

Economics Group

Jay H. Bryson, Global Economist
jay.bryson@wachovia.com • 704-383-3518

Capital Outflows in October Contribute to Dollar Weakness

Foreign investors continue to buy long-term U.S. securities, but they are letting holdings of Treasury bills, which they purchased en masse during the financial crisis, roll off their balance sheets.

Foreigners Continue to Buy U.S. Long-Term Securities

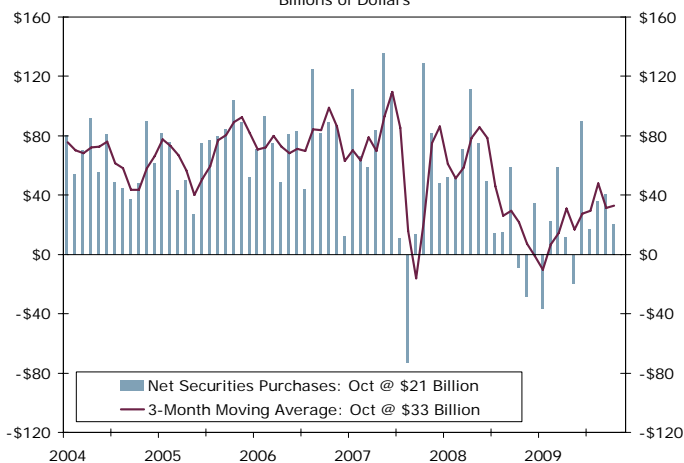
- Net foreign purchases of long-term U.S. securities totaled \$20.7 billion in October. Foreign investors continue to buy U.S. Treasury securities (\$23.9 billion) and U.S. equities (\$10 billion). However, they continue to eschew agency securities.
- Foreign central banks also remain net buyers of Treasuries securities, taking down \$15.0 billion during the month.

Foreigners Let Short-Term T-Bills Mature

- Higher yields abroad continue to attract American investors, who bought \$22.7 billion worth of foreign securities during the month.
- Including short-term securities, \$13.9 billion of capital left the country during October as foreigners let \$32.1 billion of short-term Treasury bills mature. The net outflow may help to explain the dollar's weakness in October.

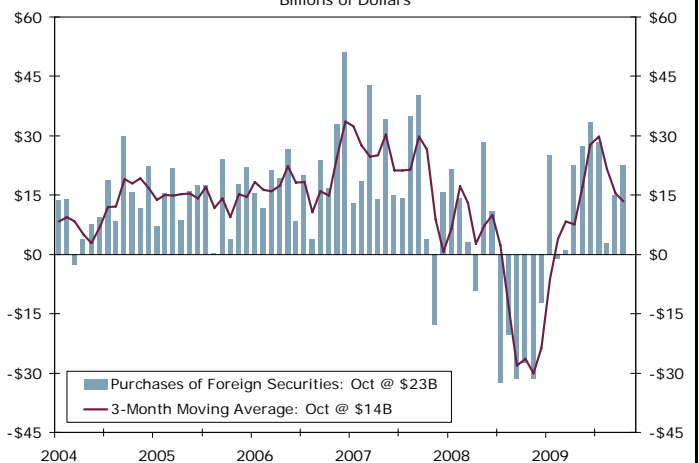
Monthly Net Securities Purchases

Billions of Dollars

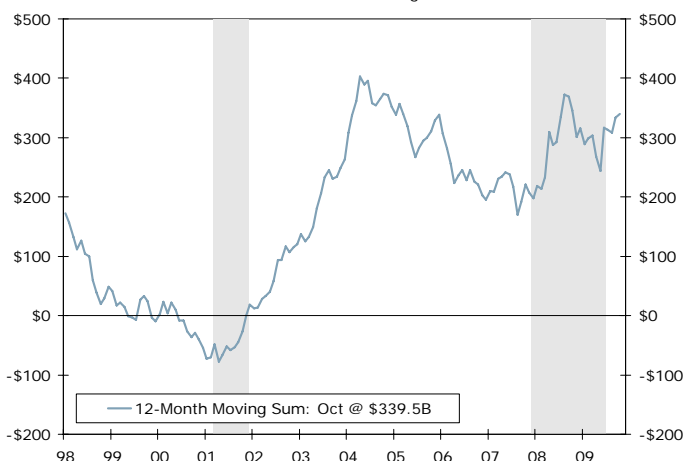


U.S. Purchases of Foreign Securities

Billions of Dollars

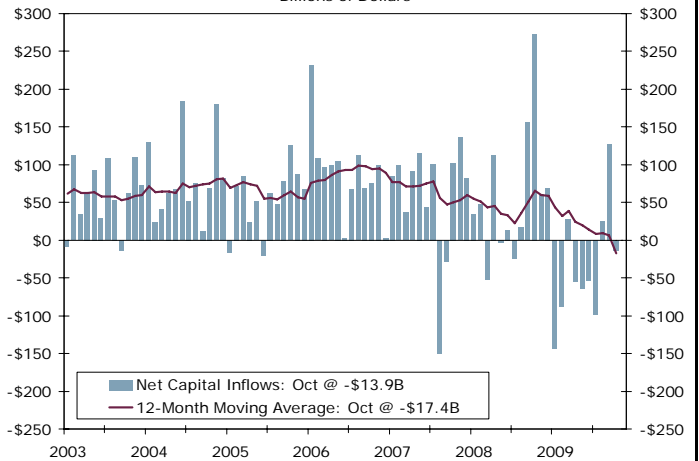


Net Foreign Purchases of Marketable US Treasury Securities Bonds and Notes, 12-Month Moving Sum, Billions USD



U.S. Total Net Capital Inflows

Billions of Dollars



Source: U.S. Department of the Treasury and Wells Fargo Securities, LLC

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Diane Schumaker-Krieg	Global Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wachovia.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wachovia.com
Mark Vitner	Senior Economist	(704) 383-56355	mark.vitner@wachovia.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wachovia.com
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(612) 667- 0168	eugenio.j.aleman@wellsfargo.com
Sam Bullard	Economist	(704) 383-7372	sam.bullard@wachovia.com
Anika Khan	Economist	(704) 715-0575	anika.khan@wachovia.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wachovia.com
Adam G. York	Economist	(704) 715-9660	adam.york@wachovia.com
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.com
Tim Quinlan	Economic Analyst	(704) 374-4407	tim.quinlan@wachovia.com
Kim Whelan	Economic Analyst	(704) 715-8457	kim.whelan@wachovia.com
Yasmine Kamaruddin	Economic Analyst	(704) 374-2992	yasmine.kamaruddin@wachovia.com

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