

Macro Roundup Article

Headline: [Setser On Sløk](#)

Article Link: https://twitter.com/Brad_Setser/status/1709209300877406482

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Tweet: [@Brad_Setser argues that Torsten Sløk's analysis of Chinese sales of Treasuries is misleading as it excludes Chinese offshore custodians and rotation into agencies.](#)

Summary: Sløk's charts of the day are generally great but he forgot to adjust the major foreign holdings table for valuation changes, Euroclear, and Agencies. The available data shows purchases for most of last year, sales in Q1, and a moderation of those sales in the last few months. Nothing dramatic. The Chinese data doesn't suggest informal PBOC reserves sales to date -- all the action has been through the state banks, and the sums there have been modest/the state banks wouldn't need to use their bonds to fund intervention. Has the Chinese bid for Treasuries stopped? No. But China has shifted toward Agencies and holds more of its Treasuries in offshore custodians. This should be the definitive flow chart --not a chart changing the valuation of US custodied Treasuries! Related: [Is China the Source of Higher US Long Rates?](#) and [Setser On Chinese "De-Dollarizing" and Shadow Reserves — How China Hides Trillions of Dollars of Hard Currency](#)

Primary Topic: Financial Markets

Topics: China, Financial Markets, GDP, Op-Ed/Blog Post, Savings Glut/Trade Deficit

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