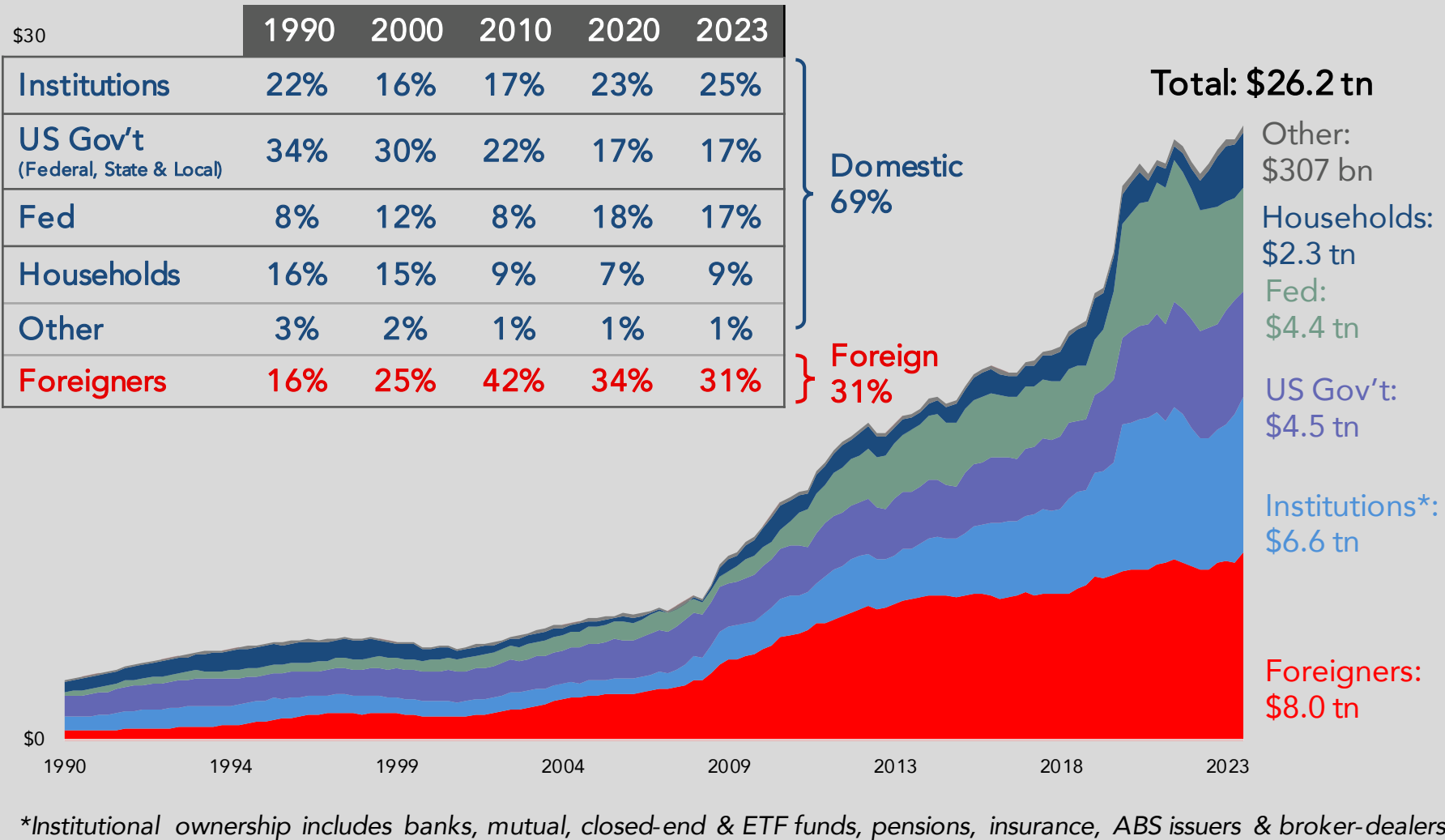


Chart of the Day



Ownership of \$26 Trillion UST Market

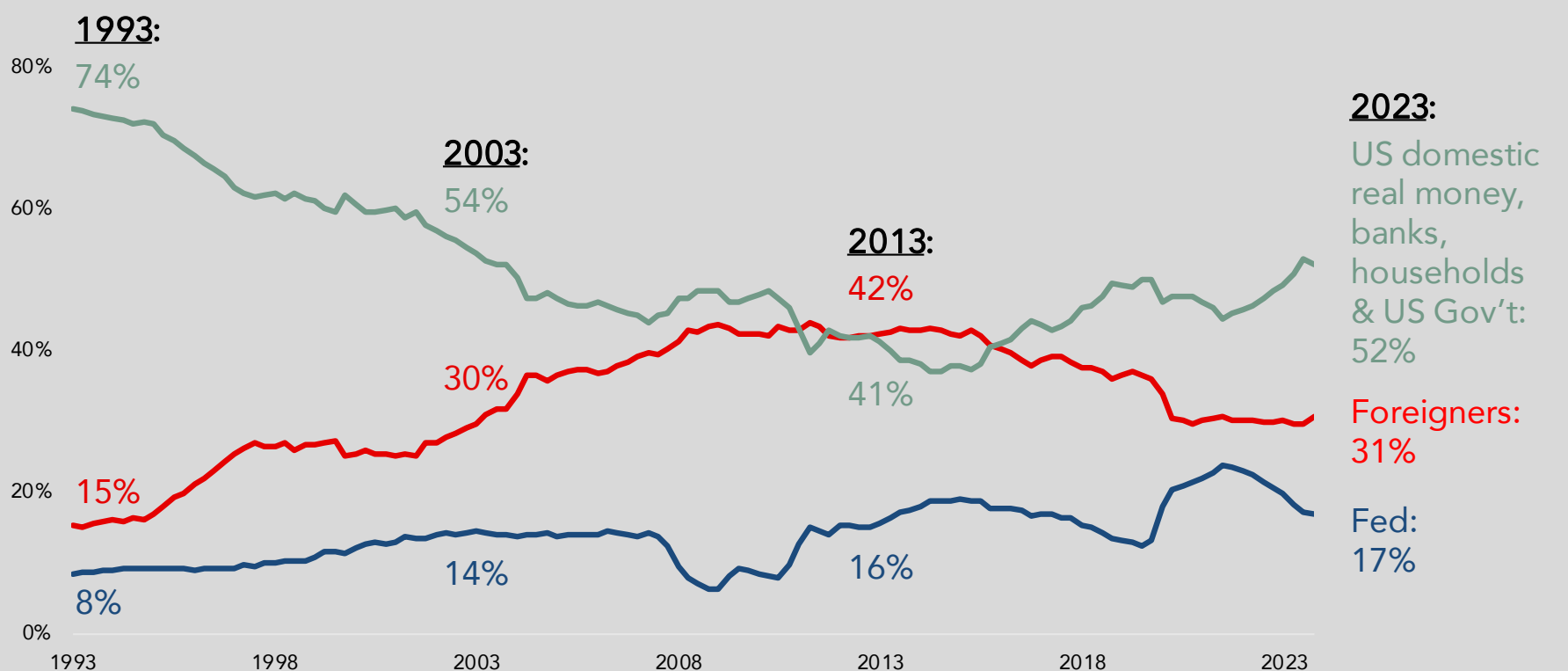
Holders of US Treasury securities, USD tn



Domestic & Foreign Ownership of USTs

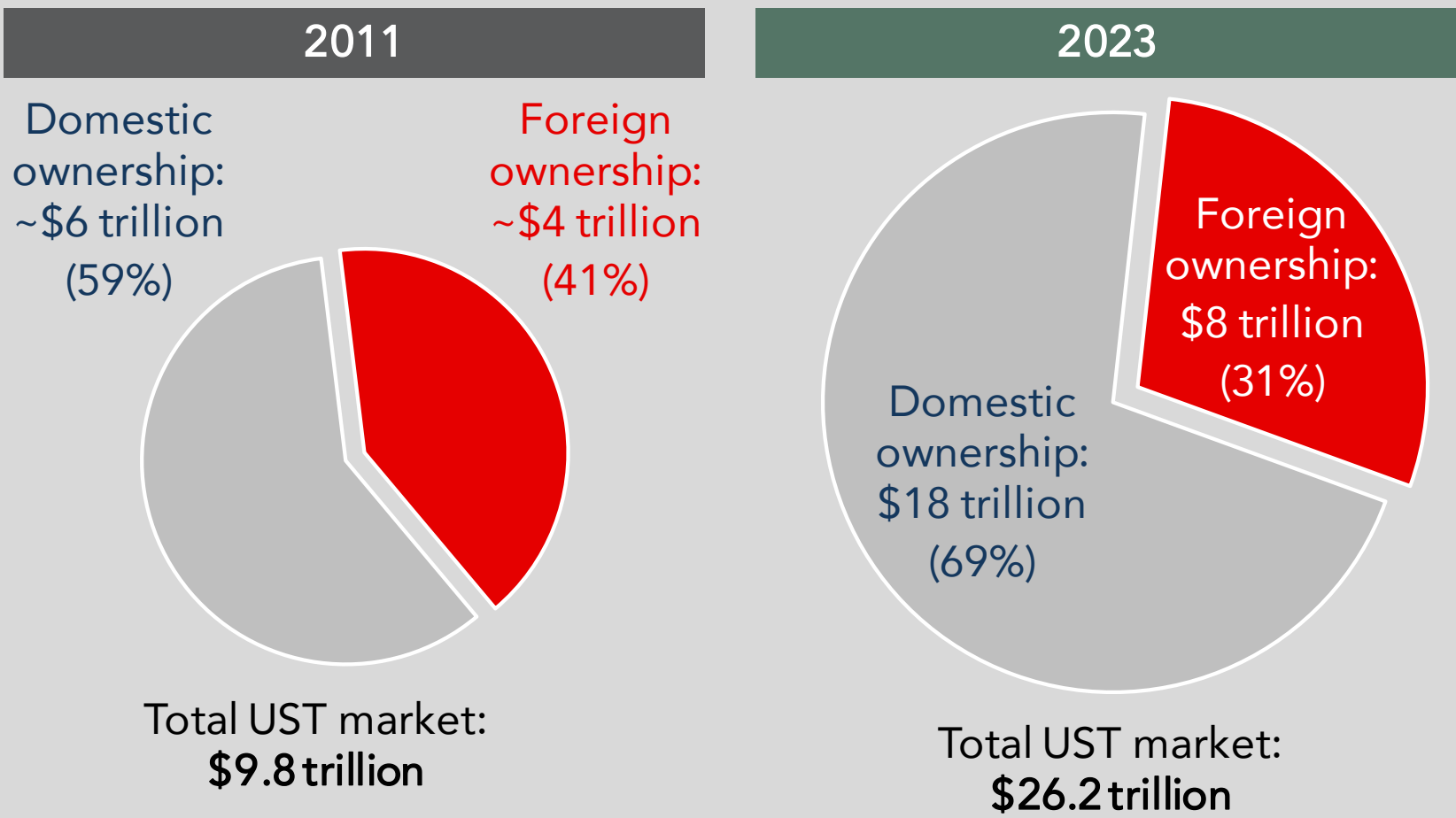
While foreign central bank purchases of US Treasuries have increased on an absolute basis over the last decade, their relative share of today's over \$26 trillion UST market has declined sharply since peak China and EM growth in 2014. Investment fund purchases of USTs (pension funds, insurance funds, money market funds) have increased notably since the Fed tightening cycle began in March 2022.

Holdings of Treasuries as a % of total Treasury debt outstanding



With China and EM growth (and annual surpluses) peaking around 2014, foreign central banks' ownership share of US Treasuries has been on a multi-year decline.

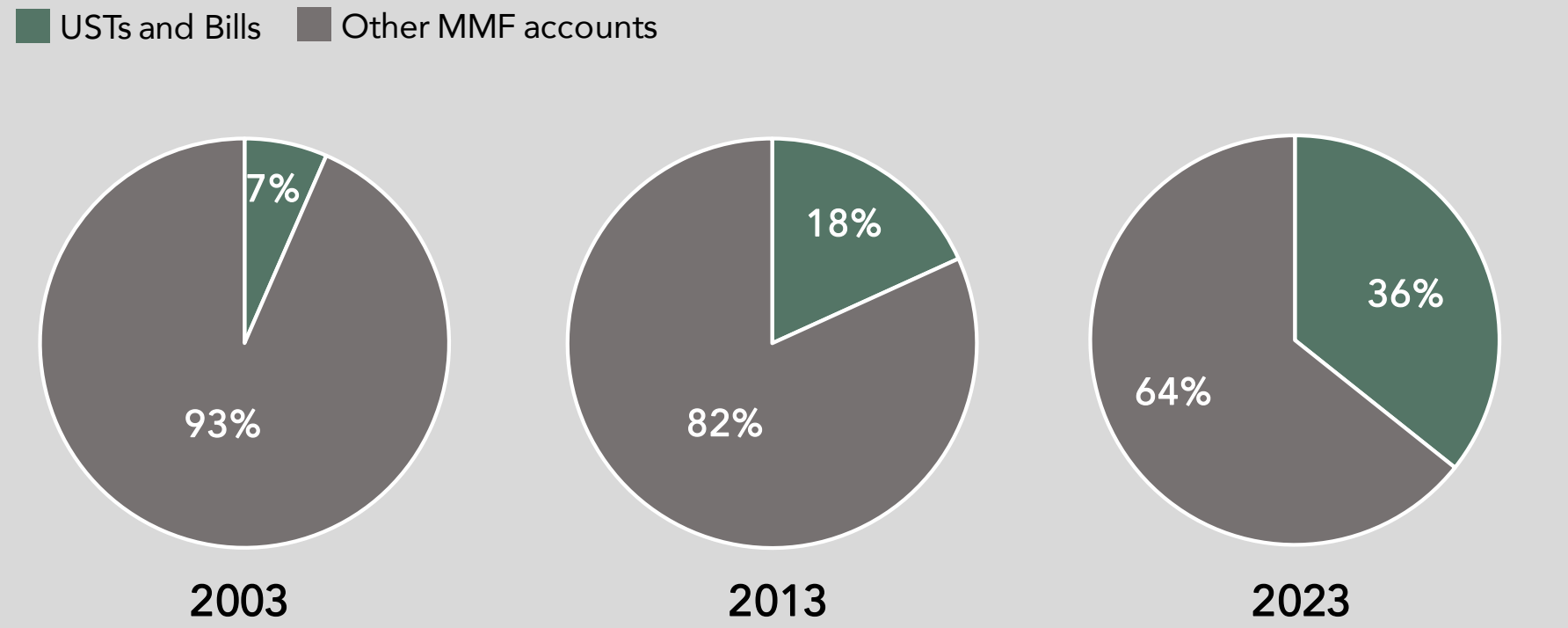
Size of US Treasury market



Evolution of Money Market Fund UST Purchases

Flows into money market funds, and money market fund purchases of UST securities, increased significantly since the Fed tightening cycle began in March 2022 - a dynamic that accelerated further post the bank sector stress of March 2023.

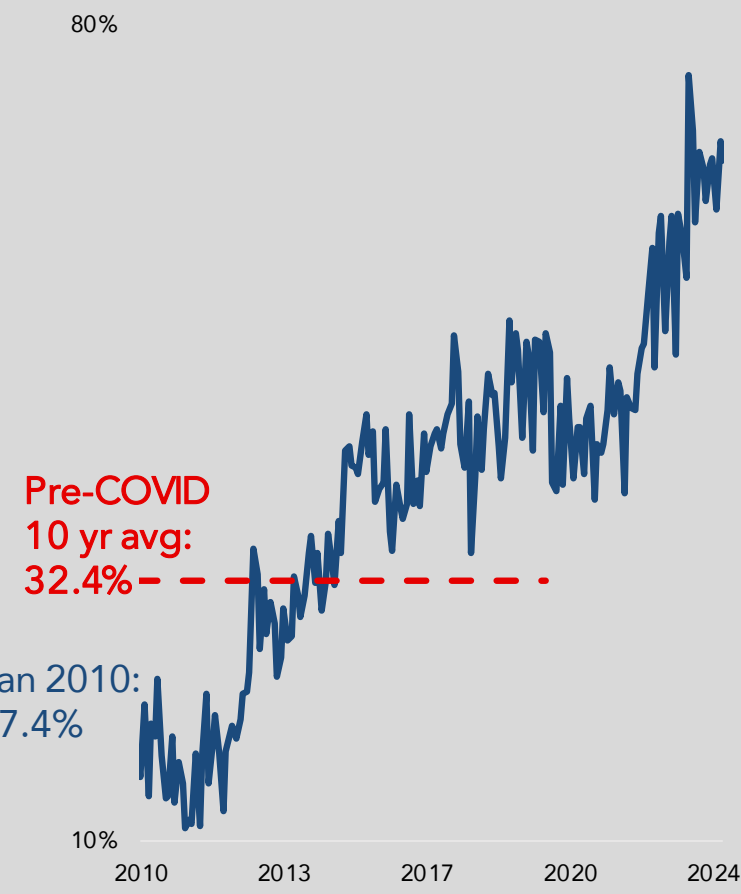
Money market mutual funds holdings by sector



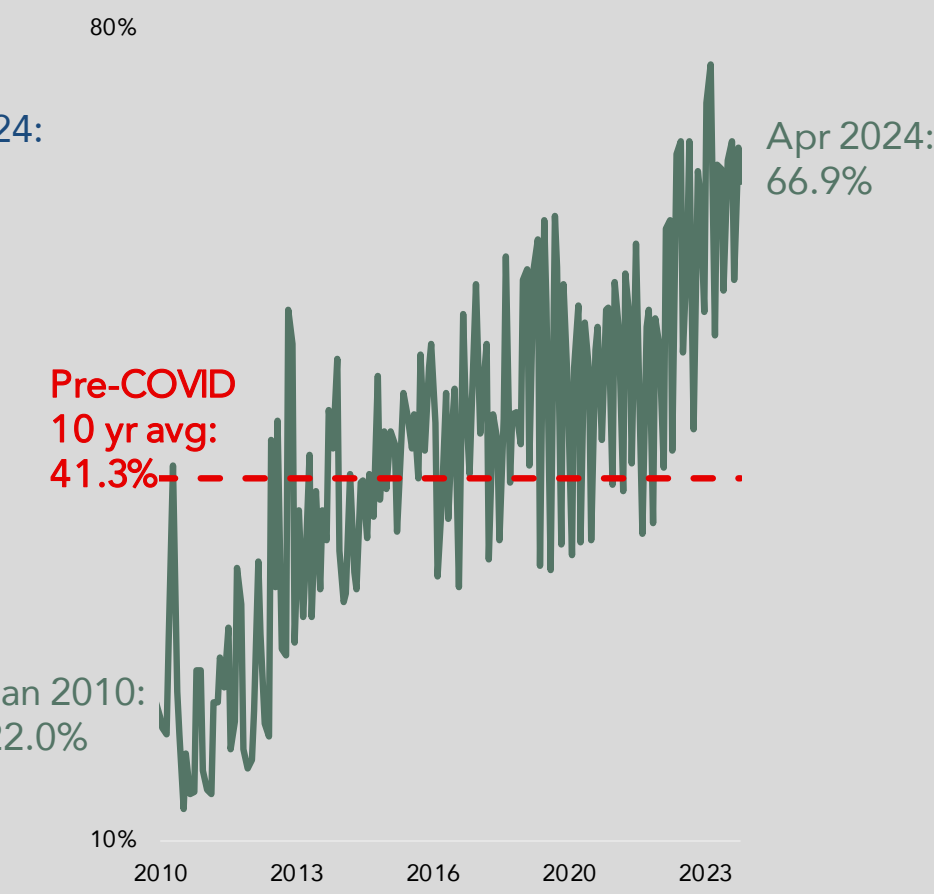
Investment Fund Purchases of USTs

Investment fund purchases of both the short and long end of the UST curve have been steadily rising for more than a decade now, and in particular, since the COVID crisis and Fed tightening cycle began.

Investment fund allotment of short duration (2-7yr) US Treasury auctions



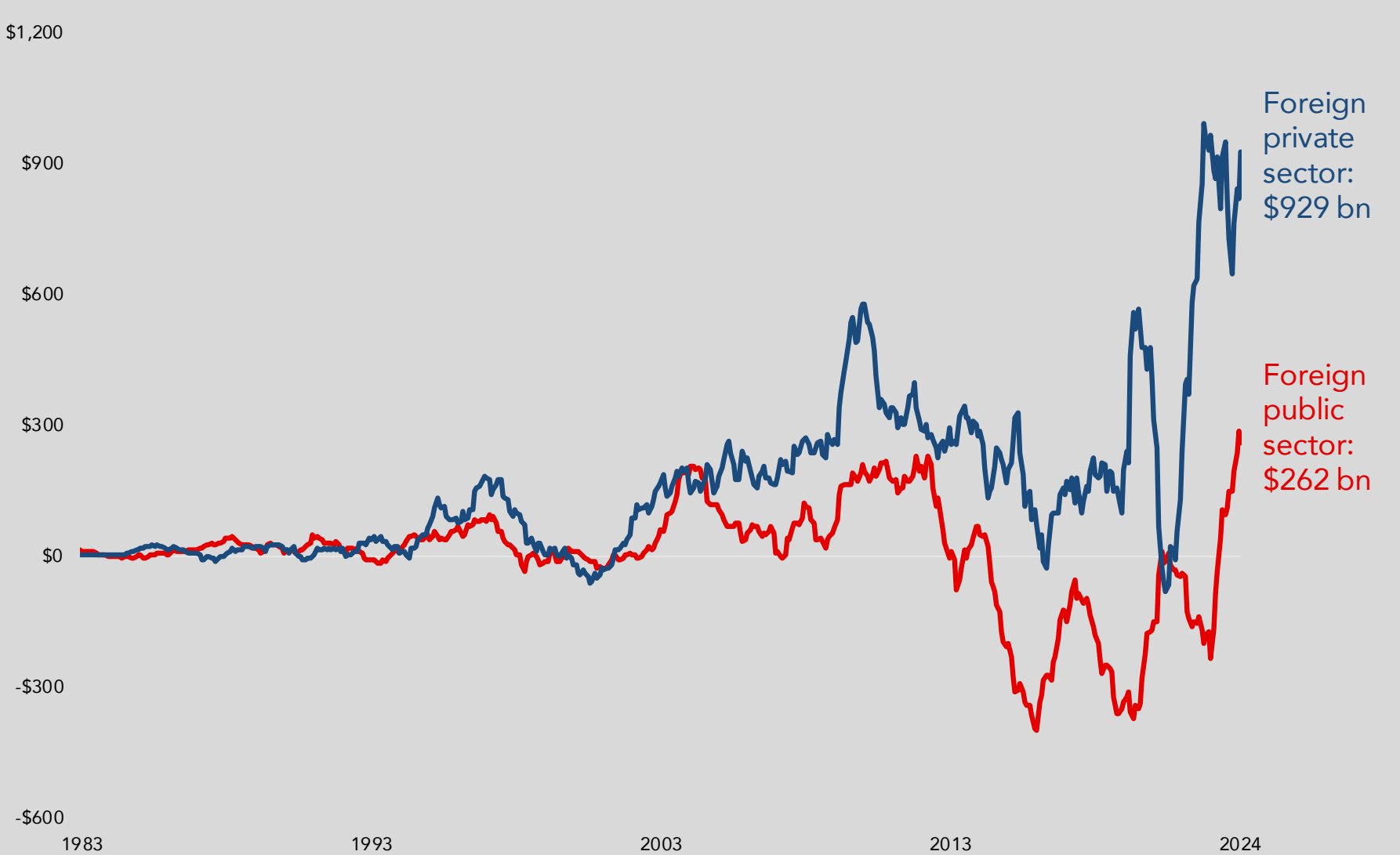
Investment fund allotment of long duration (10-30yr) US Treasury auctions



Rising Overseas Demand for USTs

Through much of 2023, foreign purchases of US Treasuries were driven by the private sector. However, in 2024, demand has increased from both public and private sector entities.

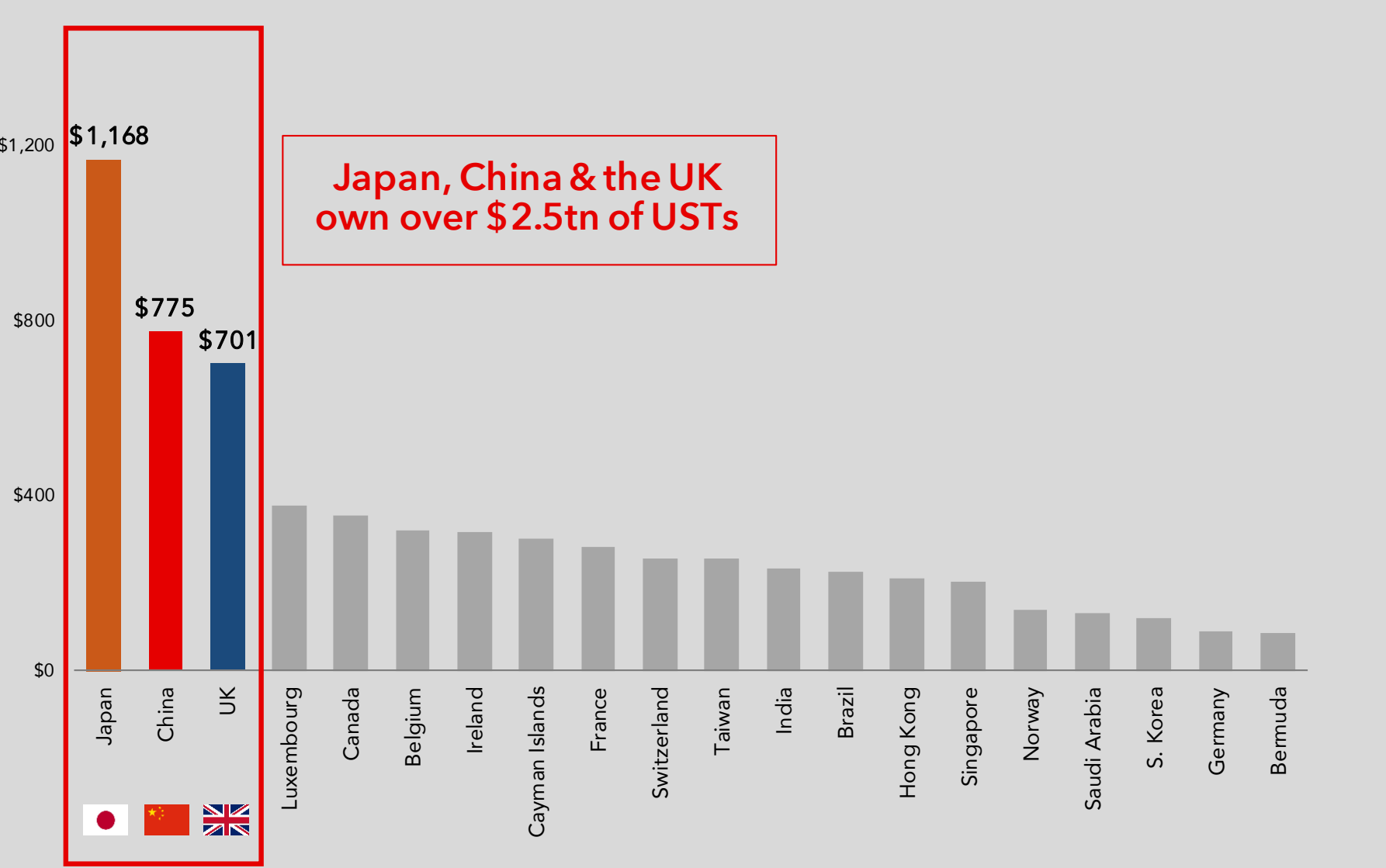
Foreign purchases of USTs by private / public sector, 12 month rolling sum (USD, bn)



Largest Foreign Holdings of UST Securities

China’s holdings of US Treasuries peaked in 2013 at \$1.3 trillion. Despite selling over \$100 bn in USTs over the past year, China is still the second largest foreign holder of US government debt. While data is not fully transparent, evidence suggests that UST sales by China have been offset by purchases of US agency debt and other USD bonds.

Foreign holders of US Treasury securities, USD bn



Source: (1-4) Federal Reserve. Data for fiscal year 2023. Financial Accounts of the United States, L.210 Treasury Securities. Gov't includes Federal, State & local governments, retirement funds and gov't sponsored enterprises. Total represents total marketable US Treasury debt. (5-6) US Department of the Treasury. Data as of May 14, 2024. (7-8) Bloomberg. US Treasury. MUFG US Macro Strategy. UST purchases include bonds and notes. Data through February 2024. Reuters "China slips away from Treasuries but sticks with dollar bonds".

Global Corporate & Investment Banking Capital Markets Strategy Team



Tom Joyce
Managing Director
Tom.Joyce@mufgsecurities.com
(212) 405-7472



Hailey Orr
Managing Director
Hailey.Orr@mufgsecurities.com
(212) 405-7429



Stephanie Kendal
Vice President
Stephanie.Kendal@mufgsecurities.com
(212) 405-7443



Angela Sun
Analyst
Angela.Sun@mufgsecurities.com
(212) 405 - 6952

“Macro stability isn’t everything, but without it, you have nothing.”