

MNI UST Issuance Deep Dive: Oct 2021

October 7, 2021, Bill Sokolis and Tim Davis

September auction performance were either side of average in 2s (small tail), 3s and 5s (small stops), while September finished off with a weak 7Y note sale. The auction re-opens for 10s, 20s and 30s were all well received to strong, 10s with a 1.2bp stop after August's stellar 3.4bp stop-through.

Treasuries traded weaker as September wrapped up with 2-, 5- and 7Y auctions just as several Fed speakers expressed their opinion the Federal Reserve was edging closer to tapering.

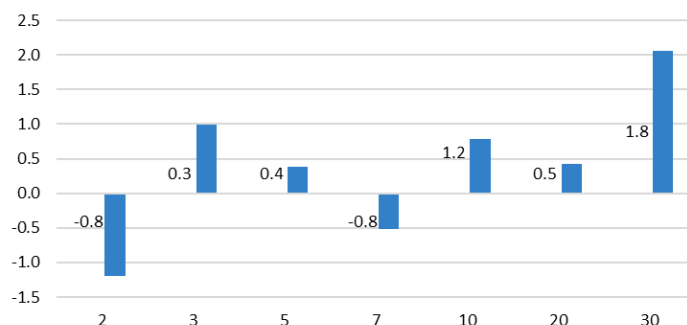
Chicago Fed President Charles Evans argued: "I see the economy as being close to meeting the 'substantial further progress' standard we laid out last December" and further that "If the flow of employment improvements continues, it seems likely that those conditions will be met soon and tapering can commence."

These comments were echoed by New York Fed President John Williams: "Assuming the economy continues to improve as I anticipate, a moderation in the pace of asset purchases may soon be warranted" and by Governor Lael Brainard: "Employment is still a bit short of the mark on what I consider to be substantial further progress. But if progress continues as I hope, it may soon meet the mark".

September Auction Review: Decent After Weak July

2Y: Small tail (0.310% vs. 0.302% WI)
 2Y: FRN re-open (0.026%, 0.026% prior)
 3Y: Small stop (0.447% vs. 0.450% WI)
 5Y Small stop (0.990% vs. 0.994% WI)
 7Y: Weak (1.332% vs. 1.324% WI)
 10Y R/O: Strong (1.338% vs. 1.350% WI)
 10Y TIPS R/O: (-0.939%, -1.016% prior)
 20Y R/O: Small stop (1.795% vs. 1.800% WI)
 30Y R/O: Strong (1.910% vs. 1.928% WI)

MNI September Auction Relative Strength Indicator



Chronological auction review:

September 7: \$58B 3Y note (91282CCX7), 0.447% vs. 0.450% WI; small stop

Treasury futures held weaker/off mid-morning lows after \$58B 3Y note auction (91282CCX7) stopped-through: 0.447% high yield vs. 0.450% WI; 2.45x bid-to-cover steady to 5-auction average.

- Indirect take-up remained strong at 56.67% vs. 55.41% prior, while direct bidder take-up climbed to new 1+ year high of 18.97%. Primary dealer take-up slipped to 24.37% vs. August's 26.17% and well off 29.53% 5M average.
- The next 3Y auction is tentatively scheduled for October 12.

September 8: \$38B 10Y note re-open (91282CCS8), 1.338% vs. 1.350% WI; STRONG again after August's 3.2bp stop.

Treasury futures regained some momentum, revisiting early highs after strong \$38B 10Y note auction re-open (91282CCS8) stopped through with 1.338% high yield vs. 1.350% WI; 2.59x bid-to-cover lower than August's 2.65x but well above the 5-auction avg: 2.49x

- Indirect take-up receded to 71.05% vs. 77.25% prior; direct bidder take-up bounced to 16.62% vs. 13.12% in August while primary dealer take-up bounced to 12.32% vs. 9.63% prior, but well shy of the 17.61% 5M average.
- The next 10Y auction is also a re-open, tentatively scheduled for October 12.

September 9: \$24B 30Y Bond Re-Open (912810SZ2), 1.910% vs. 1.928% WI

Treasury futures continued to rally after the strong bond re-open; 2.49x bid-to-cover, 2021 high.

- Indirect take-up: 69.7%, 2021 high
- Primary dealer take-up: 13.1% lowest on record
- Direct take-up: 17.2%
- The next 30Y auction is also a re-open, tentatively scheduled for October 13.

September 21: \$24B 20Y Bond Re-open (912810TA6), 1.795% vs. 1.800% WI

Little react as Treasury futures held steady to mixed after the \$24B 20Y Bond auction re-open (912810TA6) stopped-through: drawing a high yield of 1.795% (1.850% in August) vs. 1.800% WI. Bid-to-cover 2.36 vs. 2.44 prior.

- Indirect take-up climbed to 64.22% vs. 62.30% in August (60.00% 5M avg)
- Primary dealer take-up: 16.89% vs. 20.46% 5M avg. Direct take-up 18.89% vs. 19.54% 5M avg
- The next 20Y auction is also a re-open, tentatively scheduled for October 20.

September 22: \$26B 2Y Note FRN Re-open (91282CCQ2), 0.026% steady to prior 2Y FRN sale

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

- Indirect take-up: 57.3%
- Primary Dealer take-up: 42.7%
- The next 2Y FRN auction is tentatively scheduled for October 27.

September 23: \$14B 10Y TIPS Re-open (91282CCM1), -0.939% vs. -1.016% prior

- Indirect take-up 71.5%
- Primary Dealer take-up: 12.7%; Direct take-up: 15.8%

September 27: \$60B 2Y note (91282CDA6), 0.310% vs. 0.302% WI

Treasury futures extend lows after the weak 2Y sale; 2.28x bid-to-cover, lowest since 2008.

- Indirect take-up: 45.3%
- Primary dealer take-up: 30.0%; Direct take-up: 21.7%
- The next 2Y auction is tentatively scheduled for October 26.

September 27: \$61B 5Y note (91282CCZ2), 0.990% vs. 0.994% WI

Treasury futures held narrow ranges on mildly lower levels following the small stop; 2.37x bid-to-cover vs. 2.35x prior

- Indirect take-up: 54.3%, 2021 Low
- Primary dealer take-up: 25.5%; Direct take-up: 20.2%
- The next 5Y auction is tentatively scheduled for October 27.

September 28: \$62B 7Y note (91282CCY5), 1.332% vs. 1.324% WI

Treasury futures extended the sell-off after the weak sale; 2.24x bid-to-cover vs. 2.34x prior.

- Indirect take-up: 60.1%
- Primary dealer take-up: 19.0%; Direct take-up: 20.9%
- The next 7Y auction is tentatively scheduled for October 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	56	58	570
	3-Year Note	38	38	38	40	42	44	46	48	50	54	56	546
	5-Year Note	41	41	41	43	45	47	49	51	53	57	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	27	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	262	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	192	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 3-Year Note		91282CCX7	58	0.447%	0.450%	0.3	2.45	24.4%	56.7%	19.0%
Sep-08 10-Year Note		91282CCS8	38	1.338%	1.350%	1.2	2.59	12.3%	71.1%	16.6%
Sep-09 30-Year Bond		912810SZ2	24	1.910%	1.928%	1.8	2.49	13.1%	69.7%	17.2%
Sep-21 20-Year Bond		912810TA6	24	1.795%	1.800%	0.5	2.36	16.9%	64.2%	18.9%
Sep-22 2-Year FRN		91282CCQ2	26				2.84	42.7%	57.3%	0.0%
Sep-23 10-Year TIPS		91282CCM1	14	-0.939%			2.55	12.7%	71.5%	15.8%
Sep-27 2-Year Note		91282CDA6	60	0.310%	0.302%	(0.8)	2.28	33.0%	45.3%	21.7%
Sep-27 5-Year Note		91282CCZ2	61	0.990%	0.994%	0.4	2.37	25.5%	54.3%	20.2%
Sep-28 7-Year Note		91282CCY5	62	1.332%	1.324%	(0.8)	2.24	19.0%	60.1%	20.9%
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*							