



Economics Group

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Net Foreign Flows Turn Negative on Decline in Bank Liabilities

Net TIC flows turned negative in May as the decline in bank liabilities far outweighed a small increase in net long-term holdings. Despite all the talk about the U.S. debt ceiling, foreigners continued to buy Treasuries.

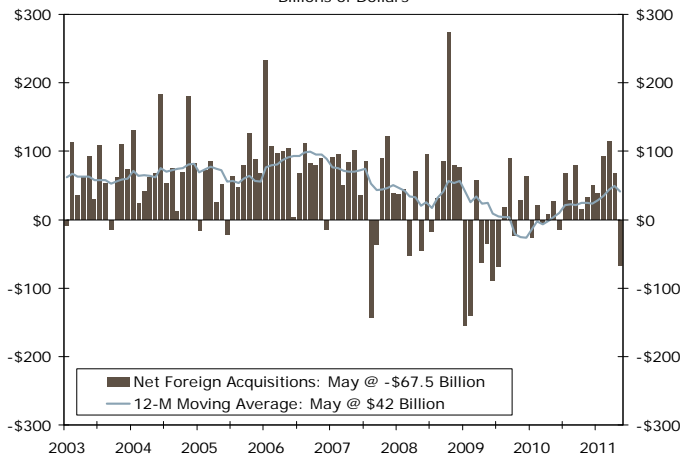
Treasury Demand Remained Strong in May

- Total net TIC flows fell by \$67.5 billion in May as the \$8.0 billion increase in net long-term holdings was dwarfed by a \$51.1 billion decline in bank liabilities, which was likely a retreat from fairly strong inflows seen over the last few months.
- Foreigners bought \$37.9 billion in long-term Treasuries, the most in the last several months, even though the U.S. hit the debt ceiling on May 16 and is running trillion dollar deficits.

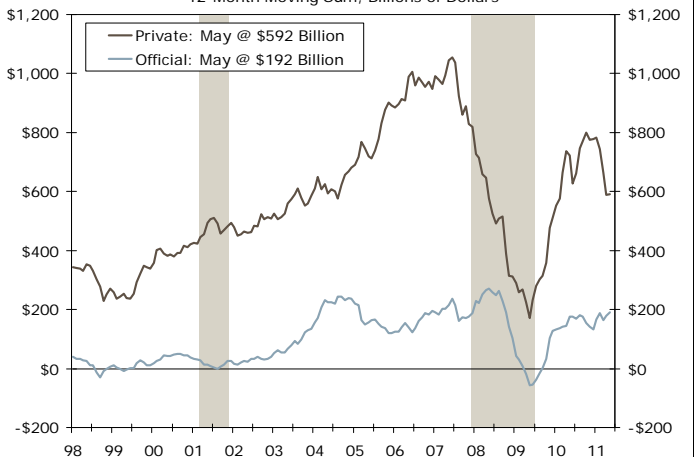
Foreigners Still Selling Short-term Securities

- Foreigners continued to be net sellers of U.S. short-term securities in May, selling \$13.1 billion in Treasury bills and \$11.2 billion in other instruments.
- Amid all the concern about the U.S. fiscal position and reaching the debt limit, U.S. Treasuries are still looked upon as being the safest assets in the world. Investors do not seem to be the least bit worried about a U.S. default as yields continue to move lower.

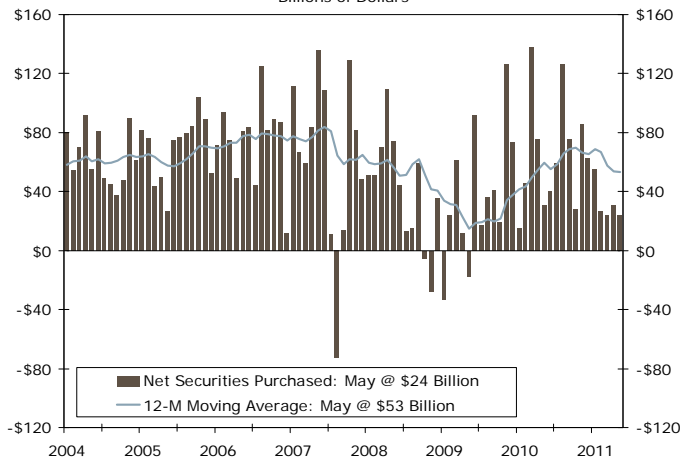
Monthly Net TIC Flows
 Billions of Dollars



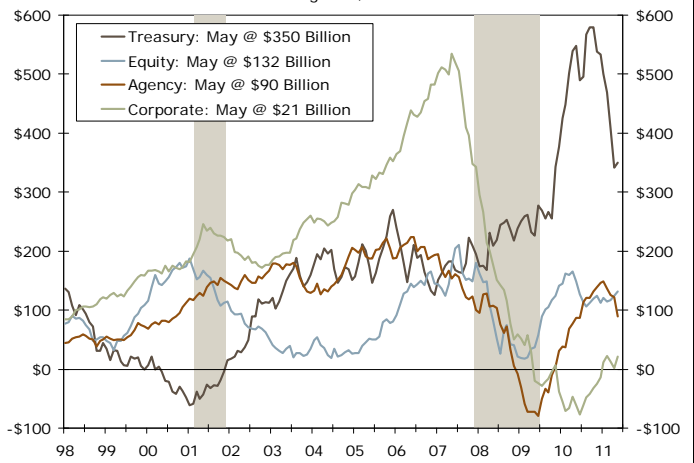
Foreign Purchases of U.S. Securities
 12-Month Moving Sum, Billions of Dollars



Net Long-Term Flows
 Billions of Dollars



Foreign Private Purchases of U.S. Securities
 12-Month Moving Sum, Billions of Dollars



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