

Macro Roundup Article

Headline: [Who Buys Treasuries When the Fed Reduces its Holdings](#)

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Tweet: Since June 2022 the marginal buyer of Treasuries has shifted to domestic households, foreign hedge fund buyers, and insurance companies.
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Summary: Understanding the marginal buyer of Treasury securities during balance sheet reduction has implications for Treasury yield volatility. Our analysis establishes that households and broker-dealers purchased the additional supply of Treasury securities resulting from the Fed's 2017-2019 balance sheet reduction period. [The "households" sector includes hedge funds, private equity funds, and personal trusts.] We find that Treasury security holdings of households are correlated with hedge fund holdings. Over the first year of the balance sheet reduction that began in June 2022, households purchased a large portion of Treasury securities the Fed no longer holds, but hedge funds did not make those purchases. In addition, we find that insurance companies and the rest of the world increased their holdings of Treasury securities during this period, in contrast to the pre-COVID balance sheet reduction.

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Primary Topic: Financial Markets

Topics: Database, Financial Markets, Fiscal Deficits, Fiscal Policy, GDP, Government Spending, Important!, Monetary Policy, Op-Ed/Blog Post

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