

FX commentary

# USD: September TIC data

- China overtakes Japan as the largest holder

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# Clear signs of repatriation flows

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- September TIC data confirm that the high level of uncertainty in September resulted in further strong investor preference for safer assets (e.g. US Treasuries), and that repatriation flows into the US were significant - which supported the dollar.
- Net foreign purchases of long-term securities amounted to USD 66.3bn in September. This was significantly higher than the revised USD 21bn inflow in August and much higher than the consensus expectation of USD 27.2bn.
- Net inflows are now back to healthier levels but remain largely driven by a significant selling of foreign securities by US residents - repatriation flows.
- Private foreign investors net bought USD 35.7bn worth of long-term US securities, while foreign official institutions net sold USD 4.8bn.
- Meanwhile, US residents net sold USD 35.4bn of long-term foreign securities, especially bonds. This is even higher than the August USD 22.7bn net sale and indicates that repatriation flows by US investors have been significant - and are likely to have been an important driver of the USD rally.

# Overview table

*Net inflows rose significantly in September*

*There are clear signs of repatriation flows, as US investors continued to net sell foreign assets*

*Demand for US agencies returned despite deteriorating risk sentiment*

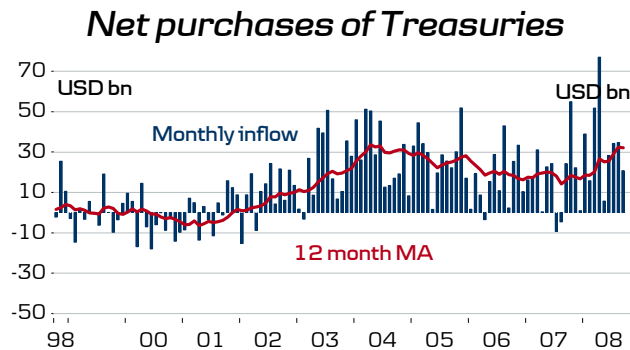
US TIC data											
Month	Foreign buying of US assets							US buying of foreign assets			Net US Inflow
	Debt			Stocks	Total			Bonds	Stocks	Total	
	Treasuries	Agencies	Corporates		Private	Official	Total				
Sep-08	20.7	6.2	-7.6	11.5	35.7	-4.8	30.9	-37.8	2.4	-35.4	66.3
Aug-08	34.7	-22.2	-13.1	-1.0	8.7	-10.2	-1.5	-19.7	-2.9	-22.5	21.0
Jul-08	34.3	-40.1	-4.1	-5.8	-10.9	-4.9	-15.8	-17.3	-16.9	-34.2	18.4
Jun-08	28.3	31.5	4.7	-1.8	47.8	14.9	62.7	11.5	-1.6	10.0	52.7
May-08	5.7	28.2	59.8	16.0	93.2	16.4	109.7	8.3	18.1	26.4	83.2
Apr-08	77.0	15.3	25.0	-11.6	64.4	41.3	105.7	-10.7	0.2	-10.5	116.1

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

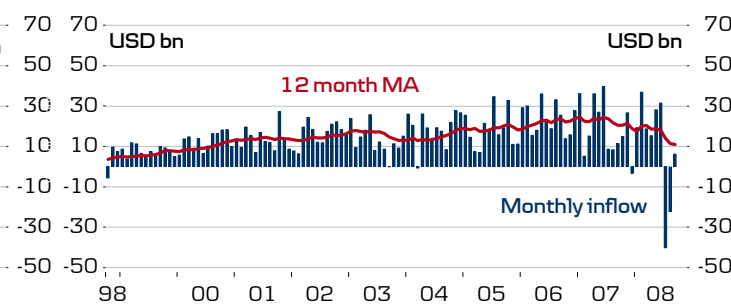
*Please see <http://www.ustreas.gov/tic> for details*

# Net foreign buying of US securities

*Net purchases of US Treasuries fell slightly in September*

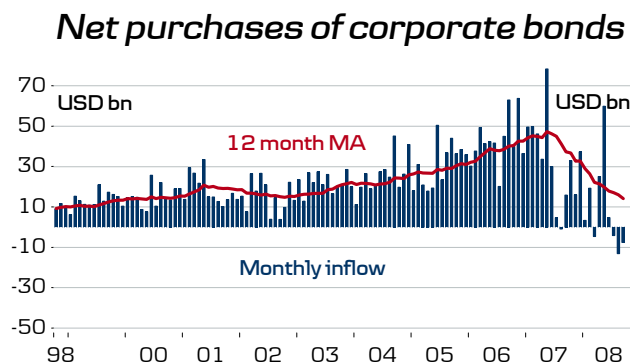


*Net purchases of agencies*

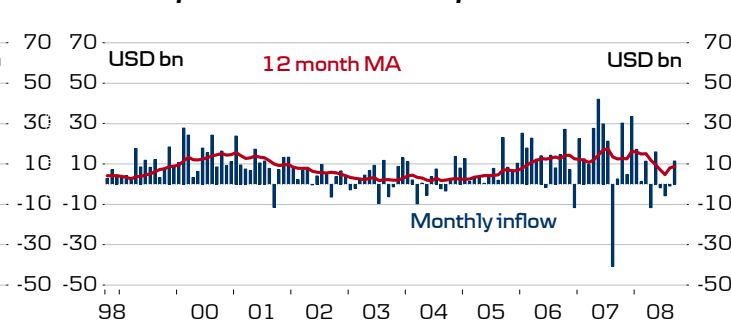


*Foreign investors once again net bought agencies – despite poor investor sentiment*

*Foreigners net sold corporate bonds in September too*



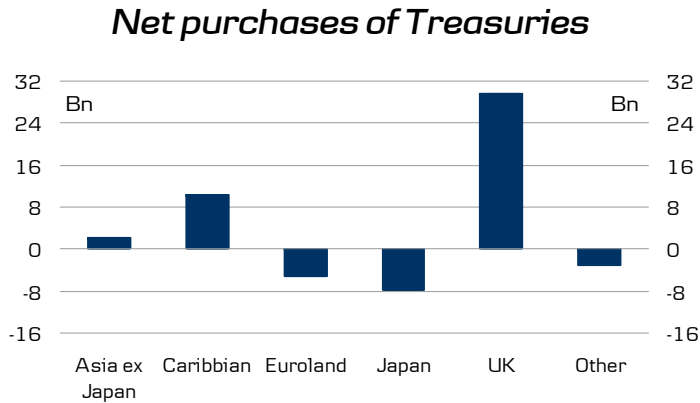
*Net purchases of corporate stocks*



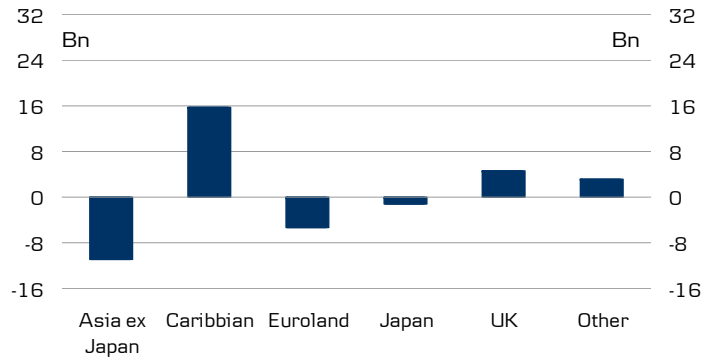
*Net purchases of US stocks turned positive for the first time since May*

# Geographical location of buyers

*The UK remains the main purchaser of Treasuries*

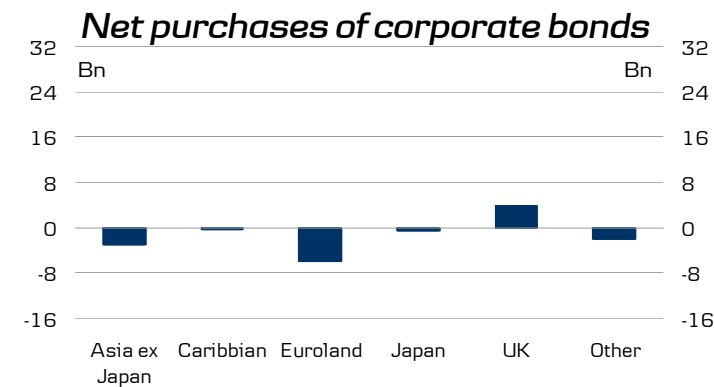


**Net purchases of agencies**

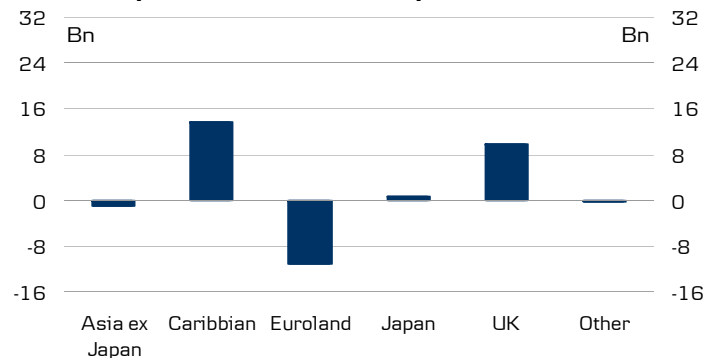


*Agency demand driven largely by Caribbean-based investors*

*Euroland was the largest seller of corporate bonds*



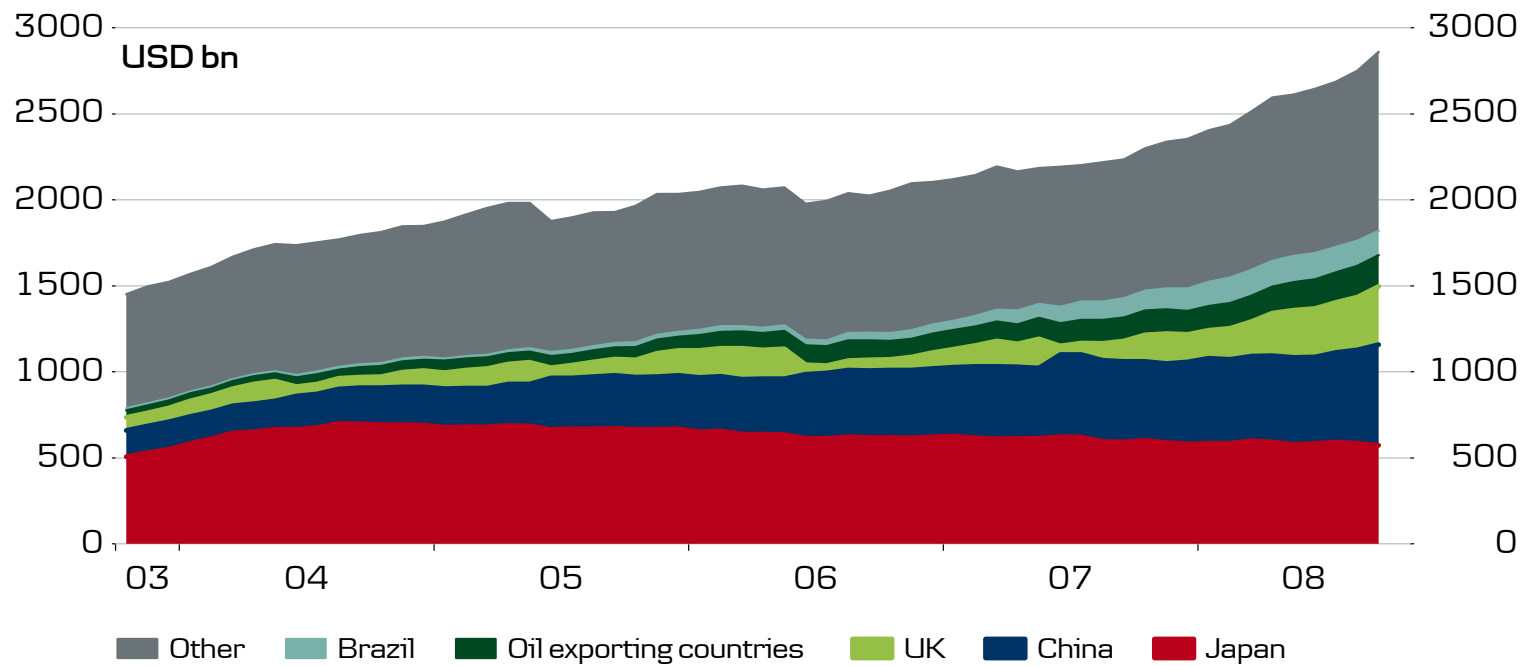
**Net purchases of corporate stocks**



*UK investors are buying US stocks, while Euroland investors are selling*

# Main holders of Treasuries

*For the first time, China takes over the role from Japan as the world's largest foreign holder of US Treasuries*



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