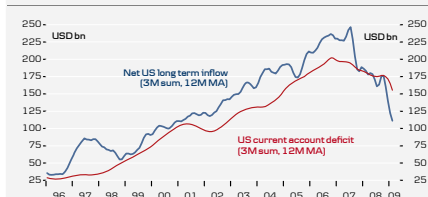


USD: February TIC data

Long-term capital flows into the US again

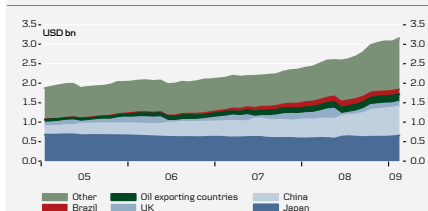
- February's TIC data showed a larger than expected inflow into long-term securities, and capital is thus once again flowing into the US following a large outflow in January. Foreign investors net bought USD 22bn worth of long-term securities in February compared to net selling of USD 36.8bn in the month prior.
- The latest TIC data shows that the two main causes of the capital outflow in January were reversed in February, as foreign investors stopped selling US agency debt (securities issued by agencies such as Fannie Mae and Freddie Mac) and as US investor demand for foreign securities faded. Foreign investors net bought USD 20.8bn worth of US long term securities, while US investors net sold USD 1.2bn worth of foreign long-term securities.
- While there was an inflow into longer dated securities, the TIC data still shows that there was a USD 97bn outflow from the US when short-term securities, such as stock swaps, are included. However, this is much smaller than the USD 148.9bn outflow in January.
- Interestingly February's TIC shows that foreign demand returned for agency debt for the first time since September last year and also purchases of US Treasuries increased. While the gradual improvement on the financial markets should imply less need for EM central banks to intervene on the FX market, the pick-up in demand for long-term securities in February was mainly driven by private investors.
- China remains the biggest holder of US Treasuries and increased its holdings by USD 4.6bn to USD 744bn – which, however, is the smallest monthly purchase in a long time. Japan, the second biggest holder, purchased USD 27.1bn worth of Treasuries, while Caribbean based investors (e.g. hedge funds) and Russia each purchased Treasuries worth about USD 10bn.
- Overall, February's TIC report was quite positive; if demand remains for US securities, while at the same time the US current account continues to improve, we could soon see capital flows begin to bring medium term support to the dollar once again.

Funding of the C/A deficit



Source: Reuters EcoWin

Main holders of Treasuries



Source: Reuters EcoWin

TIC data

The Treasury International Capital (TIC) reporting system collects data for the US on cross-border portfolio investment flows and positions between US residents (including US-based branches of firms headquartered in other countries) and foreign residents (including offshore branches of US firms).

Please see <http://www.ustreas.gov/tic> for details

Overview table, USD bn

Month	Foreign buying of US assets							US buying of foreign assets			Net US Inflow
	Debt			Stocks	Total			Bonds	Stocks	Total	
	Treasuries	Agencies	Corporates		Private	Official	Total				
Feb-09	21.6	1.1	3.3	-5.1	25.9	-5.1	20.8	0.5	-1.7	-1.2	22.0
Jan-09	10.7	-15.5	-8.3	1.4	-3.1	-8.5	-11.7	27.9	-2.8	25.1	-36.8
Dec-08	15.0	-37.4	41.0	3.9	25.2	-2.8	22.4	-12.2	-0.1	-12.3	34.6
Nov-08	-25.8	-22.5	-16.2	4.4	-22.9	-37.1	-60.1	-12.9	-21.3	-34.3	-25.8
Oct-08	32.9	-50.2	-13.1	-6.2	-19.4	-17.2	-36.6	-14.8	-21.7	-36.5	-0.1
Sep-08	20.7	6.2	-8.4	11.5	34.8	-4.8	30.0	-37.6	2.5	-35.1	65.1

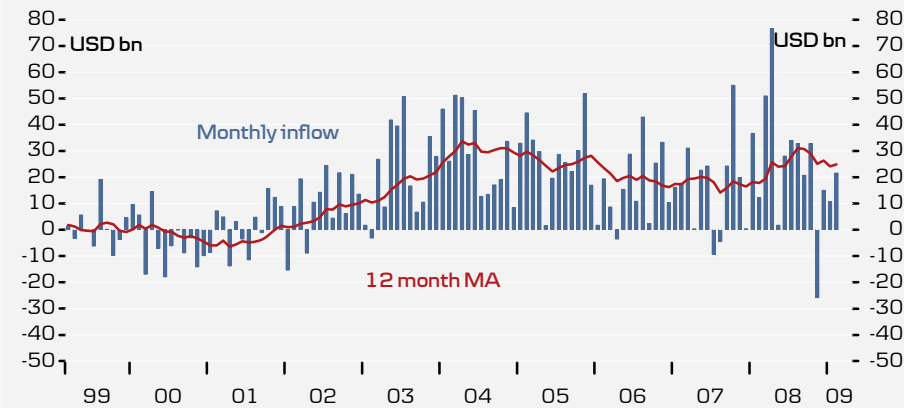
Source: Reuters EcoWin

Analyst

Kasper Kirkegaard
 +45 45 13 70 18
 kaki@danskebank.dk

Net buying of US securities

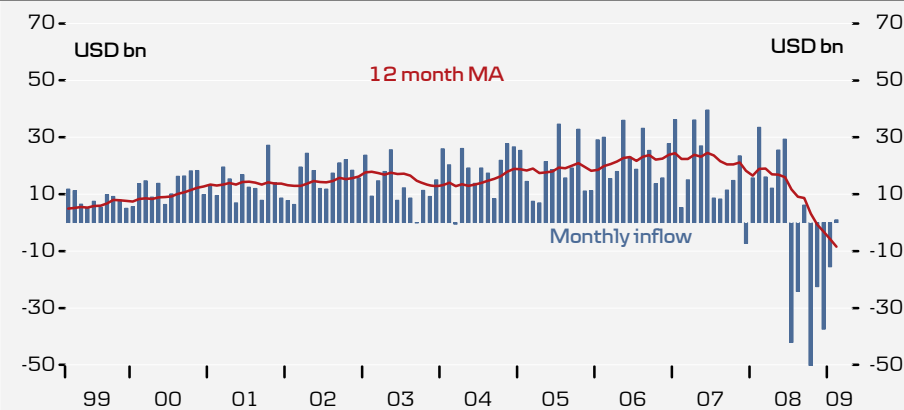
Net purchases of Treasuries



Source: Reuters EcoWin

Demand for US Treasuries picked up in February, as foreign investors net bought USD 21.6bn worth of Treasury securities.

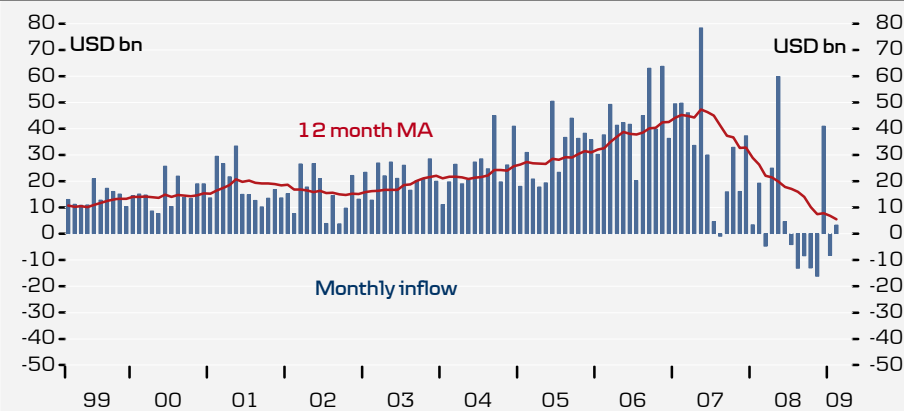
Net buying of Agencies



Source: Reuter

Foreign demand returned for US agency debt in February, following months of massive selling.

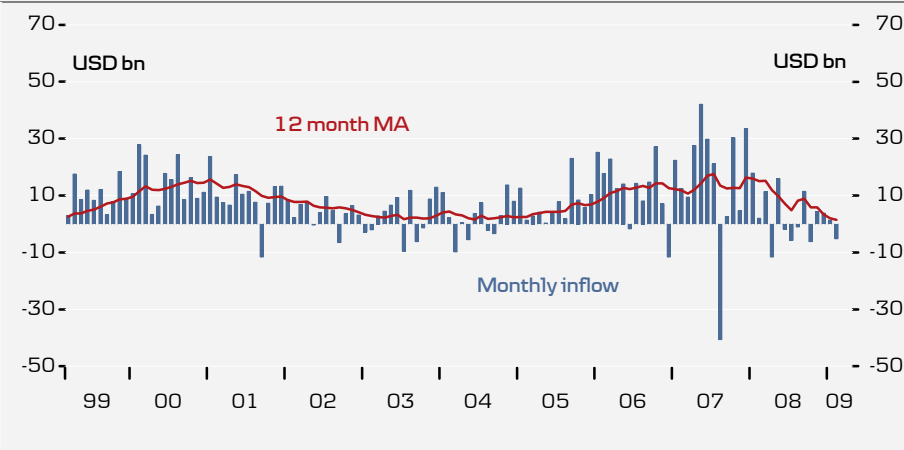
Net buying of corporate bonds



Source: Reuters EcoWin

Foreign investors net bought USD 3.3bn worth of corporate bonds in February.

Net buying of corporate stock

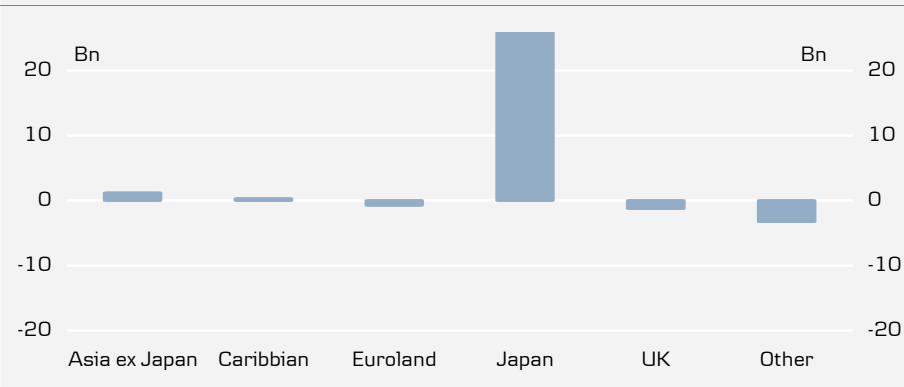


Source: Reuters EcoWin

Corporate stocks were sold off by foreign investors, as stock markets plummeted.

Geographical location of buyers

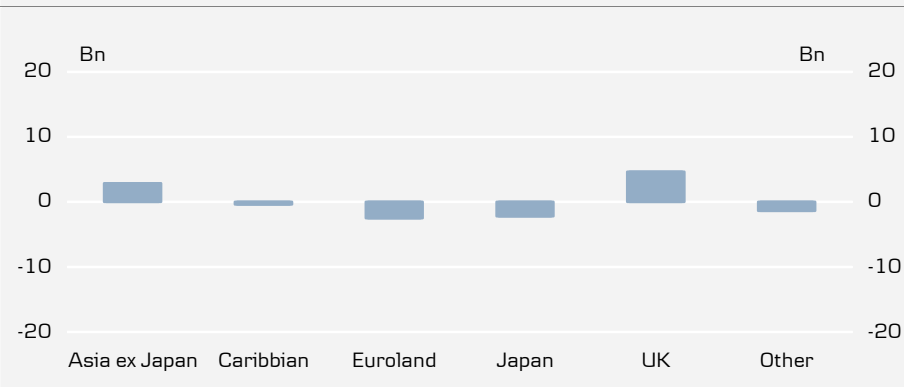
Net purchases of Treasuries



Source: Reuters EcoWin

Japan was the single largest purchase of US Treasuries in February, increasing its holdings by USD 27.1bn.

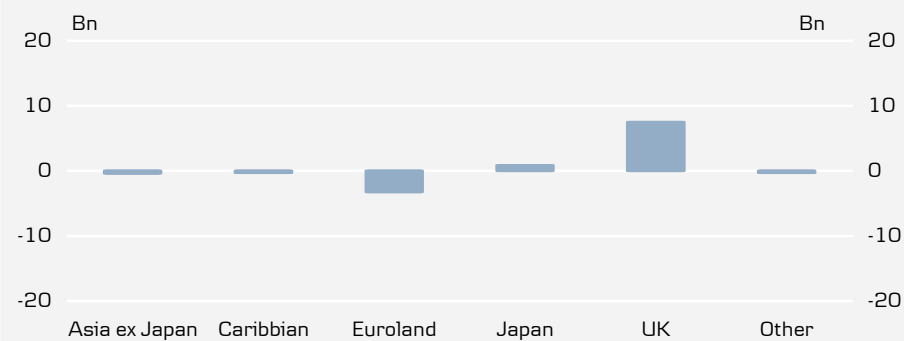
Net purchases of Agencies



Source: Reuters EcoWin

Mainly UK based investors secured a positive inflow into agency debt in February.

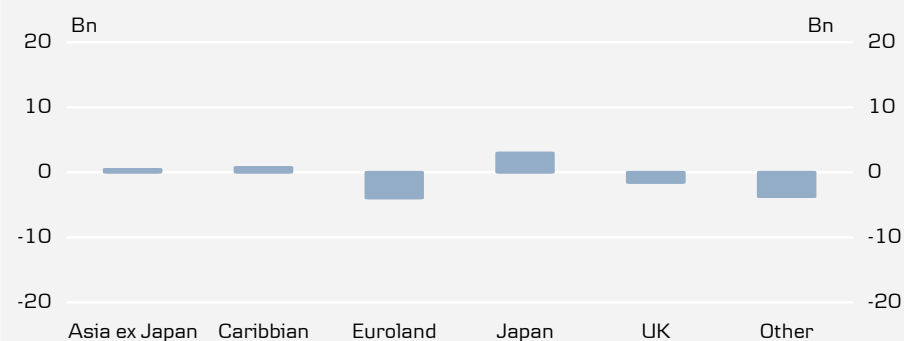
Net purchases of corporate bonds



Source: Reuters EcoWin

UK based investors (transit point for e.g. Middle East investors) were the main buyers of corporate bonds.

Net purchases of corporate stocks



Source: Reuters EcoWin

Especially Euroland investors sold US corporate stock in a month in which global equity markets plummeted.

Disclosure

This report has been prepared by Danske Research, which is part of Danske Markets, a division of Danske Bank. Danske Bank is under supervision by the Danish Financial Supervisory Authority. Kasper Kirkegaard, analyst.

Danske Bank research reports are prepared in accordance with the Danish Society of Investment Professionals' Ethical rules and the Recommendations of the Danish Securities Dealers Association.

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high quality research based on research objectivity and independence. These procedures are documented in the Danske Bank Research Policy. Employees within the Danske Bank Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and to the Compliance Officer. Danske Bank Research departments are organised independently from and do not report to other Danske Bank business areas. Research analysts are remunerated in part based on the over-all profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

Danske Bank is a market maker and may as such hold positions in the financial instruments mentioned in this report.

Please go to www.danskeequities.com for further disclosures and information.

Disclaimer

This publication has been prepared by Danske Markets for information purposes only. It has been prepared independently, solely from publicly available information and does not take into account the views of Danske Bank's internal credit department. It is not an offer or solicitation of any offer to purchase or sell any financial instrument. Whilst reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation is made as to its accuracy or completeness and no liability is accepted for any loss arising from reliance on it. Danske Bank, its affiliates or staff, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives), of any issuer mentioned herein. The Equity and Corporate Bonds analysts are not permitted to invest in securities under coverage in their research sector. This publication is not intended for retail customers in the UK or any person in the US. Danske Markets is a division of Danske Bank A/S. Danske Bank A/S is authorized by the Danish Financial Supervisory Authority and subject to limited regulation by the Financial Services Authority (UK). Details on the extent of our regulation by the Financial Services Authority are available from us on request. Copyright (C) Danske Bank A/S. All rights reserved. This publication is protected by copyright and may not be reproduced in whole or in part without permission.