Treasury Cash Balance Policy

- In May 2015, Treasury announced that: "To help protect against a potential interruption in market access, Treasury will hold a level of cash generally sufficient to cover one week of outflows in the Treasury General Account, subject to a minimum balance of roughly $150 billion."[1]
  - **Policy in practice**: For each business day, Treasury calculates the expected TGA outflows for one week following that day. Over the twelve-month period ending 30 June 2019, the minimum cash need consistent with this policy has averaged $232 billion, but the top 20% of instances averaged $365 billion with a maximum of $489 billion. The expected week of outflows only dipped below $150 billion (thus reverting to the $150 billion minimum) on 12% of days in the period.

- Upon the resolution of the current debt ceiling impasse, a trimmed mean of primary dealer responses indicates that Treasury is anticipated to increase the supply of T-bills outstanding by $178 billion over the eight-week period following resolution. In comparison, primary dealers estimated market capacity over that period at $210 billion (trimmed mean).
  - Based on conversations with the primary dealers, Treasury is generally expected to resume meeting its one-week liquidity needs at some point between the receipt of September corporate taxes (mid-month) and the end of September.

[1] Quarterly Refunding Statement (May 6, 2015): https://www.treasury.gov/press-center/press-releases/Pages/jl10045.aspx