

Macro Roundup Article

Headline: [Where Have All the Foreign Buyers Gone for U.S. Treasury Debt?](#)

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Tweet: The Treasury market will become increasingly stressed as the US runs record peacetime deficits at the same time the Fed is letting its portfolio run down \$60B/month. @Brad_Setser notes foreign buyers are unlikely to step in at the pace supply is rising.

Summary: The U.S. Treasury market is in the midst of major supply and demand changes. The Federal Reserve is shedding its portfolio at a rate of about \$60 billion a month. Overseas buyers who were once important sources of demand—China and Japan in particular—have become less reliable lately. Meanwhile, supply has exploded. The U.S. Treasury has issued a net \$2 trillion in new debt this year, a record when excluding the pandemic borrowing spree of 2020. “U.S. issuance is way up, and foreign demand hasn’t gone up,” said Brad Setser, senior fellow at the Council on Foreign Relations. “And in some key categories—notably Japan and China—they don’t seem likely to be net buyers going forward.” In response to recent demand weakness, Treasury has shifted to issuing shorter-term bonds that are in higher demand, helping to restore market stability. Foreigners, including private investors and central banks, now own about 30% of all outstanding U.S. Treasury securities, down from roughly 43% a decade ago. Related: Setser On Foreign Demand For Treasuries and Preferred Habitats and Timing in the World’s Safe Asset and Resilience Redux in the US Treasury Market

Primary Topic: Financial Markets

Topics: Database, Financial Markets, Fiscal Deficits, Fiscal Policy, GDP, Government Spending, News article, Weekly

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