

UST Issuance Deep Dive: June 2021

3 June 2021, Bill Sokolis and Tim Davis

Coupon and FRN auction sizes for the remainder of the May-21 to July-21 quarter are widely expected to hold at current record levels outlined in the adjacent table amid some uncertainty over large-scale infrastructure spending and whether the debt ceiling that was suspended until July 31 via the Bipartisan Budget Act of 2019 will be reinstated.

Sell-side analysts continue to anticipate a gradual reduction in auction sizes in the latter half of the year.

May Treasury Auction Review by Duration:

May 25 \$60B 2Y note: 0.152% HY vs. 0.160% WI, Strong, -0.2bp tail/5M avg

May 11 \$58B 3Y note: 0.329% HY vs. 0.330% WI, Mild bid, +0.0bp 5M avg

May 26 \$61B 5Y note: 0.788% HY vs. 0.795% WI, Strong, -0.2bp tail/5M avg

May 27 \$62B 7Y note: 1.285% HY vs. 1.292%, Strong, -1.3bp tail/5M avg

May 12 \$41B 10Y note: 1.684% HY vs. 1.682% WI, Weak, +0.1bp/5M avg

May 19 \$27B 20Y Bond: 2.286% HY vs. 2.275% WI, Weak, -0.1bp tail/5M avg

May 13 \$27B 30Y Bond: 2.395% HY vs. 2.377% WI: Poor, +0.4bp/5M avg

May 20 \$13B 10Y TIPS: -0.805% HY vs. -0.819% WI

May 26 \$26B 2Y FRN 0.034% HY

Shorter durations outperformed longer in May, trading through mild- to modest 5M average tails.

The 7Y was deemed strong not by how much the award rate traded through the When Issued, but that it performed well at all. The sector has averaged a -1.3 tail over the last 5 auctions, while the February auction tailed -4.0 bps.

The 10Y note, 20- and 30Y bonds all traded weak to poor compared to their 5M averages.

This is illustrated by the MNI May Auction Relative Strength Indicator

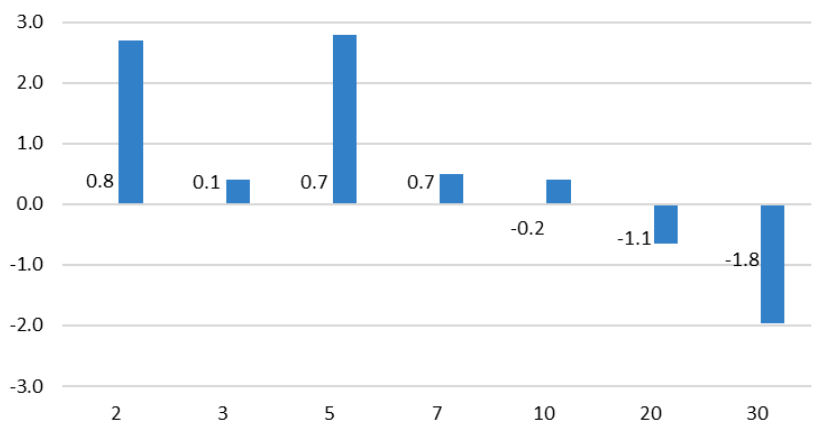
Yield Curve Observations Pre/Post Auctions

The 2s/10s rebounded off of a two week low around 141.0 after the 2Y auction on May 25, rebounding to 147.0 two sessions later.

For all intents and purposes, the 5s30s curve held near month low around 148.0 through month end.

Going into the 10Y auction, the 10s30s curve had already bounced off a session low around 69.0 to end the day around 72.0, topping 74.0 the following session, a high for the month.

MNI May Auction Relative Strength Indicator



Chronological review:

3Y Note: The \$58B 3Y note drew a mild bid: 0.329% HY

vs. 0.330% WI. Indirects drew 49.5% vs. 50.87% prior, direct take up was 18.07% vs. 15.7% prior, and 32.18% for dealers vs. 32.99% prior. The next 3Y note auction (91282CCG4) is scheduled for June 8.

10Y Note: The \$41B 10Y note drew a small tail 1.684% HY vs. 1.682% WI. Indirects drew 63.32% vs. 59.58% prior, direct take up was 17.11% vs. 16.21% prior, and 19.47% for dealers vs. 24.17% prior. The next 10Y note auction re-open (91282CCB5) is scheduled for June 9.

30Y Bond: Tsys gapped lower on the weak US Tsy \$27B 30Y bond auction (912810SX7) drawing a 2.395% high yield (2.320% last month) vs. 2.377% WI; w/ 2.22 bid/cover (2.47 prior). Indirects drew 59.88% vs. 60.96% prior, 20.06% directs vs. 21.95%, and 20.05% for dealers vs. 17.09% prior. The next 30Y Bond auction re-open is scheduled for June 10.

20Y Bond: Tsys futures traded lower after the weak \$27B 20Y auction: drawing a high yield of 2.286% (2.144% last month) vs. 2.275% WI. Indirect take-up was 56.74% vs. April of 58.73%, both well off March'21 high of 61.40%. Primary dealer take-up of 23.75% vs. 5 month average of 24.24% while direct take-up remains strong at 19.51% vs. 17.45% 5M average. The next 20Y auction re-open is tentatively scheduled for June 15.

10Y TIPS: The \$13B 10Y TIPS auction re-open drew a high yield of -0.805% w/2.50x bid-to-cover. High yld compares to -0.580% on prior auction on March 18, and 5-month average of -0.866%. Indirect take-up was 68.51%, down from 73.91% in March; Primary dealer take-up 15.53%, much better than 10.74% in March and 14.85% 5M average; Direct take-up 15.84% vs. 15.20% in March.

2Y Note: The strong \$60B 2Y note (91282CCD1) auction traded through with high yield of 0.152% vs. 0.160% WI, strongest in over a year. Treasury futures gained slightly; bid-to-cover 2.74x, highest since Aug '20, compares to 2.49x 5 month average. Indirect take-up climbed to 57.06% vs. 43.35% in April with direct bidder take-up steady at 18.03% vs. 18.42% last month, primary dealer take-up of 24.91% well below 5-month average of 32.15%. The next 2Y auction is tentatively scheduled for June 22.

5Y Note: The strong \$61B 5Y note (91282CCF6) auction traded through 0.7bp: high yield of 0.788% vs. 0.795% WI. Bid-to-cover was the highest since September 2020 at 2.49x vs. 2.33x 5 month average. Indirect take-up well over 5 month average of 58.08% at 64.35% (prior high of 66.22% in August 2020); direct bidder take-up at 14.87% below 5M avg of 16.11%, with primary dealer take-up well below: 20.78% versus 5-month average of 25.72%. The next 5Y auction is tentatively scheduled for June 23.

7Y Note: The strong \$62B 7Y note (91282CCE9) auction traded through with a high yield of 1.285% vs. 1.292% WI. Treasury futures traded off session lows. Bid-to-cover: 2.41x well over 2.24x 5 month avg, and highest since Sep '20. Indirect take-up of 59.57 over the 5 month average of 55.35% but well shy of Jan's 64.09%. Primary dealer take-up 19.73% well below 25.83% 5 month avg (compares to February's >1Y high of 39.80%.) Direct take-up picks up of 20.70 vs. 18.79% 5M avg. The next 7Y auction is tentatively scheduled for June 24.

Links:

[Treasury Presentation to TBAC](#)

[Prior Quarterly Refunding Statement](#)

Definitions

Auction participants

Direct bidders are individuals or organizations that purchase Treasuries during an auction for themselves or their house account. Indirect bidders place competitive bids at Treasury auctions through primary dealers and can include foreign central banks and domestic money managers. Primary Dealers round out auction participants. In general, a high primary dealer take-up indicates a weaker auction as primary dealers have effectively had to backstop the auction.

Auction performance:

Auction performance is deemed average when the auction high yield meets or closely approximates the When-Issue (WI) rate going into the auction. Weak auctions have a high yield greater than the WI rate, strong auctions a high yield lower than the WI rate.

NY Fed explains "secondary market transactions in outstanding Treasury securities typically settle on the business day after the trade date, when sellers deliver securities to buyers and receive payment. When-issued transactions, by contrast, settle on the issue date of the new security (which can be as much as a week or more after a trade is negotiated) because the security is not available for delivery at any earlier date."



US Issuance Profile

2021 Issuance: Nominal (ex SOMA reinvestments)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Conventional	2-Year Note	60	60	60	60	60	-	-	-	-	-	-	300
	3-Year Note	58	58	58	58	58	-	-	-	-	-	-	290
	5-Year Note	61	61	61	61	61	-	-	-	-	-	-	305
	10-Year Note	38	41	38	38	41	-	-	-	-	-	-	196
	20-Year Bond	24	27	24	24	27	-	-	-	-	-	-	126
	30-Year Bond	24	27	24	24	27	-	-	-	-	-	-	126
Total coupon	265	274	265	265	274	-	-	-	-	-	-	-	1343
Linker	5-Year TIPS	-	-	-	18	-	-	-	-	-	-	-	18
	10-Year TIPS	15	-	13	-	13	-	-	-	-	-	-	41
	30-Year TIPS	-	9	-	-	-	-	-	-	-	-	-	9
	Total linker	15	9	13	18	13	-	-	-	-	-	-	68
Floating Rate Notes	28	26	26	28	26	-	-	-	-	-	-	-	134
Total	308	309	304	311	313	-	-	-	-	-	-	-	1545

2020 Issuance: Nominal (ex SOMA reinvestments)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	
Conventional	2-Year Note	40	40	40	42	44	46	48	50	52	54	56	58	570
	3-Year Note	38	38	38	40	42	44	46	48	50	52	54	56	546
	5-Year Note	41	41	41	43	45	47	49	51	53	55	57	59	582
	10-Year Note	24	27	24	25	32	29	29	38	35	35	41	38	377
	20-Year Bond	-	-	-	-	20	17	17	25	22	22	27	24	174
	30-Year Bond	16	19	16	17	22	19	19	26	23	23	27	24	251
Total coupon	159	165	159	167	205	202	208	238	235	241	262	259	2500	
Linker	5-Year TIPS	-	-	-	17	-	15	0	-	17	-	15	64	
	10-Year TIPS	14	-	12	-	12	-	14	-	12	-	12	76	
	30-Year TIPS	-	8	-	-	-	-	-	7	-	-	-	15	
	Total linker	14	8	12	17	12	15	14	7	12	17	12	15	155
Floating Rate Notes	20	18	18	22	20	20	24	22	22	26	24	24	260	
Total	193	191	189	206	237	237	246	267	269	284	298	298	2915	

2019 Issuance: Nominal (ex SOMA reinvestments)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	
Conventional	2-Year Note	40	40	-	-	40	40	40	40	40	40	40	400	
	3-Year Note	38	38	38	38	38	38	38	38	38	38	-	38	418
	5-Year Note	41	41	-	41	-	41	41	41	41	41	41	41	410
	10-Year Note	24	27	24	24	27	24	24	27	24	24	65	24	338
	20-Year Bond	-	-	-	-	-	-	-	-	-	-	-	-	-
	30-Year Bond	16	19	16	16	19	16	16	19	16	16	19	16	204
Total coupon	159	165	78	119	124	159	159	165	159	159	165	159	1770	
Linker	5-Year TIPS	-	-	-	17	-	15	-	-	17	-	15	64	
	10-Year TIPS	13	-	11	-	11	-	14	-	12	-	12	73	
	30-Year TIPS	-	8	-	-	-	-	-	7	-	-	-	15	
	Total linker	13	8	11	17	11	15	14	7	12	17	12	15	152
Floating Rate Notes	20	18	18	20	18	18	20	18	18	20	18	18	224	
Total	192	191	107	156	153	192	193	190	189	196	195	192	2146	

UST November 2020 to July 2021 Calendar



Supply (\$ bln)										
Date	Issue	CUSIP	Amount	High Yield	When Issued Yield	Trade through (Tail)	Bid-to-cover	Primary Dealer	Indirect	Direct
Nov-09	3-Year Note	91282CAW1	54	0%	0.252%	0.2	2.40	46.7%	38.8%	14.2%
Nov-10	10-Year Note	91282CAV3	41	1%	0.962%	0.2	2.32	32.0%	54.8%	13.1%
Nov-12	30-Year Bond	91281OSS8	27	2%	1.672%	(0.8)	2.29	21.5%	61.9%	16.5%
Nov-18	20-Year Bond	91281OST6	27	1%	1.413%	(0.9)	2.27	23.5%	61.2%	15.3%
Nov-19	10-Year TIPS	912828ZZ6	12	-1%			2.71	14.1%	69.3%	16.5%
Nov-23	2-Year Note	91282CAx9	56	0%	0.167%	0.2	2.71	38.2%	45.9%	15.7%
Nov-23	5-Year Note	91282CAZ4	57	0%	0.390%	(0.7)	2.38	29.2%	56.4%	14.3%
Nov-24	7-Year Note	91282CAY7	56	1%	0.657%	0.4	2.37	19.5%	65.4%	15.1%
Nov-24	2-Year FRN	91282CAS0	24				2.90	47.0%	47.5%	5.4%
Dec-08	3-Year Note	91282CBA8	56	0%	0.208%	(0.3)	2.28	34.8%	49.2%	15.9%
Dec-09	10-Year Note	91282CAV3	38	1%	0.947%	(0.4)	2.33	23.0%	62.3%	14.7%
Dec-10	30-Year Bond	91281OSS8	24	2%	1.677%	1.2	2.48	17.4%	65.9%	16.8%
Dec-21	20-Year Bond	91281OST6	24	1%	1.478%	0.8	2.39	26.0%	56.3%	17.7%
Dec-22	5-Year TIPS	91282CAQ4	15	-2%			2.86	27.1%	64.1%	8.7%
Dec-23	2-Year FRN	91282CAS0	24				2.83	49.1%	48.9%	2.0%
Dec-28	2-Year Note	91282CBD2	58	0%	0.132%	(0.5)	2.45	33.2%	49.1%	17.5%
Dec-28	5-Year Note	91282CBC4	59	0%	0.391%	(0.3)	2.39	24.9%	57.1%	18.0%
Dec-29	7-Year Note	91282CBB6	59	1%	0.660%	(0.2)	2.31	22.7%	60.3%	17.0%
Jan-11	3-Year Note	91282CBE0	58	0%	0.230%	(0.4)	2.52	33.2%	52.1%	14.5%
Jan-12	10-Year Note	91282CAV3	38	1%	1.172%	0.8	2.47	20.0%	62.2%	17.8%
Jan-13	30-Year Bond	91281OSS8	24	2%	1.832%	0.7	2.47	14.2%	68.6%	17.2%
Jan-20	20-Year Bond	91281OST6	24	2%	1.645%	(1.2)	2.28	25.7%	59.7%	14.5%
Jan-21	10-Year TIPS	91282CBF7	15	-1%			2.68	17.6%	62.6%	19.5%
Jan-25	2-Year Note	91282CBG5	60	0%	0.127%	0.2	2.67	27.6%	56.4%	15.6%
Jan-26	5-Year Note	91282CBH3	61	0%	0.425%	0.1	2.34	25.3%	60.5%	14.1%
Jan-27	2-Year FRN	91282CBK6	28	0%			2.82	46.8%	52.1%	1.1%
Jan-28	7-Year Note	91282CBJ9	62	1%	0.757%	0.3	2.30	19.6%	64.1%	16.3%
Feb-09	3-Year Note	91282CBM2	58	0%	0.196%	0.0	2.39	31.1%	52.6%	16.0%
Feb-10	10-Year Note	91282CBL4	41	1%	1.156%	0.1	2.37	20.5%	60.6%	18.9%
Feb-11	30-Year Bond	91281OSU3	27	2%	1.924%	(0.9)	2.18	22.2%	60.4%	17.3%
Feb-17	20-Year Bond	91281OSW9	27	2%	1.897%	(2.3)	2.15	29.1%	54.9%	16.0%
Feb-18	30-Year TIPS	91281OSV1	9	-0.040%			2.31	17.2%	68.0%	14.6%
Feb-23	2-Year Note	91282CBN0	60	0.119%	0.118%	(0.1)	2.44	30.5%	57.0%	11.9%
Feb-24	5-Year Note	91282CBQ3	61	0.621%	0.615%	(0.6)	2.24	28.6%	57.0%	14.4%
Feb-24	2-Year FRN	91282CBK6	26				2.88	39.2%	59.7%	1.1%
Feb-25	7-Year Note	91282CBP5	62	1.195%	1.155%	(4.0)	2.04	39.8%	38.1%	22.1%
Mar-09	3-Year Note	91282CBR1	58	0.355%	0.357%	0.2	2.69	33.9%	47.7%	18.2%
Mar-10	10-Year Note	91282CBL4	38	1.523%	1.520%	(0.3)	2.38	25.4%	56.8%	17.8%
Mar-11	30-Year Bond	91281OSU3	24	2.295%	2.296%	0.1	2.28	19.2%	60.5%	20.2%
Mar-16	20-Year Bond	91281OSW9	24	2.290%	2.315%	2.5	2.51	21.6%	61.4%	17.0%
Mar-18	10-Year TIPS	91282CBF7	13	-0.580%			2.42	10.7%	73.9%	15.2%
Mar-23	2-Year Note	91282CBU4	60	0.152%	0.152%	0.0	2.54	31.6%	50.5%	17.5%
Mar-24	5-Year Note	91282CBT7	61	0.850%	0.847%	(0.3)	2.36	25.3%	58.0%	16.6%
Mar-24	2-Year FRN	91282CBK6	26				3.25	32.0%	66.0%	1.9%
Mar-25	7-Year Note	91282CBS9	62	1.300%	1.277%	(2.3)	2.23	24.7%	57.2%	18.0%
Apr-12	3-Year Note	91282CBV2	58	0.376%	0.377%	0.1	2.32	33.0%	50.9%	15.7%
Apr-12	10-Year Note	91282CBL4	38	1.680%	1.677%	(0.3)	2.36	24.2%	59.6%	16.2%
Apr-13	30-Year Bond	91281OSU3	24	2.320%	2.335%	1.5	2.47	17.1%	60.9%	21.9%
Apr-21	20-Year Bond	91281OSW9	24		2.150%	0.6	2.42	21.1%	58.7%	20.2%
Apr-22	5-Year TIPS	91282CCA7	18	-1.631%			2.50	13.0%	68.6%	17.9%
Apr-26	2-Year Note	91282CBX8	60	0.175%	0.170%	(0.5)	2.34	37.7%	43.4%	18.4%
Apr-26	5-Year Note	91282CBW0	61	0.849%	0.850%	0.1	2.31	24.5%	57.8%	17.5%
Apr-27	2-Year FRN	91282CBY6	28	0.000%			2.91	36.7%	59.6%	3.6%
Apr-27	7-Year Note	91282CBZ3	62	1.306%	1.305%	(0.1)	2.31	22.3%	57.1%	20.6%
May-11	3-Year Note	91282CCC3	58	0.329%	0.330%	0.1	2.42	32.2%	49.5%	18.1%
May-12	10-Year Note	91282CCB5	41	1.684%	1.682%	(0.2)	2.45	19.5%	63.3%	17.1%
May-13	30-Year Bond	91281OSX7	27	2.395%	2.377%	(1.8)	2.22	20.0%	59.9%	20.1%
May-19	20-Year Bond	91281OSY5	27	2.286%	2.275%	(1.1)	2.24	23.7%	56.7%	19.5%
May-20	10-Year TIPS	91282CBF7	13	-0.805%	-0.819%	(1.4)	2.50	15.5%	68.5%	15.8%
May-25	2-Year Note	91282CCD1	60	0.152%	0.160%	0.8	2.74	24.8%	56.9%	18.0%
May-26	5-Year Note	91282CCF6	61	0.788%	0.795%	0.7	2.49	20.7%	64.2%	14.8%
May-26	2-Year FRN	91282CBY6	26	0.000%			3.03	39.5%	59.2%	1.3%
May-27	7-Year Note	91282CCE9	62	1.285%	1.292%	0.7	2.41	19.7%	59.6%	20.7%
Jun-08	3Y-Note		TBA							
Jun-09	10Y-Note R/O	Jun-03	TBA							
Jun-10	30Y-Bond R/O	Jun-03	TBA							
Jun-15	20Y-Bond R/O	Jun-10	TBA							
Jun-17	5Y-TIPS R/O	Jun-10	TBA							
Jun-22	2Y-Note	Jun-17	TBA							
Jun-23	2Y-Note FRN R/O	Jun-17	TBA							
Jun-23	5Y-Note	Jun-17	TBA							
Jun-24	7Y-Note	Jun-17	TBA							
Jul-12	3Y-Note	Jul-08	TBA							
Jul-12	10Y-Note R/O	Jul-08	TBA							
Jul-13	30Y-Bond R/O	Jul-08	TBA							
Jul-21	20Y-Bond R/O	Jul-15	TBA							
Jul-22	10Y-TIPS	Jul-15	TBA							
Jul-26	2Y-Note	Jul-22	TBA							
Jul-27	5Y-Note	Jul-22	TBA							
Jul-28	2Y Note FRN	Jul-22	TBA							
Jul-29	7Y-Note	Jul-27	TBA							