

**MINUTES OF THE MEETING OF THE
TREASURY BORROWING ADVISORY COMMITTEE
OF THE BOND MARKET ASSOCIATION
August 4, 1998**

The Committee convened at 9:15 a.m. at the Treasury Department for the portion of the meeting that was open to the public. All members were present, except Mr. Lyski and Mr. McKnew. The Federal Register announcement of the meeting and a list of Committee members are attached.

Deputy Assistant Secretary for Federal Finance Roger Anderson welcomed the Committee and the public to the meeting. John Auten, Director, Office of Financial Analysis, summarized the current state of the U.S. economy (statement attached). Paul Malvey, Associate Director, Office of Market Finance, presented the chart show, which had been released to the public on August 3, updating Treasury borrowing estimates and providing statistical information on recent Treasury borrowing and market interest rates.

The public meeting ended at 9:45 a.m.

The Committee reconvened in closed session at the Madison Hotel at 11:45 a.m. All members were present, except Mr. Lyski and Mr. McKnew. Deputy Assistant Secretary Anderson gave the Committee its Charge, which is also attached.

The Committee began by reviewing a proforma financing schedule for the July-September quarter (attached) that was developed by one of the members and by considering the August refunding. The Committee discussed, but did not recommend that the Treasury announce a reopening of the 5-3/4% Treasury note of 8/15/03. The Committee was unanimous in recommending a reopening of the 5-5/8% note of 5/15/08. The Committee voted by 12 to 6 to recommend a \$37 billion refunding package to raise \$9.2 billion of cash. The Committee then voted by 13 to 5 to recommend that the Treasury auction \$16 billion of new 5-year notes, \$11 billion in a reopening of the 5-5/8% notes of 5/15/08, and \$10 billion of new 30-year bonds.

In response to the question in the Charge pertaining to whether further changes need to be made in the Treasury borrowing calendar, the Committee turned to a discussion of the long-term proformas (attached) that were developed by one of the members. The Committee consensus favored large sizes for new bills, notes, and bonds to promote trading liquidity and to maintain the benchmark status of Treasury issues. Their consensus was that, for now, the Treasury does not need to change the schedule of auctions that is in place currently.

In response to the question in the Charge pertaining to regularizing new issues of inflation-indexed notes and bonds, the Committee consensus was to recommend that the Treasury issue 10- and 30-year indexed securities and not issue any more 5-year indexed notes. The Committee voted 14-4 to recommend that the Treasury issue a new 10-year indexed note in October and begin the following quarterly issuance pattern in January 1999: 10-year in January; 30-year in April (Treasury does not auction a 30-year nominal bond in the April-June quarter); 10-year in July; and 30-year in October.

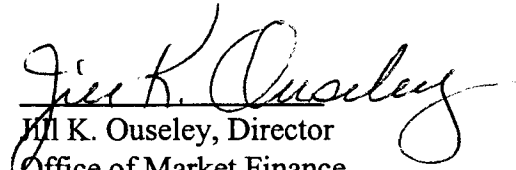
The Committee briefly discussed the question in the Charge pertaining to the when-issued periods for Treasury bills. The Committee consensus was that the Treasury could shorten the WI period by announcing 13-, 26- and 52-week bills on Thursday, auctioning the 13- and 26-week bills the following Monday, and auctioning the 52-week bills every fourth Tuesday, all for issuance on Thursday of the week auctioned.

Finally, the Committee turned to the Treasury financing plan for the October-December quarter, reviewing a proforma financing plan developed by one of the members (copy attached). The Committee consensus was to repeat the sizes recommended for the August 5-, 10-, and 30-year notes in the November refunding and make conforming changes to the sizes of Treasury bills.

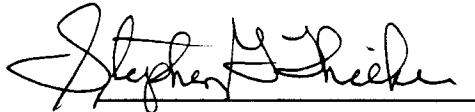
The meeting adjourned at 1:15 p.m.

The Committee reconvened at the Madison Hotel at 5:30 p.m. All members were present, except Mr. Lyski and Mr. McKnew. The Chairman presented the Committee report (copy attached) to Assistant Secretary Gensler, Acting Assistant Secretary Hammond, and Deputy Assistant Secretary Anderson. In reply to a question Committee members commented that to not think there are any problems with implementing shortened when-issued periods for new issues of Treasury bills, and they encouraged the Treasury to move quickly to make this change.

The meeting adjourned at 6:05 p.m.


Jill K. Ouseley, Director
Office of Market Finance
August 5, 1998

Certified by:



Stephen Thieke, Chairman
Treasury Borrowing Advisory Committee
of The Bond Market Association
August 5, 1998