

MNI UST Issuance Deep Dive: Sep 2021

31 August 2021, Bill Sokolis and Tim Davis

The next Treasury supply announcement is Thursday, September 2, estimated total at \$120B over 3s, 10s and 30s over the shortened post-Labor Day holiday week.

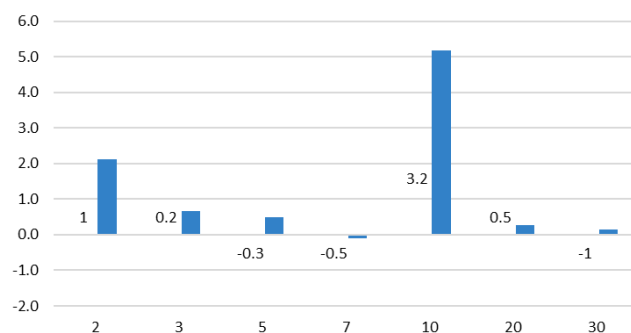
Morgan Stanley analysts note "total coupon issuance (new 20y, 30y TII reopening, new 2y, 5y, 7y) settling at the end of August is an estimated \$218bn versus \$8.3bn coupons and \$110.5bn redemptions, resulting in net issuance of \$99.2bn."

August auction performance improved after a uniformly weak July. Only three tailed (5s, 7s and 30s) and modestly so, while the 30Y Bond saw its fourth consecutive tail. The 10Y Note was exceptionally strong followed by the 2Y.

August Auction Review: Decent After Weak July

2Y strong (0.242% vs. 0.252% WI)
 2Y FRN re-open (0.026% vs. 0.029% prior)
 3Y small stop (0.465% vs. 0.467% WI)
 5Y small tail (0.831% vs. 0.828% WI)
 7Y small tail (1.155% vs. 1.150% WI)
 10Y very strong (1.340% vs. 1.372% WI)
 20Y small stop (1.850% vs. 1.855% WI)
 30Y weak, fourth consecutive tail (2.040% vs. 2.030% WI)
 30Y TIPS re-open strong demand (-0.292%)

MNI August Auction Relative Strength Indicator



Chronological auction review:

August 10: \$58B 3Y note (91282CCT6), 0.465% vs. 0.467% WI; small stop

Tsys held steady/near lows after \$58B 3Y note auction (91282CCT6) stopped through: 0.465% high yield vs. 0.467% WI; 2.54x bid-to-cover off 2.46x 5 auction avg.

- Indirect take-up strong at 55.41% vs. 51.16% 5M avg, while direct bidder take-up climbs to new 1+ year high of 18.43%. Primary dealer take-up slips to 26.17% vs. July's 28.55% still well off 31.10% 5M average.
- The next 3Y auction is tentatively scheduled for September 7.

August 11: \$41B 10Y note (91282CCS8), 1.340% vs. 1.372% WI; VERY STRONG

Tsys surged higher after \$41B 10Y note auction re-open (91282CCS8) stopped through: 1.340% high yield vs. 1.372% WI; 2.65x bid-to-cover well above five auction avg: 2.43x

- Indirect take-up surged to 77.25% vs. 61.16% 5M avg, direct bidders recede to 13.12% vs. July's 17.48%. Primary dealer take-up collapses to 9.63% vs. 20.77% 5M average.
- The next 10Y auction is tentatively scheduled for September 8.

August 12: \$27B 30Y Bond (912810SZ2), 2.040% vs. 2.030% WI; Fourth Consecutive Tail

Tsys gapped lower after \$27B 30Y Bond auction (912810SZ2) tails 1.0Bp: 2.040% high yield vs. 2.030% WI; 2.21x bid-to-cover off 2.29x 5 auction avg.

- Indirect take-up of 60.65% vs. 61.30% 5M avg;
- Direct bidder take-up 21.00% vs. 5M avg of 19.37%;
- Primary dealer take-up 18.35% vs. 5M average of 19.32%.
- The next 30Y-Bond auction is scheduled for September 9

August 18: \$27B 20Y Bond (912810TA6), 1.850% vs. 1.855% WI; stopped through

Tsys bounce after \$27B 20Y Bond auction (912810TA6) stops through: drawing a high yield of 1.850% (1.890% last month) vs. 1.855% WI. Bid-to-cover 2.44 vs. 2.33 in July.

- Indirect take-up to 62.3% vs. 60.16% in July (59.82% 5M avg)
- Primary dealer take-up: 19.12% vs. 20.97% 5M avg. Direct take-up 18.68% vs. 19.21% 5M avg.

August 19: \$8B 30Y TIPS re-open (912810SV1), -0.292%; strong demand

Tsys inching higher after \$8B 30Y TIPS re-open stops through: -0.292% vs. -0.285% WI.

- Highest since August 2019, indirect take-up climbs to 74.89% -- just below 5-auction average of 75.18%.
- Direct take-up 12.38% vs. 8.87% 5 auction avg; dealer take-up 12.72% vs. 15.94% avg.

August 24: \$60B 2Y note (91282CCU3), 0.242% vs. 0.252% WI; strong

Second consecutive stop -- Tsy futures bounce off lows following strong \$60B 2Y (91282CCU3) note draws 0.242% vs. 0.252% WI.

- Bid-to-cover was 2.65x well over 5 month average of 2.53x.
- Indirect take-up climbs to 60.54% from 52.76% in July (50.94% 5M avg); direct bidder take-up of 21.18% continues to outpace 5M avg of 18.77%; primary dealer take-up falls to 18.28% vs. 5-month average of 30.29%.

August 25: \$61B 5Y note (91282CCW9), 0.831% vs. 0.828% WI; small tail

Tsy futures holding near session lows, little react after \$61B 5Y note (91282CCW9) auction tails slightly: .03bp w/ high yield of 0.831% vs. 0.828% WI.

- Bid-to-cover 2.35x vs. 5 month average of 2.38x.
- Indirects take-up climbs to 62.70% -- highest since May's 64.35% (59.21% 5M avg); direct bidder take-up 17.54% vs. 17.75% last month (5M avg of 16.97%); primary dealer take-up: 19.77% well off the 5-month average of 23.82%.
- The next 5Y auction is tentatively scheduled for September 27.

August 26: \$62B 7Y note (91282CCV1), 1.155% vs. 1.150% WI; small tail

Tsys trade lower after \$62B 7Y note (91282CCV1) auction tailed 0.5bp: 1.155% high yield vs. 1.150% WI.

- Bid-to-cover: 2.34x vs. 2.31x five month avg,
- Indirect take-up climbs to 61.07 vs. 58.37 in July (58.45% 5M avg). Primary dealer take-up 20.08% vs. 22.18% in July (21.53% 5M avg). Direct take-up at 18.86 vs. 20.02% 5M avg.
- The next 7Y auction is tentatively scheduled for September 28

Links:

[Treasury Marketable Borrowing Estimates](#)

[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	60	60	60	60	58	56	714
	3-Year Note	58	58	58	58	58	58	58	58	58	56	54	690
	5-Year Note	61	61	61	61	61	61	61	61	61	59	57	726
	7-Year Note	62	62	62	62	62	62	62	62	62	59	56	735
	10-Year Note	38	41	38	38	41	38	41	38	38	38	35	462
	20-Year Bond	24	27	24	24	27	24	27	24	24	23	20	292
	30-Year Bond	24	27	24	24	27	24	27	24	24	24	21	294
	Total coupon	327	336	327	327	336	327	336	327	327	317	299	3913
Linker	5-Year TIPS	-	-	-	18	-	16	-	-	19	-	17	70
	10-Year TIPS	15	-	13	-	13	-	16	-	14	-	-	85
	30-Year TIPS	-	9	-	-	-	-	8	-	-	-	-	17
	Total linker	15	9	13	18	13	16	8	14	19	14	17	172
	Floating Rate Notes	28	26	26	28	26	26	26	26	28	26	26	320
	Total	370	371	366	373	375	369	371	370	367	374	342	4405

* Denotes MNI expectation

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	570
	3-Year Note	38	38	38	40	42	44	46	48	50	52	56	546
	5-Year Note	41	41	41	43	45	47	49	51	53	55	59	582
	10-Year Note	24	27	24	25	32	29	29	38	35	41	38	377
	20-Year Bond	-	-	-	-	20	17	17	25	22	22	24	174
	30-Year Bond	16	19	16	17	22	19	19	26	23	27	24	251
	Total coupon	159	165	159	167	205	202	208	238	235	241	259	2500
Linker	5-Year TIPS	-	-	-	17	-	15	0	-	17	-	15	64
	10-Year TIPS	14	-	12	-	12	-	14	-	12	-	-	76
	30-Year TIPS	-	8	-	-	-	-	7	-	-	-	-	15
	Total linker	14	8	12	17	12	15	7	12	17	12	15	155
	Floating Rate Notes	20	18	18	22	20	20	24	22	22	24	24	260
	Total	193	191	189	206	237	237	246	267	269	284	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	418
	5-Year Note	41	41	-	41	-	41	41	41	41	41	41	410
	10-Year Note	24	27	24	24	27	24	27	24	24	65	24	338
	20-Year Bond	-	-	-	-	-	-	-	-	-	-	-	-
	30-Year Bond	16	19	16	16	19	16	19	16	16	19	16	204
	Total coupon	159	165	78	119	124	159	159	165	159	165	159	1770
Linker	5-Year TIPS	-	-	-	17	-	15	-	-	17	-	15	64
	10-Year TIPS	13	-	11	-	11	-	14	-	12	-	-	73
	30-Year TIPS	-	8	-	-	-	-	7	-	-	-	-	15
	Total linker	13	8	11	17	11	15	7	12	17	12	15	152
	Floating Rate Notes	20	18	18	20	18	18	18	18	20	18	18	224
	Total	192	191	107	156	153	192	193	190	189	196	195	2146

UST April to December 2021 Calendar

Supply (\$ bln)

Date	Issue	CUSIP	Amount	High Yield	When Issued Yield	Trade through (Tail)	Bid-to-cover	Primary Dealer	Indirect	Direct
Apr-12	3-Year Note	91282CBV2	58	0.376%	0.377%	0.1	2.32	33.1%	51.1%	15.8%
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	912810SU3	24	2.320%	2.335%	1.5	2.47	17.1%	61.0%	21.9%
Apr-21	20-Year Bond	912810SW9	24	2.144%	2.150%	0.6	2.42	21.1%	58.7%	20.2%
Apr-22	5-Year TIPS	91282CCA7	18	-1.631%			2.50	13.1%	69.0%	17.9%
Apr-26	2-Year Note	91282CBX8	60	0.175%	0.170%	(0.5)	2.34	37.9%	43.6%	18.5%
Apr-26	5-Year Note	91282CBW0	61	0.849%	0.850%	0.1	2.31	24.6%	57.9%	17.5%
Apr-27	2-Year FRN	91282CBY6	28				2.91	36.7%	59.7%	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	32.3%	49.6%	18.1%
May-12	10-Year Note	91282CCB5	41	1.684%	1.682%	(0.2)	2.45	19.5%	63.4%	17.1%
May-13	30-Year Bond	912810SX7	27	2.395%	2.377%	(1.8)	2.22	20.1%	59.9%	20.1%
May-19	20-Year Bond	912810SY5	27	2.286%	2.275%	(1.1)	2.24	23.8%	56.7%	19.5%
May-20	10-Year TIPS	91282CBF7	13	-0.805%	-0.819%	(1.4)	2.50	15.5%	68.6%	15.9%
May-25	2-Year Note	91282CCD1	60	0.152%	0.160%	0.8	2.74	24.9%	57.1%	18.0%
May-26	5-Year Note	91282CCF6	61	0.788%	0.795%	0.7	2.49	20.8%	64.4%	14.9%
May-26	2-Year FRN	91282CBY6	26				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	3-Year Note	91282CCG4	58	0.325%	0.326%	0.1	2.47	27.6%	54.2%	18.3%
Jun-09	10-Year Note	91282CCB5	38	1.497%	1.507%	1.0	2.58	15.7%	65.0%	19.2%
Jun-10	30-Year Bond	912810SX7	24	2.172%	2.161%	(1.1)	2.29	18.0%	64.0%	18.0%
Jun-15	20-Year Bond	912810SY5	24	2.120%	2.137%	1.7	2.40	17.5%	62.1%	20.4%
Jun-17	5-Year TIPS	91282CCA7	16	-1.416%	-1.417%	(0.1)	2.67	4.7%	87.3%	7.9%
Jun-22	2-Year Note	91282CCK5	60	0.249%	0.244%	(0.5)	2.54	30.9%	50.6%	18.5%
Jun-23	5-Year Note	91282CCJ8	61	0.904%	0.902%	(0.2)	2.36	24.3%	57.6%	18.1%
Jun-23	2-Year FRN	91282CBY6	26				3.23	31.8%	66.3%	1.9%
Jun-24	7-Year Note	91282CCH2	62	1.264%	1.267%	0.3	2.36	18.7%	60.0%	21.3%
Jul-12	3-Year Note	91282CCL3	58	0.426%	0.422%	(0.4)	2.41	28.6%	53.2%	18.3%
Jul-12	10-Year Note	91282CCB5	38	1.371%	1.375%	0.4	2.39	19.0%	63.5%	17.5%
Jul-13	30-Year Bond	912810SX7	24	2.000%	1.977%	(2.3)	2.19	22.3%	61.1%	16.6%
Jul-21	20-Year Bond	912810SY5	24	1.890%	1.877%	(1.3)	2.33	20.9%	60.2%	18.9%
Jul-22	10-Year TIPS	91282CCM1	16	-1.016%	-0.997%	1.9	2.50	14.3%	70.1%	15.5%
Jul-26	2-Year Note	91282CCN9	60	0.213%	0.215%	0.2	2.47	26.0%	52.8%	21.3%
Jul-27	5-Year Note	91282CCP4	61	0.710%	0.690%	(2.0)	2.36	24.2%	58.1%	17.7%
Jul-28	2-Year FRN	91282CCQ2	28				3.04	27.0%	71.9%	1.1%
Jul-29	7-Year Note	91282CCR0	62	1.050%	1.037%	(1.3)	2.23	22.2%	58.4%	19.4%
Aug-10	3-Year Note	91282CCT6	58	0.465%	0.467%	0.2	2.54	26.2%	55.4%	18.4%
Aug-11	10-Year Note	91282CCS8	41	1.340%	1.372%	3.2	2.65	9.6%	77.2%	13.1%
Aug-12	30-Year Bond	912810SZ2	27	2.040%	2.030%	(1.0)	2.21	18.3%	60.7%	21.0%
Aug-18	20-Year Bond	912810TA6	27	1.850%	1.855%	0.5	2.44	19.0%	62.3%	18.7%
Aug-19	30-Year TIPS	912810SV1	8	-0.292%	-0.292%	0.0	2.34	12.7%	74.9%	12.4%
Aug-24	2-Year Note	91282CCU3	60	0.242%	0.252%	1.0	2.65	18.3%	60.5%	21.2%
Aug-25	5-Year Note	91282CCW9	61	0.831%	0.828%	(0.3)	2.35	19.8%	62.7%	17.5%
Aug-25	2-Year FRN	91282CCQ2	26				3.17	29.6%	69.0%	1.3%
Aug-26	7-Year Note	91282CCV1	62	1.155%	1.150%	(0.5)	2.34	20.1%	61.1%	18.9%
Sep-07	3Y-Note	Sep-02	58*							
Sep-08	10Y-Note R/O	91282CCS8	38*							
Sep-09	30Y-Bond R/O	912810SZ2	24*							
Sep-21	20Y-Bond R/O	912810TA6	24*							
Sep-22	2Y-Note FRN	Sep-16	26*							
Sep-23	10Y-TIPS R/O	91282CCM1	TBA*							
Sep-27	2Y-Note	Sep-23	60*							
Sep-27	5Y-Note	Sep-23	61*							
Sep-28	7Y-Note	Sep-23	62*							
Oct-12	3Y-Note	Oct-07	58*							
Oct-12	10Y-Note R/O	91282CCS8	38*							
Oct-13	30Y-Bond R/O	912810SZ2	24*							
Oct-20	20Y-Bond R/O	912810TA6	24*							
Oct-21	5Y-TIPS	Oct-14	19*							
Oct-26	2Y-Note	Oct-21	60*							
Oct-27	2Y-Note FRN	Oct-21	28*							
Oct-27	5Y-Note	Oct-21	61*							
Oct-28	7Y-Note	Oct-21	62*							
Nov-08	3Y-Note	Nov-03	TBA*							
Nov-09	10Y-Note	Nov-03	TBA*							
Nov-10	30Y-Bond	Nov-03	TBA*							
Nov-17	20Y-Bond	Nov-10	TBA*							
Nov-18	10Y-TIPS R/O	91282CCM1	TBA*							
Nov-22	2Y-Note	Nov-18	TBA*							
Nov-22	5Y-Note	Nov-18	TBA*							
Nov-23	2Y-Note FRN R/O	Nov-18	TBA*							
Nov-23	7Y-Note	Nov-18	TBA*							
Dec-07	3Y-Note	Dec-02	TBA*							
Dec-08	10Y-Note R/O	Dec-02	TBA*							
Dec-09	30Y-Bond R/O	Dec-02	TBA*							
Dec-22	20Y-Bond R/O	Dec-16	TBA*							
Dec-23	5Y-TIPS R/O	Dec-16	TBA*							
Dec-27	2Y-Note	Dec-23	TBA*							
Dec-28	5Y-Note	Dec-23	TBA*							
Dec-29	2Y-Note FRN R/O	Dec-23	TBA*							
Dec-29	7Y-Note	Dec-23	TBA*							