Quarterly Refunding Charts

U.S. Department of the Treasury

Office of Debt Management

January 28, 2008

Financing
Near Term Outlook

- **FY 2008 Q2 and Q3 Outlook:**
  - **We estimate net marketable borrowing of $156 billion this quarter and a net pay down of $122 billion next quarter**
  - **Uncertainty regarding the timing of refunds and proposed fiscal stimulus may lead to increased financing needs in the near term**

- Deficit funding was higher in FY Q1 with an increase in bills being the major financing vehicles.

- With the discontinuation of the 3-year note, quarterly outflows in February, May, August and November remain large as securities maturing increase.

Treasury Financing Requirements

$ Billions

	October - December 2007 (Projected)	October - December 2007 (Actuals)	January - March 2008 (Projected)
Deficit Funding (Def + / Surplus -)	***96***	**106**	***201***
Means of Financing			
Change in Cash Balance	*30*	18	*32*
Net Non-Marketable Financing	*-2*	-6	*-9*
Other*	*-1*	6	*22*
Net Marketable Financing	*68*	87	*156*
Net Marketable Financing	**68**	**87**	
Bills		46	
Nominal Notes		30	
TIPS		13	
Bonds		-3	
Notes:			
Starting Cash Balance	*75*	75	*57*
Ending Cash Balance	*45*	57	*25*

* Includes direct loan activity, changes in accrued interest, checks outstanding, minor miscellaneous transactions, discount and inflation accretion on Treasuries.

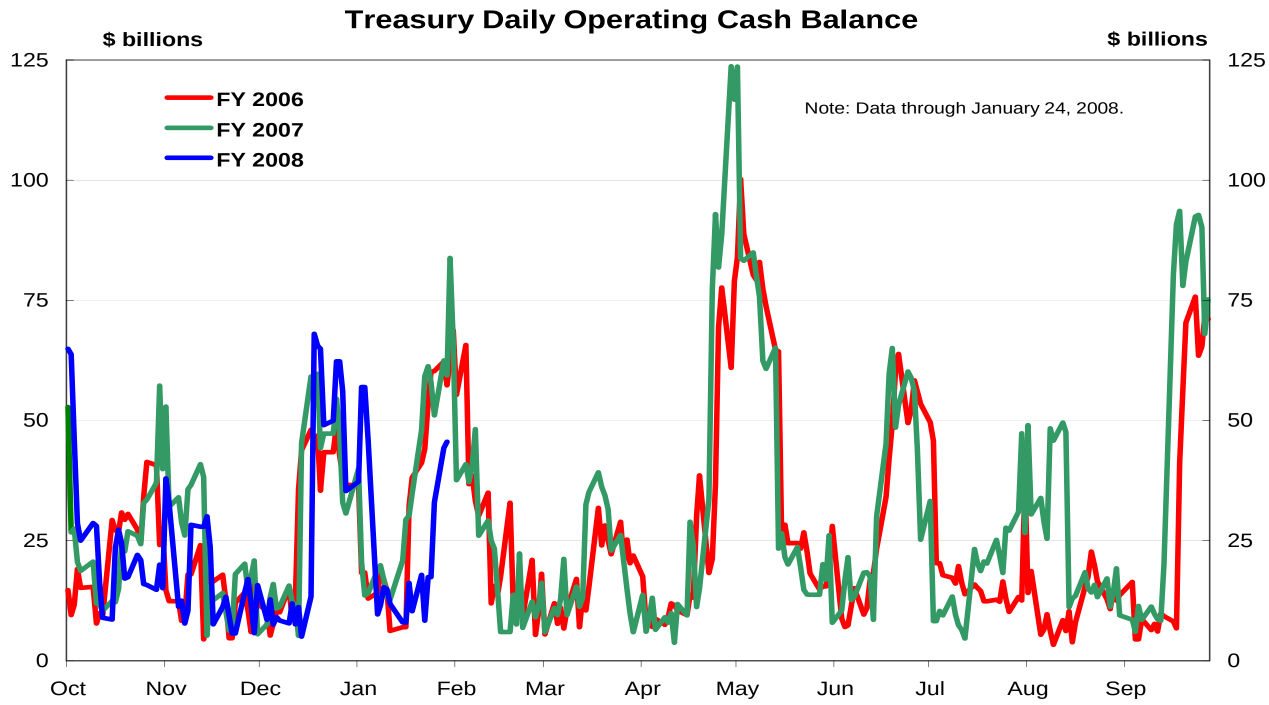
Note: Totals may not add due to rounding.

Marketable Treasury Coupon Flows

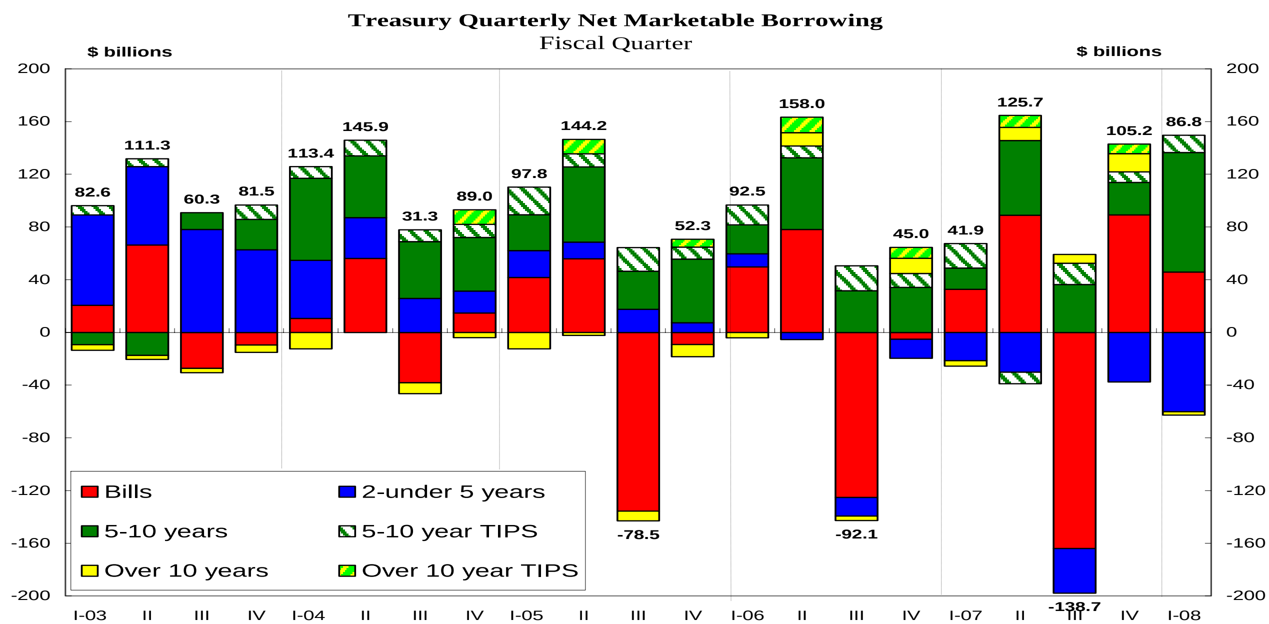
$ Billions

Date	Maturing Coupon Securities (Excluding SOMA holdings)	Coupon Payments	Total Outflows
February 15, 2008	54	26	81
February 29, 2008	22	4	26
March 15, 2008	0	1	1
March 31, 2008	20	4	24
April 15, 2008	0	4	4
April 30, 2008	22	4	25
May 15, 2008	74	21	95
May 31, 2008	22	4	26

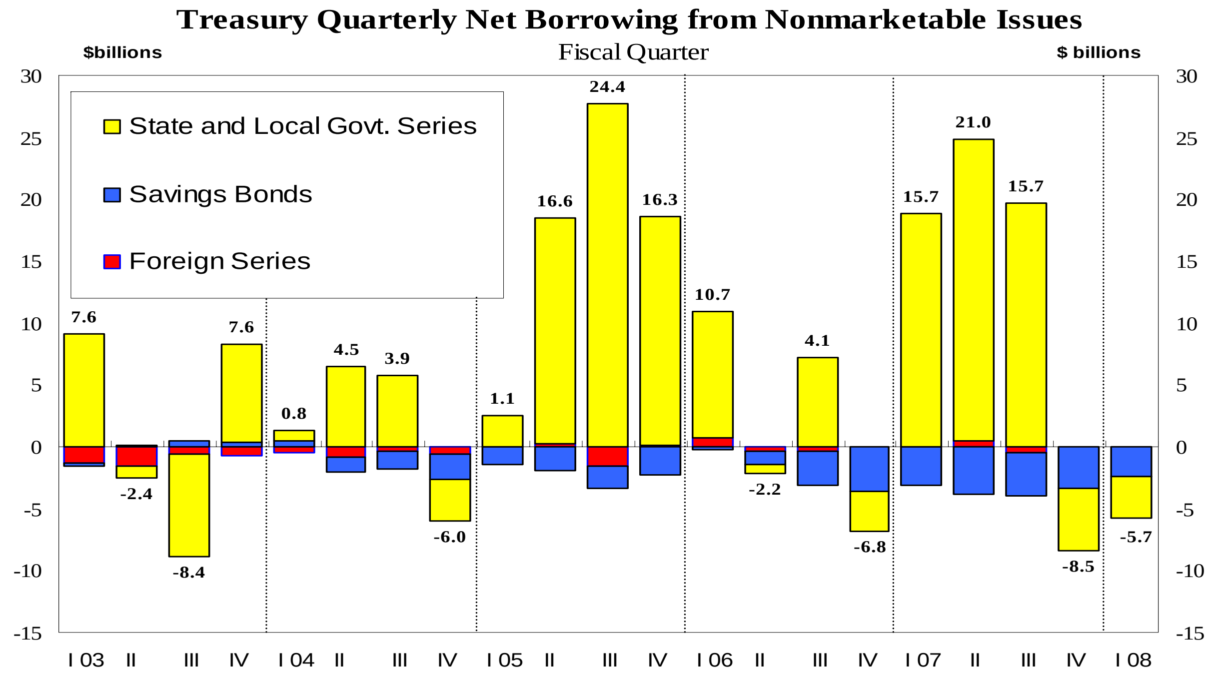
♦ Cash balance volatility generally followed the seasonal patterns of prior years, but continues to be volatile given unexpected redemptions, unexpected flows related to corporate and non-withheld taxes, and timing issues related to refunds.



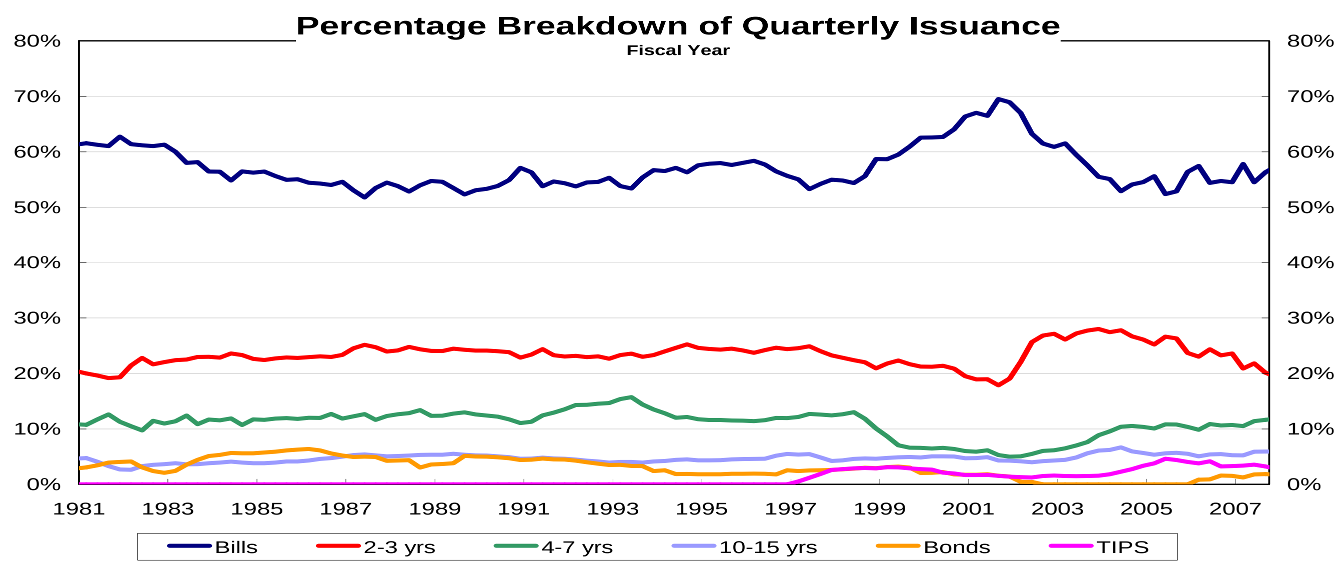
♦ Total net marketable borrowing for Q1 FY 2008 was nearly $87 billion, with the greatest portion of net new cash from bills and medium-term nominal notes.



- Net non-marketable issuance has declined over the past two quarters, particularly in the state and local government sector.



- Bill issuance increased in FY Q1 2008, while shorter dated coupon issuance declined as a result of the discontinuance of the 3-year note.



Note: Data through December 31, 2007

Debt Portfolio

<u>Assumptions used in the next 4 charts:</u>

- Future residual financing needs are spread proportionally across auctioned securities and are derived from ***<u>hypothetical</u>*** initial coupon auction sizes. These sizes are based on the most recently announced amounts and assume the outstanding level of bills on September 30, 2007.

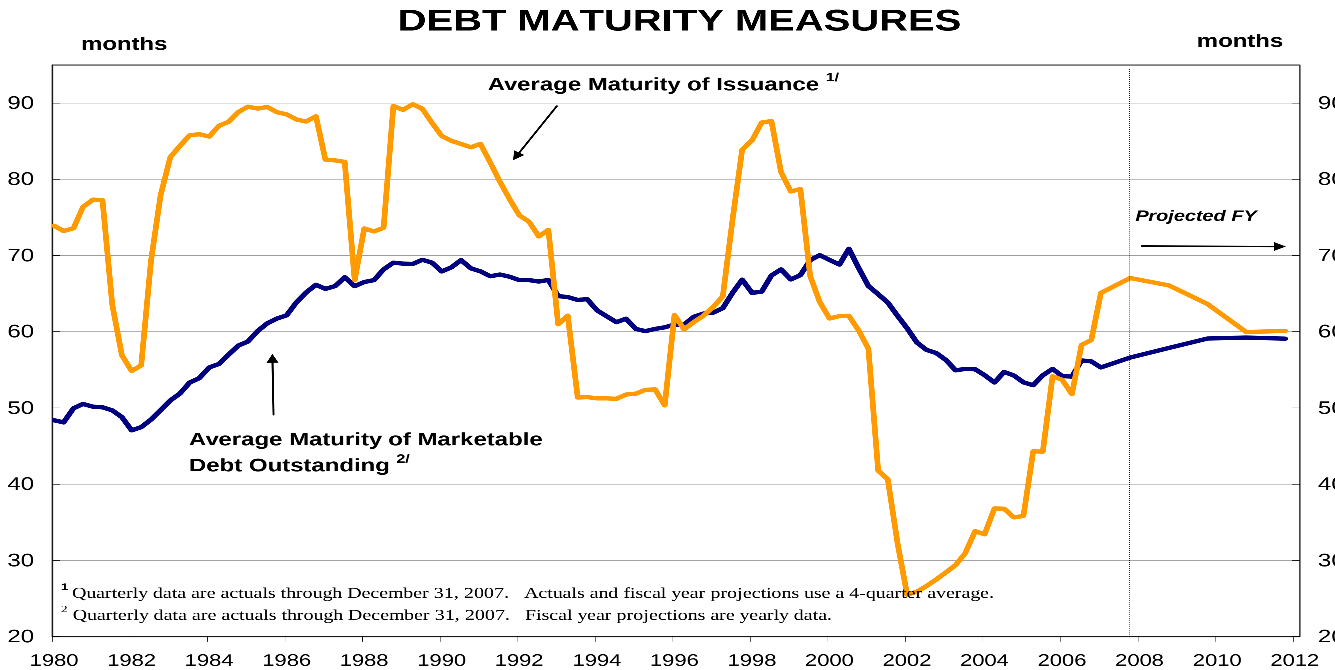
- OMB 2008 MSR Budget deficit estimates used for FY2008-2012. The FY 2008 financing need is an update based on market expectations and Treasury's internal forecasts.

<u>Using the above assumptions, over the next 5 years:</u>

- Average maturity of total outstanding and average maturity of issuance settle to about 59 and 60 months, respectively.

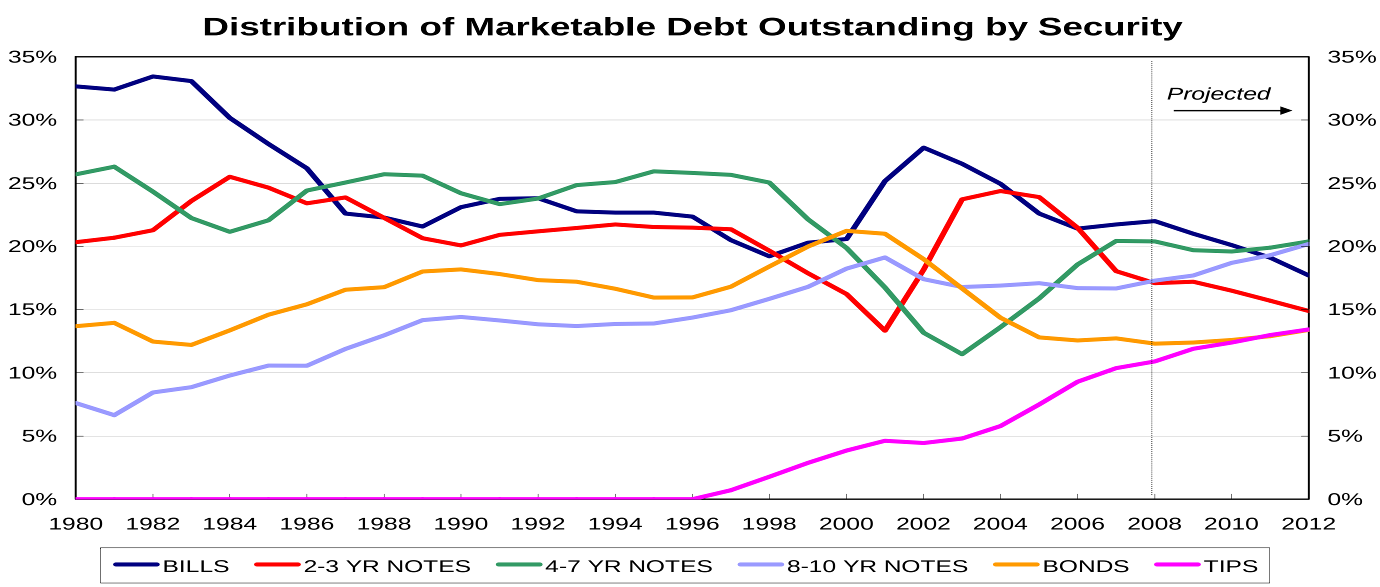
- The percent of debt maturing with 3 years or less to maturity stabilizes at 54 percent.

- Based on current assumptions, average maturity of issuance peaks in FY 2008.



Net financing projections for FY 2008-2012 are based on OMB 2008 MSR estimates. Future residual financing needs are spread proportionally across auctioned securities and are derived from hypothetical initial coupon auction sizes. These sizes are based on the most recently announced amounts and assume the outstanding level of bills on September 30, 2007.

- If future financing needs are spread proportionally, current issuance patterns would lead to a steadily increasing share of medium to longer-term debt.



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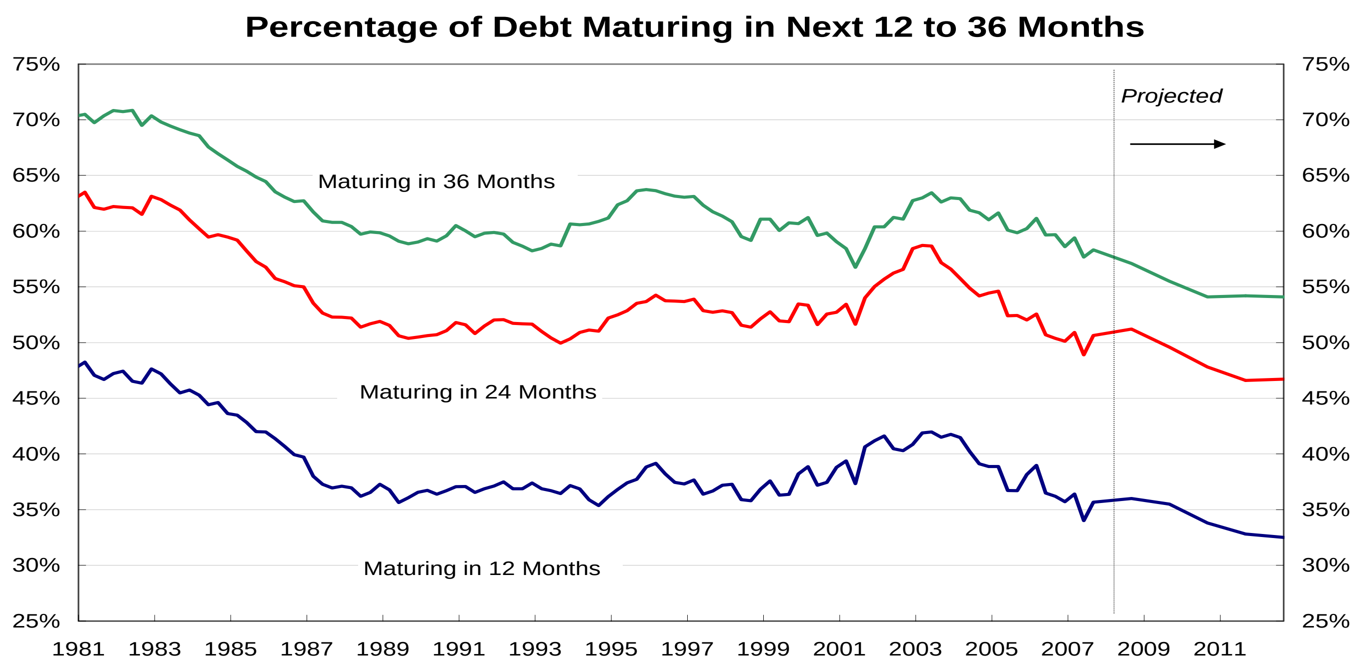
- If future financing needs are spread proportionally, projected short-term debt rollover percentages will continue to decline before stabilizing.



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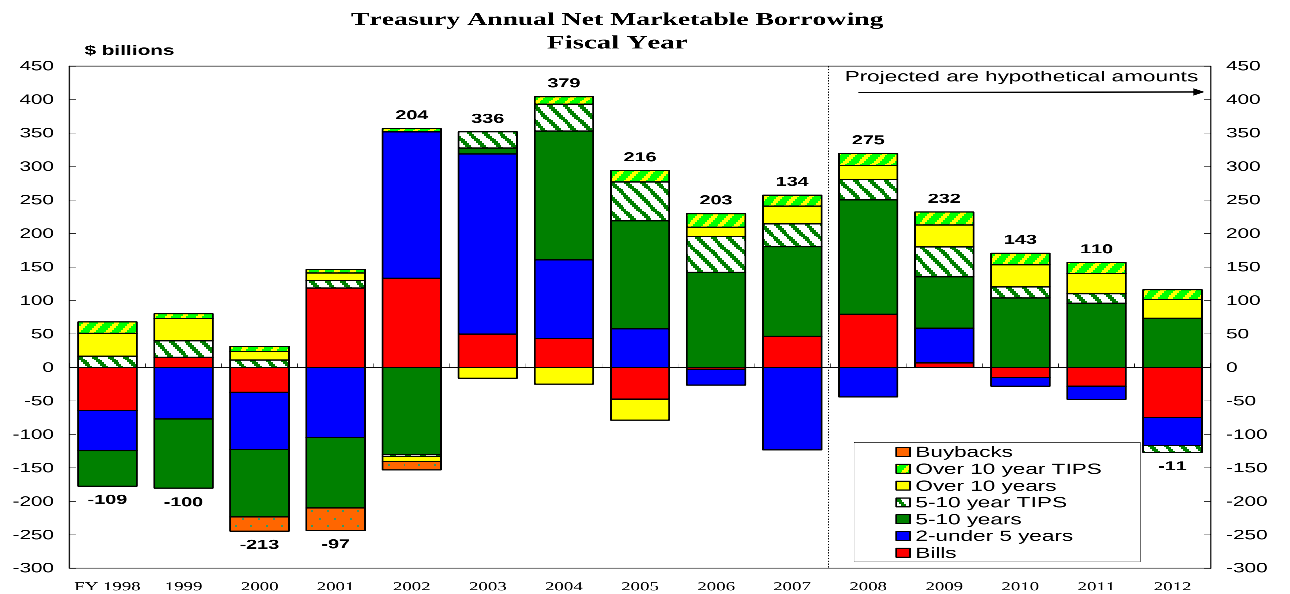
- Based on fiscal forecasts, net marketable borrowing will rise in FY 2008, but decline steadily thereafter.



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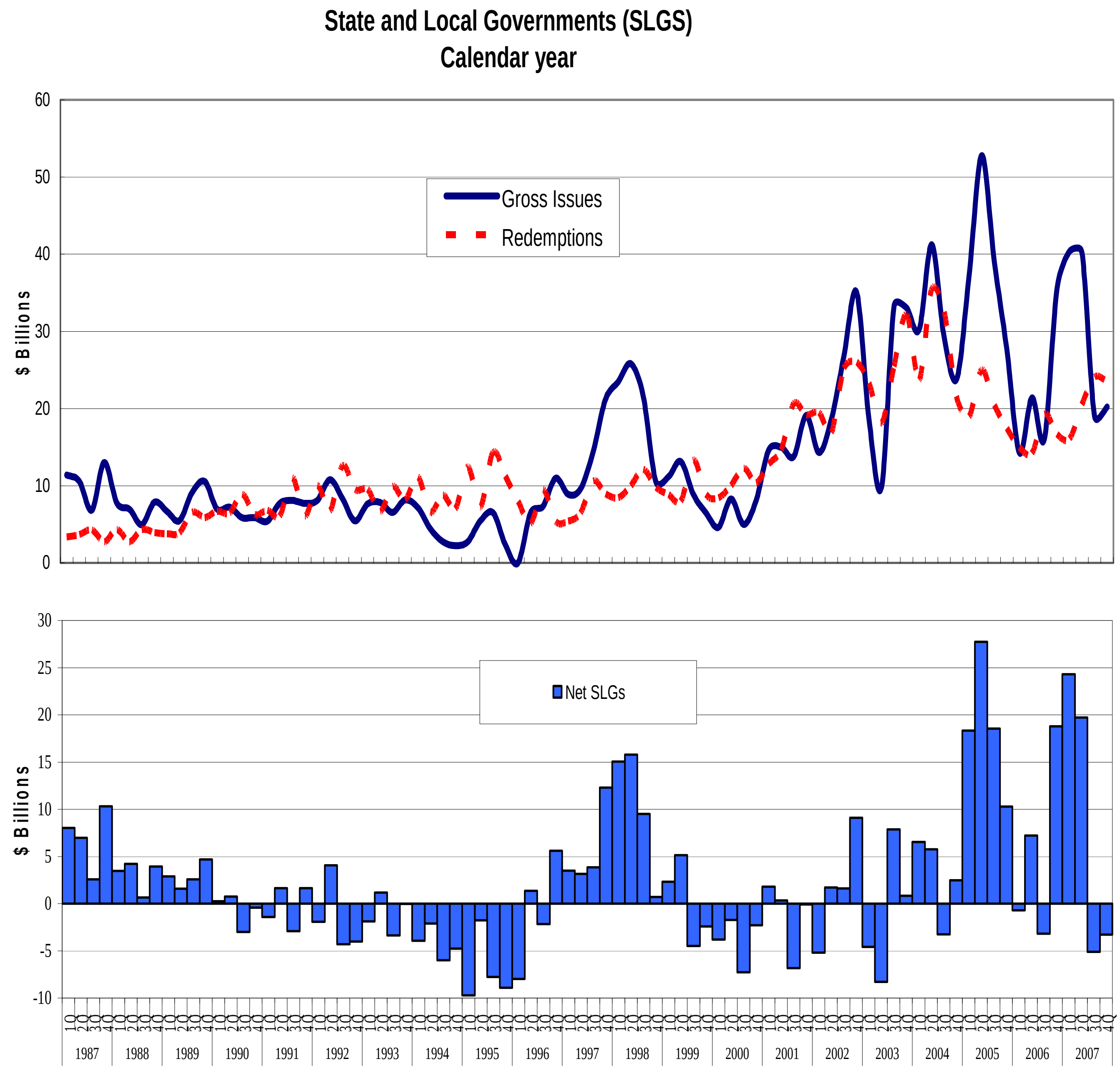
Uncertainty

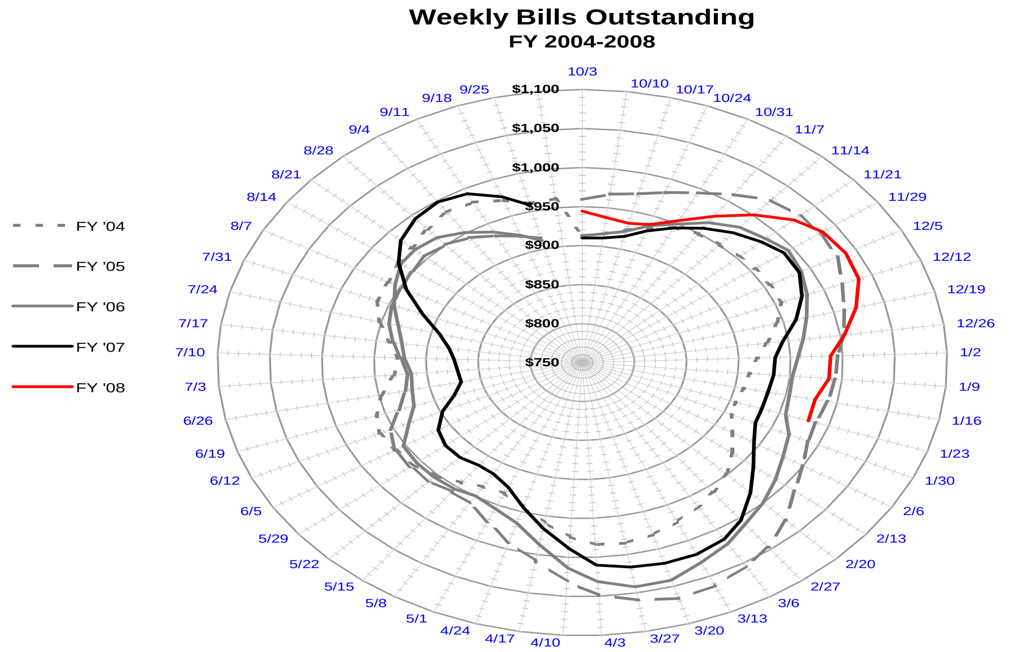
- OMB MSR estimates published in July 2007 indicated an increased borrowing need in FY 2008 with an eventual return to surplus in FY 2012.
- Recent proposals for fiscal stimulus would create the need for larger borrowing requirements.
- Redemptions of securities creates uncertainty in cash balances.
- Volatility in projected receipts and reduced non-marketable debt issuance could also lead to increased financing needs

- State and Local Government Series (SLGS) has declined to negative territory in the past two quarters.

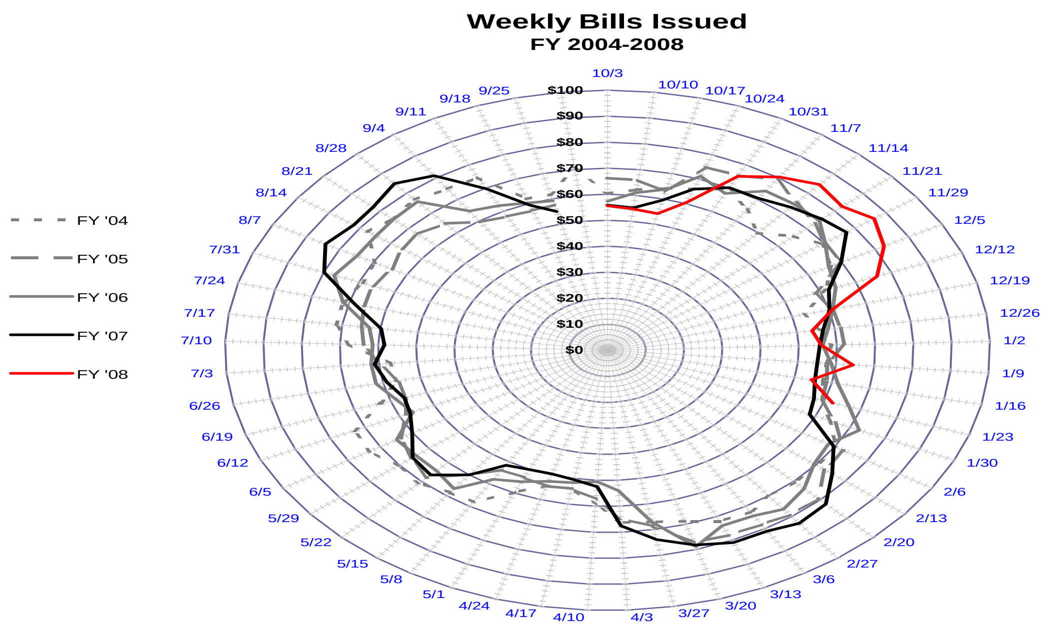
- Net SLGS issuance for CY 2007 was $36 billion versus total CY 2006 issuance of $22 billion.



- Bills outstanding display a clear seasonal pattern, with increasing yearly outstanding amounts.



- Bill issuance increased in the first quarter.



FY 08 Deficit Estimates

- Primary dealers currently estimate a FY2008 deficit of $326 billion.
- Based on OMB deficit projections, the implied additional marketable financing need is $191 billion for FY 2008.

$ billions

	Primary Dealers*	CBO	OMB
Current:	326	219	258
Range based on average absolute forecast error	242-410	142-296	150-366
Estimates as of:	January 08	January 08	July 07

Note: Ranges based on errors from 2003-2007.

* Primary Dealers reflect average estimate, including an amount for a stimulus package.

Financing Need Given Current Issuance Calendar

Assumes current coupon issuance pattern and issuance amount-- Weekly bill issuance at levels required to maintain outstanding FY $ amounts equal to September 30, 2007 total outstanding