

Macro Roundup Article

Headline: [Jumbo Problems For Investors – Two Elephants In The Room?](#)

Article Link: <https://capitalwars.substack.com/p/jumbo-problems-for-investors-two>

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Publication	Capital Wars Blog
Publication Date	October 02, 2023

Tweet: Michael Howell argues that net inflows of \$7.5T into US financial assets since 2009 have been a critical factor in US Treasury yields, and that declining inflows may require additional liquidity from the Fed. @crossbordercap

Summary: There are two connected anomalies, or 'elephants', in World markets (1) huge capital inflows into the US\$ and (2) a large negative term premia on US Treasuries. Both reflect the structural shortage of 'safe' assets in global financial markets. We are now in the early unwind stage. China needs to unhook from the US dollar by further devaluing the Yuan. She is unlikely, as a result, to buy a lot more US Treasuries. Unless the US authorities do something to cap rising yields, the current duration crisis could turn into a more worrying credit crisis. China, for one, has already started to print money again. We expect others to follow. Related: The US Capital Glut and Other Myths and The Return of Quantitative Easing and Unstable Prosperity: How Globalization Made the World Economy More Volatile

Primary Topic: Financial Markets

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

Permalink: <https://www.edwardconard.com/macro-roundup/michael-howell-argues-that-net-inflows-of-7-5t-into-us-financial-assets-since-2009-have-been-a-critical-factor-in-us-treasury-yields-and-that-declining-inflows-may-require-additional-liquidity-from?view=detail>

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