

FX commentary

USD: January TIC data

US investors start buying, those elsewhere stop

16 March 2009

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Large capital outflow from the US

- January's TIC data surprisingly showed a large capital outflow from the US, as non-US investors sold US agency and corporate debt in particular, while US investors stopped repatriating foreign securities and instead started buying.
- Net foreign sales of long-term securities totalled USD43bn (expected buying of USD45bn) compared with a revised inflow of USD34.8bn in December. Including short-term securities the outflow was even larger at USD148.9bn.
- Foreign investors continued to sell agency debt (debt issued by companies such as Fannie Mae and Freddie Mac), while US corporate bonds were also sold off - perhaps not that surprisingly, as the US stock market saw its worst recorded January ever. On a positive note, foreign demand for US Treasuries remained intact in January.
- Meanwhile, US investors stopped repatriating foreign investments and instead bought USD24.2bn net worth of foreign long-term securities - the first net buying seen since June last year. Capital flows generally supported the dollar in the autumn, but this was clearly not the case in January - even so, the effective dollar index strengthened by 3% in January.

Overview table

January saw a net outflow from the US following an inflow in December

Foreign investors remained net buyers of Treasuries, although the inflow is still modest

US investors bought USD 24.2bn net worth of foreign long-term securities in January – after having repatriated funds since June 2008

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				
Jan-09	10.7	-22.5	-8.4	1.4	-10.2	-8.5	-18.8	28.0	-3.7	24.2	-43.0
Dec-08	15.0	-37.4	41.0	3.9	25.2	-2.8	22.4	-12.3	-0.1	-12.3	34.7
Nov-08	-25.8	-22.5	-16.2	4.4	-22.9	-37.1	-60.1	-13.2	-21.3	-34.5	-25.6
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	-37.8	2.5	-35.3	65.3
Aug-08	32.8	-24.2	-13.1	-1.0	4.8	-10.2	-5.5	-17.4	-2.9	-20.2	14.8

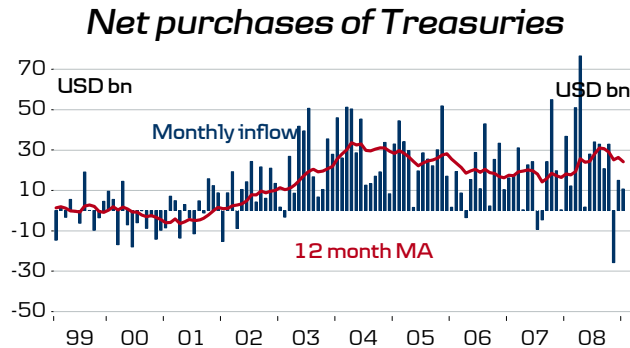
The Treasury International Capital (TIC) reporting system collects data for the United States on cross-border portfolio investment flows and positions between US residents (including US-based branches of firms headquartered in other countries) and foreign residents (including offshore branches of US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

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

Source: Reuters EcoWin

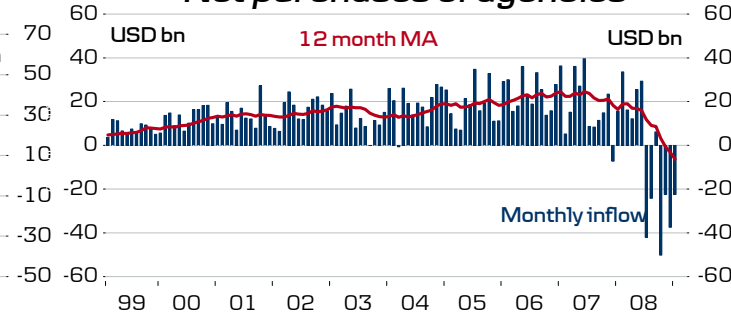
Net foreign buying of US securities

Foreign investors bought USD10.7bn net worth of Treasuries in January - thus no signs of absent demand yet



Source: Reuters EcoWin

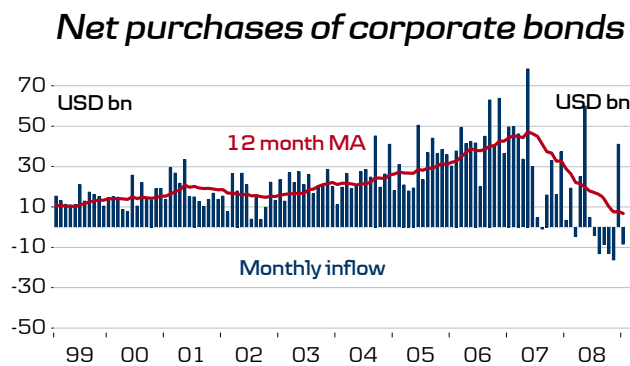
Net purchases of agencies



Source: Reuters EcoWin

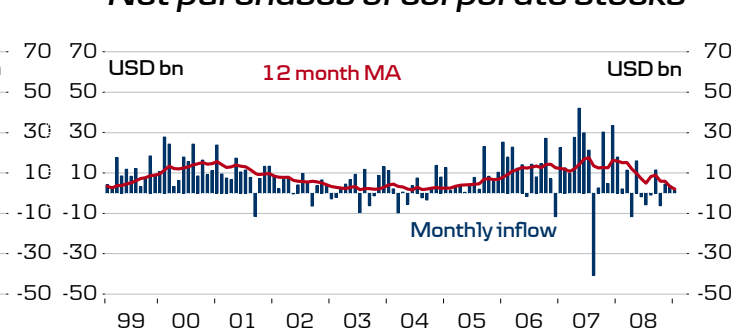
Foreign investors were still selling Agency debt in January

Foreign investors again sold net US corporate debt in January, as the US stock market saw its worse recorded January ever



Source: Reuters EcoWin

Net purchases of corporate stocks

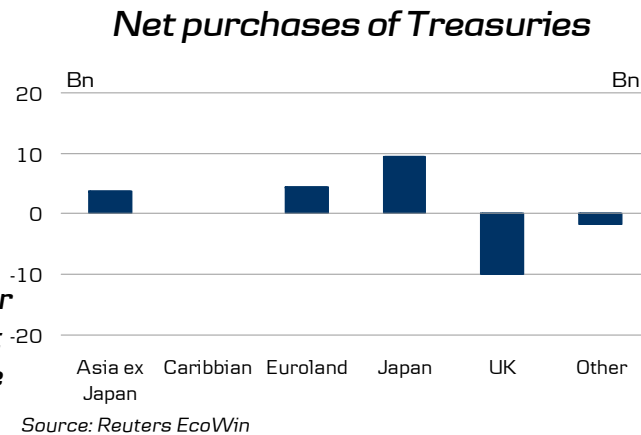


Source: Reuters EcoWin

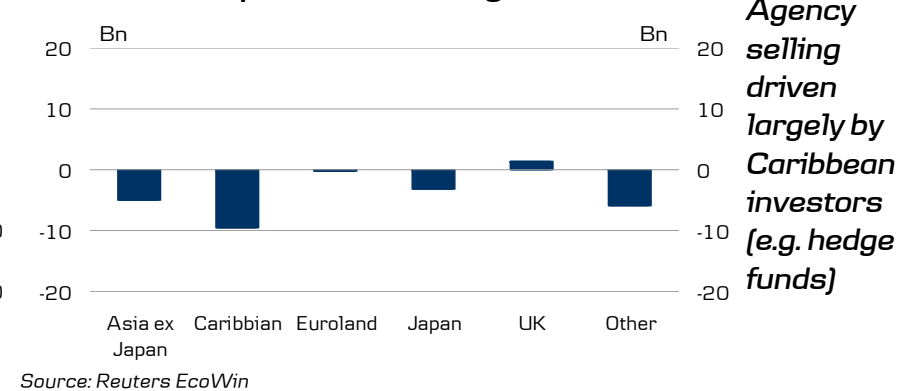
Net purchases of US stocks remained marginally positive

Geographical location of buyers

While Asian demand for US Treasuries remained intact, UK investors (transit point for e.g. Middle East investors) were large sellers

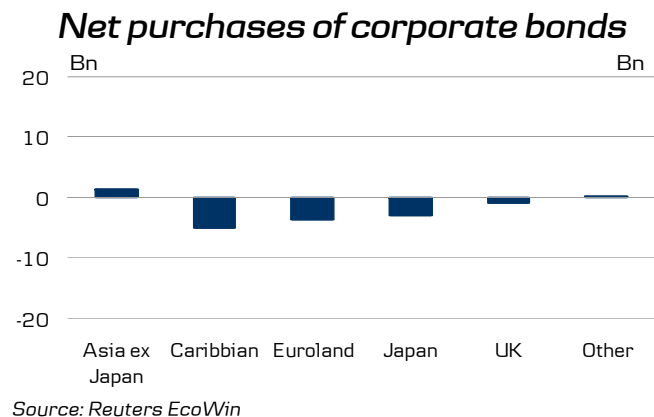


Net purchases of agencies

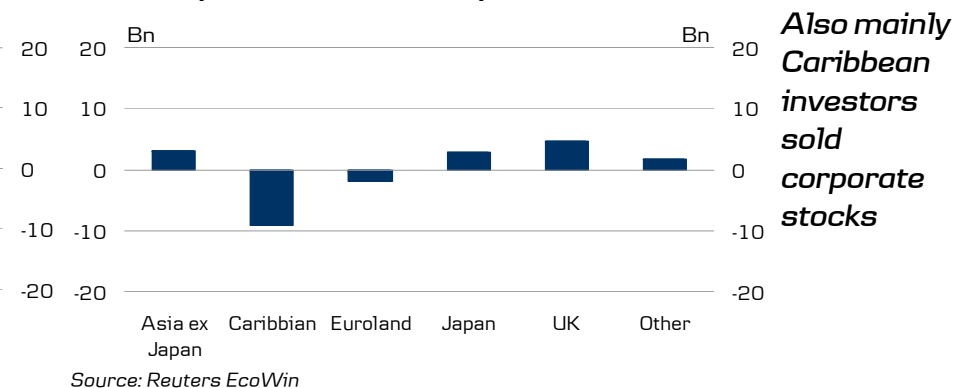


Agency selling driven largely by Caribbean investors (e.g. hedge funds)

Broad-based absence of demand for US corporate debt



Net purchases of corporate stocks

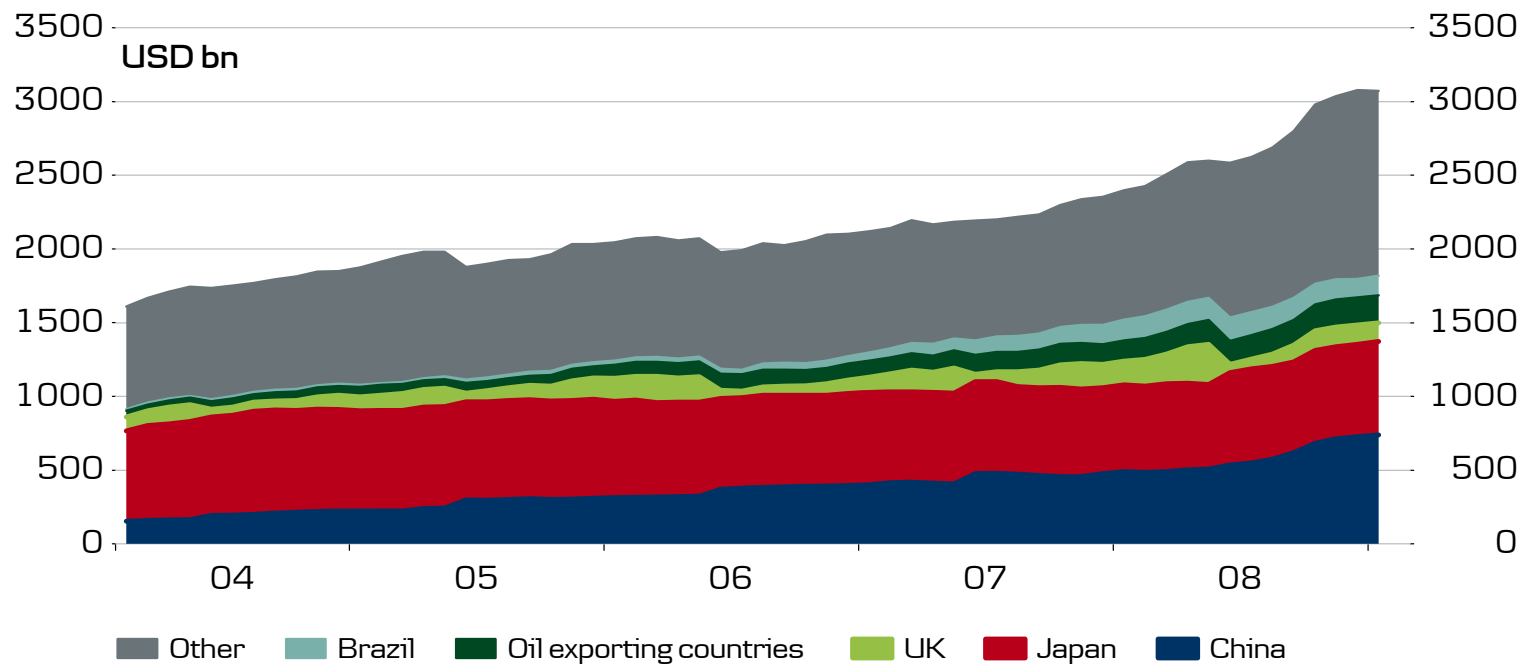


Also mainly Caribbean investors sold corporate stocks

Main holders of Treasuries

China remains the biggest holder of US Treasuries and increased holdings by 1.7%.

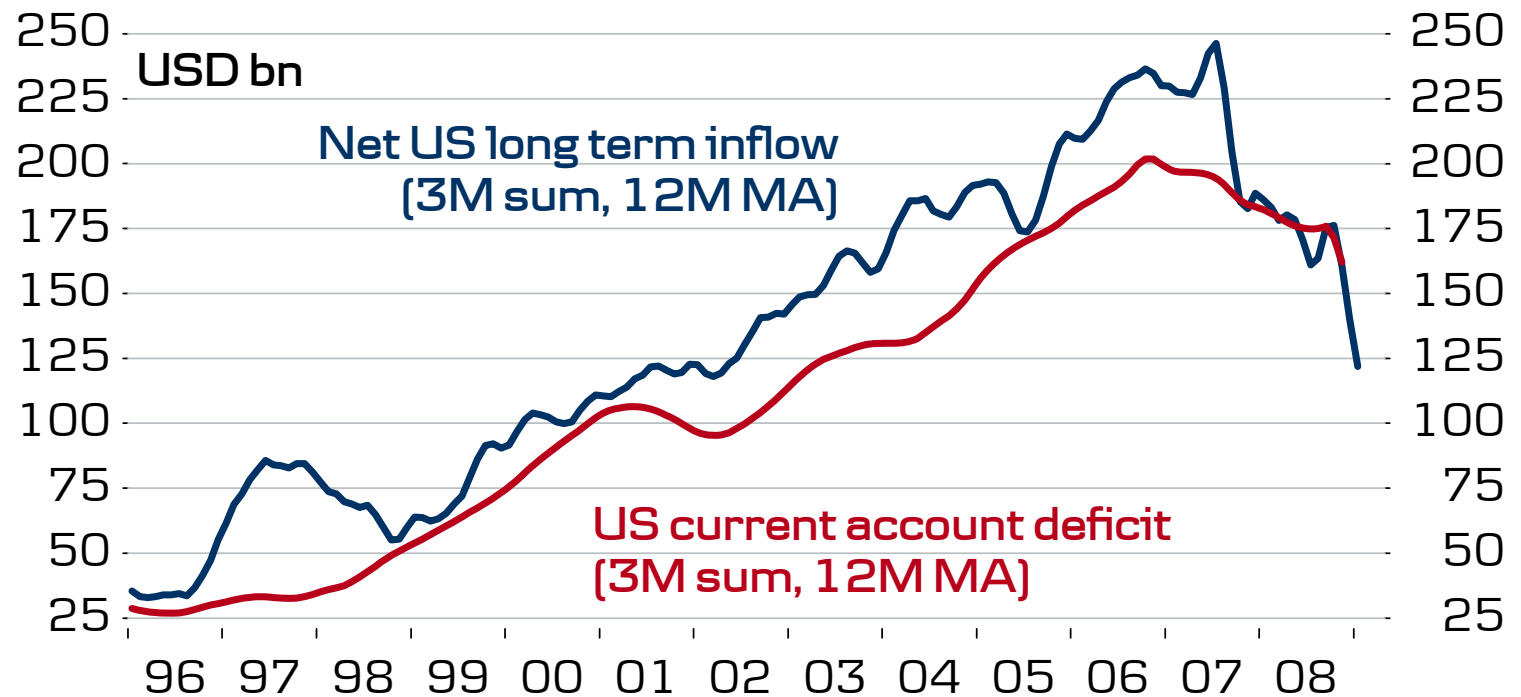
Japan the second largest holder increased its holdings by 1.4%, while the UK (transit point for e.g. Middle East investors) reduced holdings slightly



Source: Reuters EcoWin

Funding of the C/A deficit

Long-term capital flows are still broadly sufficient to fund the US current account deficit, given that the C/A deficit improves as expected in Q1 – driven by an improvement in the US trade deficit



Source: Reuters EcoWin

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