDIC Liquidity Guarantees	1,400,000,000,000	16%	\$150 billion in debt issued to date
Loan Guarantee to Citigroup	249,300,000,000	3%	
Loan Guarantee to Lending arm of General Electric	139,000,000,000	2%	
	1,788,300,000,000	21%	
Treasury Department - \$1.15 trillion - 13.5%			
Troubled Asset Relief Program (TARP)	700,000,000,000	8%	Second \$350B tranche just requested
Fannie Mae / Freddie Mac Bailout	200,000,000,000	2%	
Stimulus Package and Bank Tax Breaks	197,000,000,000	2%	Package provide only temporary boost
Treasury Exchange Stabilization Fund (ESF)	50,000,000,000	1%	
	1,147,000,000,000	14%	
Federal Housing Administration - \$300 billion - 3.5%			
Hope For Homeowners	300,000,000,000	4%	
Total - 100%	8,490,392,000,000	100%	

FDIC Insured Bank Debt

Selected Senior Unsecured Debt Outstanding as of 1/27/09			
	Issuance		Debt Maturing 2009
	(\$mm)	(%)	(\$mm)
Bank of America	24,850	16.8%	72,677
GE	24,271	16.5%	60,248
JP Morgan Chase & Co.	20,760	14.1%	43,836
Citi	18,350	12.4%	38,611
Other Banks	15,206	10.3%	N/A
Goldman Sachs Group	15,017	10.2%	26,467
Morgan Stanley	14,575	9.9%	18,621
American Express Co.	5,900	4.0%	15,520
Sun Trust Banks Inc.	3,000	2.0%	4,396
PNC Financial Services	2,900	2.0%	7,337
HSBC USA	2,675	1.8%	51,005
GMAC	0	0.0%	N/A
National City Corp	0	0.0%	3,914
US Bancorp	0	0.0%	4,285
Grand Total	147,504	100.0%	346,917

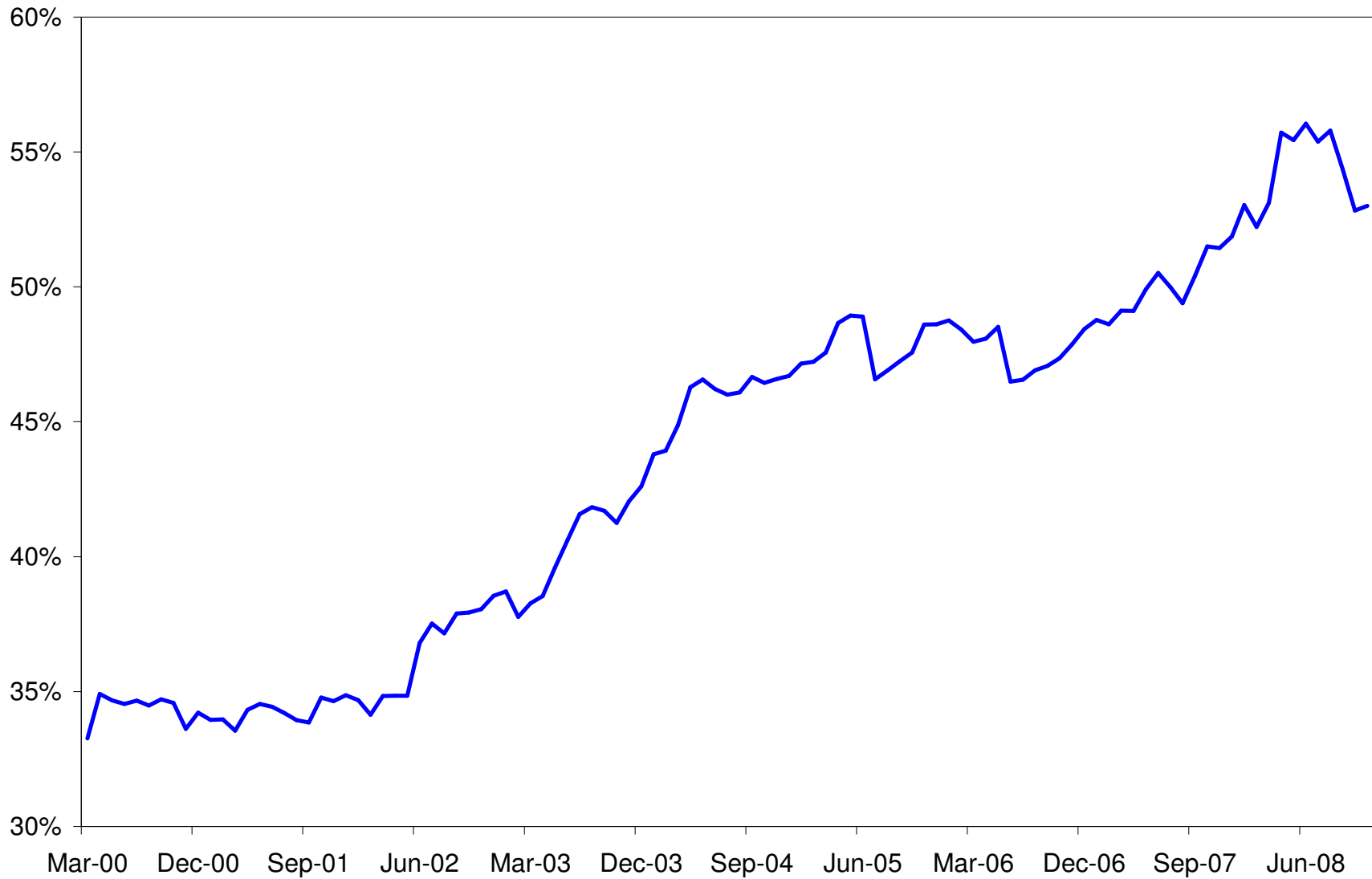
US Starting Out with Relatively Low Public Debt Position

Select Countries: Public Debt Outstanding as a Share of GDP



Share of US Debt Held By Foreigners Is Climbing

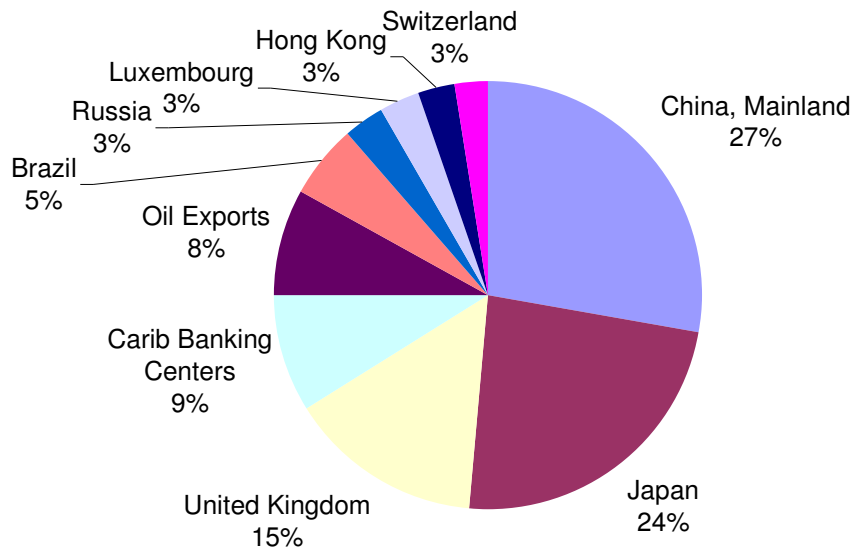
% Total US Debt Held by Foreigners



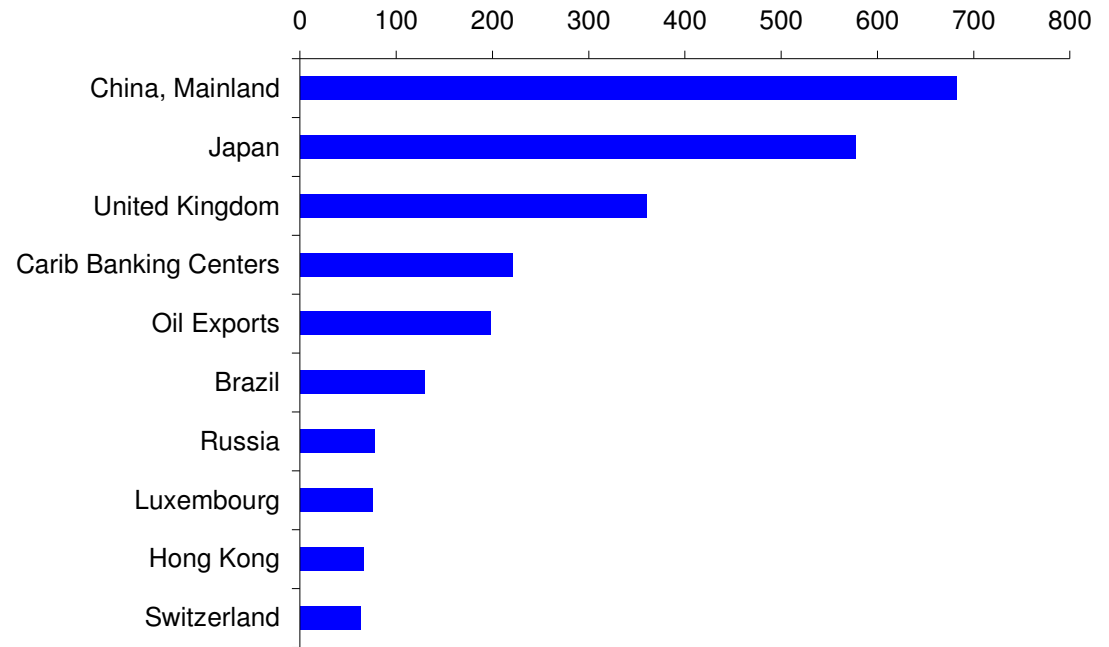
Share of US Debt Held By Foreigners Is Climbing

China and Japan Account for More Than Half of the Total

US Treasury Holdings Abroad (Bil USD)

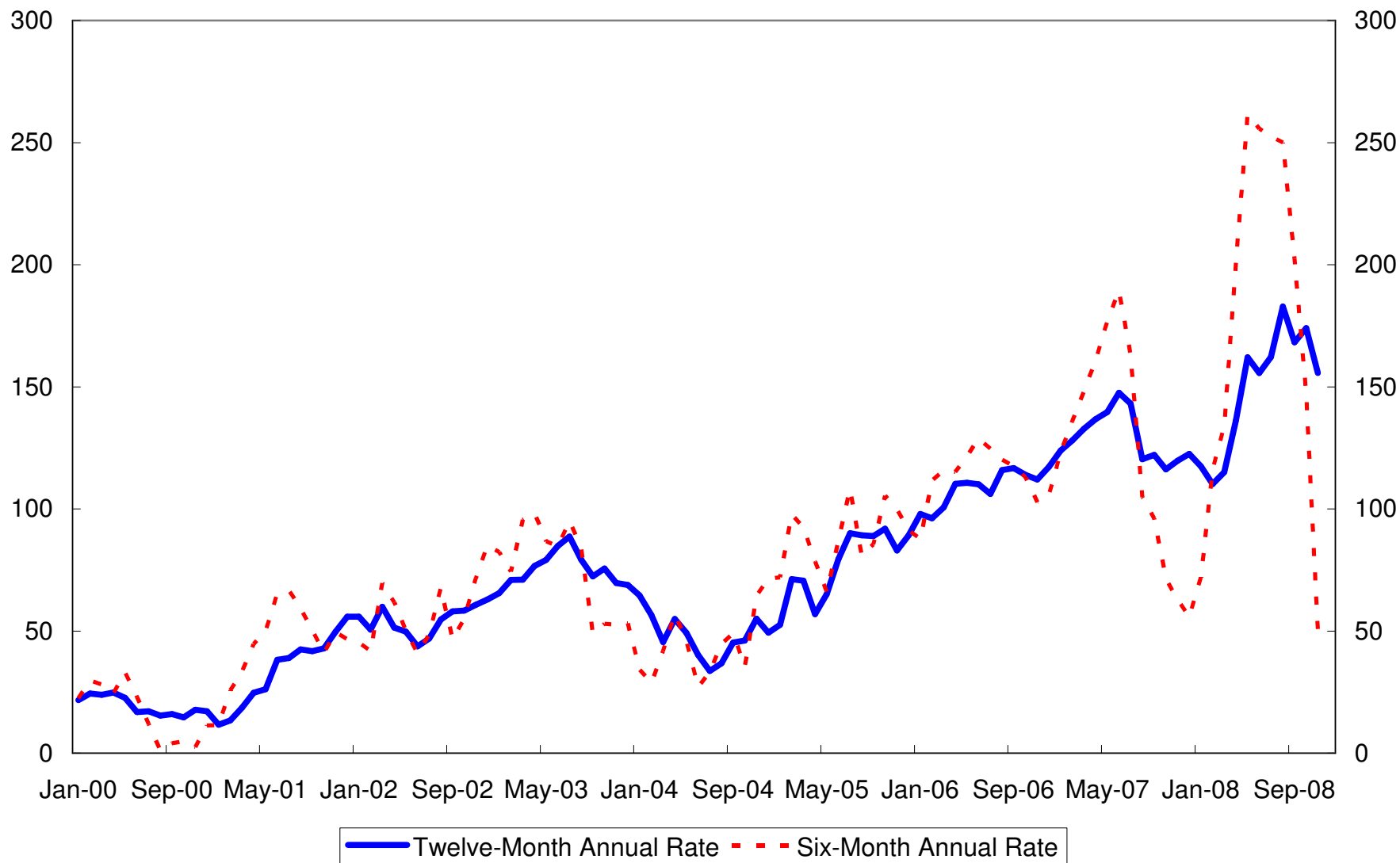


US Treasury Holdings Abroad (Bil USD)



Chinese Purchases of US Financial Assets Have Slowed Recently

China: Net Foreign Purchases in Long-Term US Securities (Billion USD)

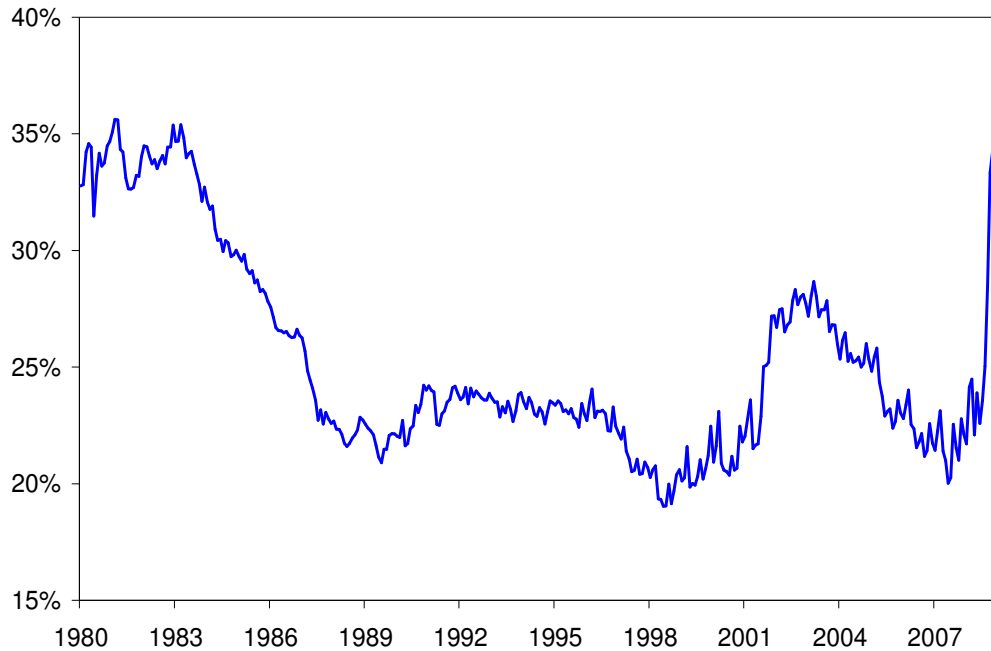


Dollar International Reserves by Country

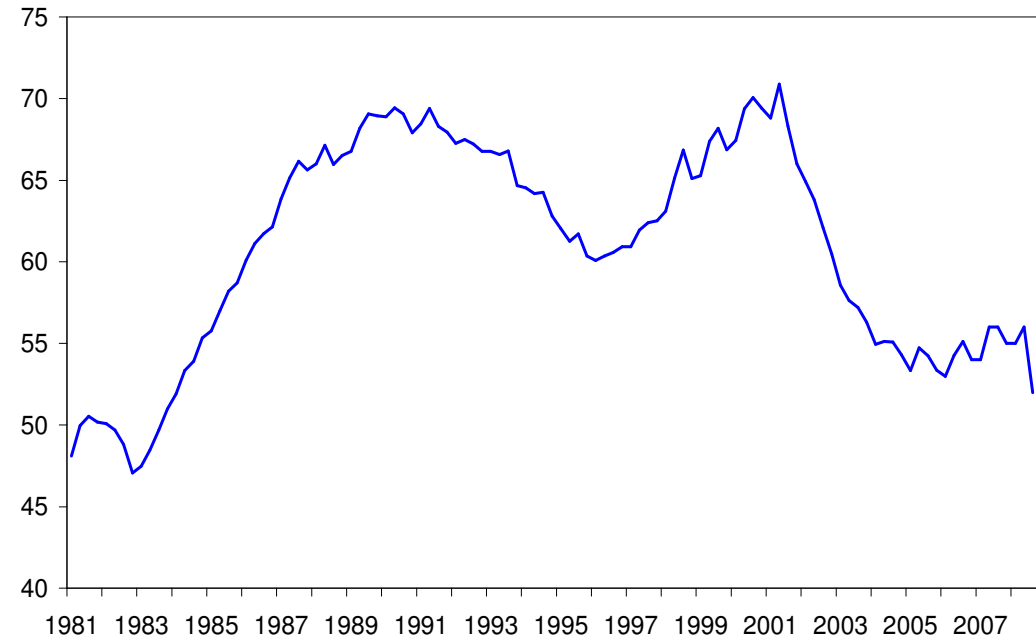
	Date	Reserves (mil USD)	% World
World	1/30/2009	6,757,009	
Asia			
China	12/31/2008	1,946,030	29%
Japan	12/31/2008	1,003,300	15%
India	1/23/2009	238,305	4%
Taiwan	12/31/2008	291,710	4%
South Korea	12/31/2008	201,220	3%
Americas			
Brazil	1/29/2009	201,572	3%
Mexico	1/23/2009	84,045	1%
US	1/23/2009	40,836	1%
Argentina	11/30/2008	44,063	1%
Canada	10/31/2008	39,634	1%
Europe			
Russia	1/23/2009	386,500	6%
Eurozone	11/30/2008	204,202	3%
Poland	9/30/2008	70,981	1%
Turkey	1/23/2009	66,914	1%
Norway	10/31/2008	38,323	1%

Treasury Funding Its Needs in the Front End

T-Bill Share of Total Marketable Debt



Avg Maturity of Total Outstanding Marketable Debt (Months)



Primary Dealers in U.S. Government Securities

Latest
BNP Paribas Securities Corp.
Banc of America Securities LLC
Merrill Lynch Government Securities
Barclays Capital Inc.
Cantor Fitzgerald & Co.
Citigroup Global Markets Inc.
Credit Suisse Securities (USA) LLC
Daiwa Securities America Inc.
Deutsche Bank Securities Inc.
Dresdner Kleinwort Securities LLC
Goldman, Sachs & Co.
Greenwich Capital Markets, Inc.
HSBC Securities (USA) Inc.
J. P. Morgan Securities Inc.
Mizuho Securities USA Inc.
Morgan Stanley & Co. Incorporated
UBS Securities LLC.

January 1999
ABN AMRO Incorporated
Aubrey G. Lanston & Co., Inc.
Bear, Stearns & Co., Inc.
BT Alex. Brown Incorporated
Barclays Capital Inc.
Chase Securities Inc.
CIBC Oppenheimer Corp.
Credit Suisse First Boston Corporation
Daiwa Securities America Inc.
Deutsche Bank Securities Inc.
Donaldson, Lufkin & Jenrette Securities Corporation
Dresdner Kleinwort Benson North America LLC.
First Chicago Capital Markets, Inc.
Fuji Securities Inc.
Goldman, Sachs & Co.
Greenwich Capital Markets, Inc.
HSBC Securities, Inc.
J. P. Morgan Securities, Inc.
Lehman Brothers Inc.
Merrill Lynch Government Securities Inc.
Morgan Stanley & Co. Incorporated
NationsBanc Montgomery Securities LLC.
Nesbitt Burns Securities Inc.
Nomura Securities International, Inc.
Paine Webber Incorporated
Paribas Corporation
Prudential Securities Incorporated
Salomon Smith Barney Inc.
Warburg Dillon Read LLC.
Zions First National Bank