

Are Foreigners Losing Their Interest in U.S. Investments?

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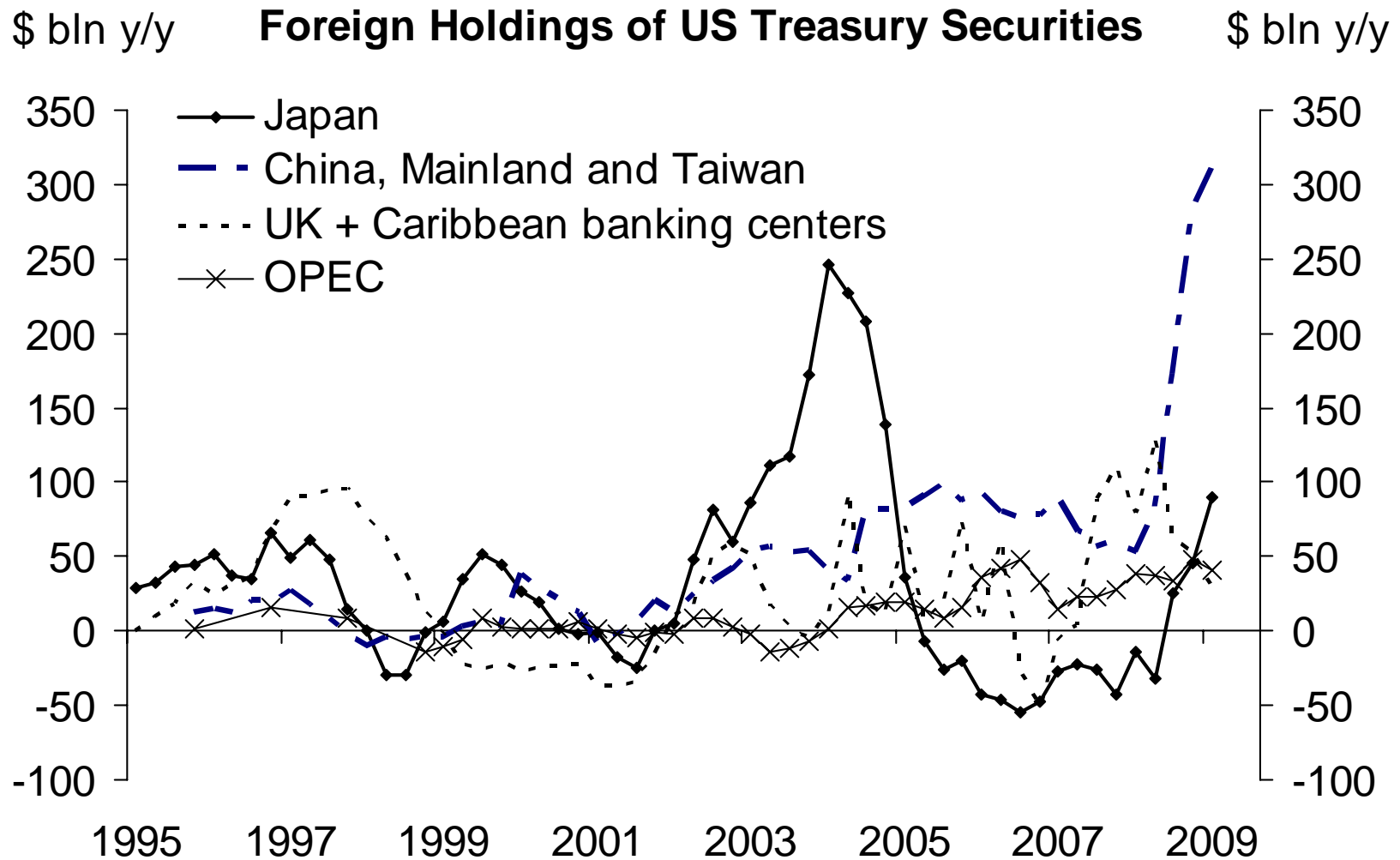
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A Passion to Perform.

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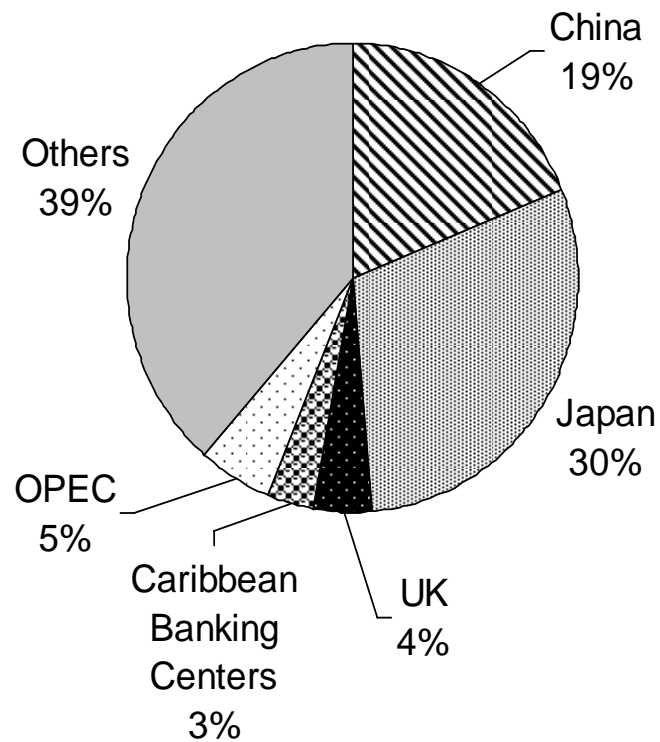
China buying a lot of Treasuries...



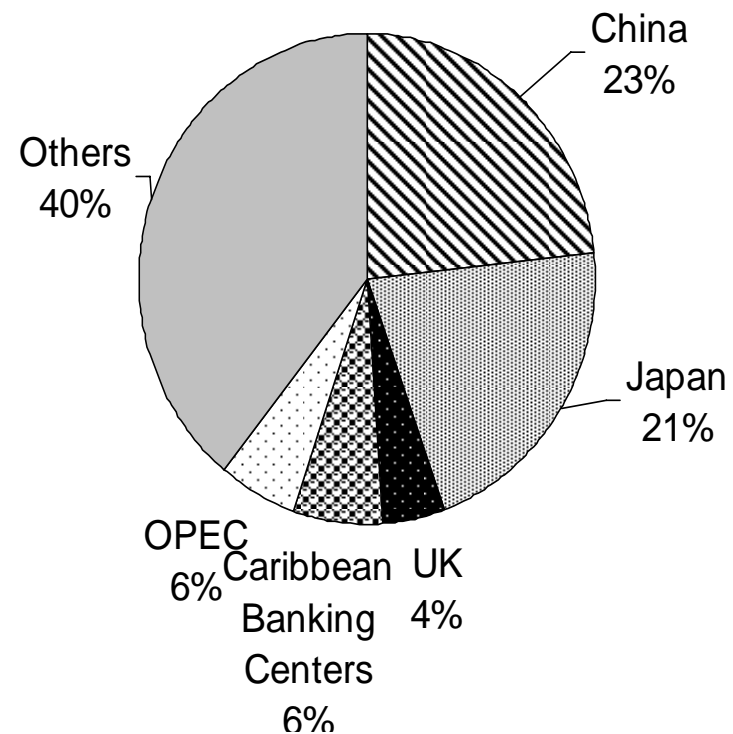
Source: Treasury, DB Global Markets Research

...and as a result the Chinese share has increased

Major foreign holdings of US Treasury securities
(Dec-2006)

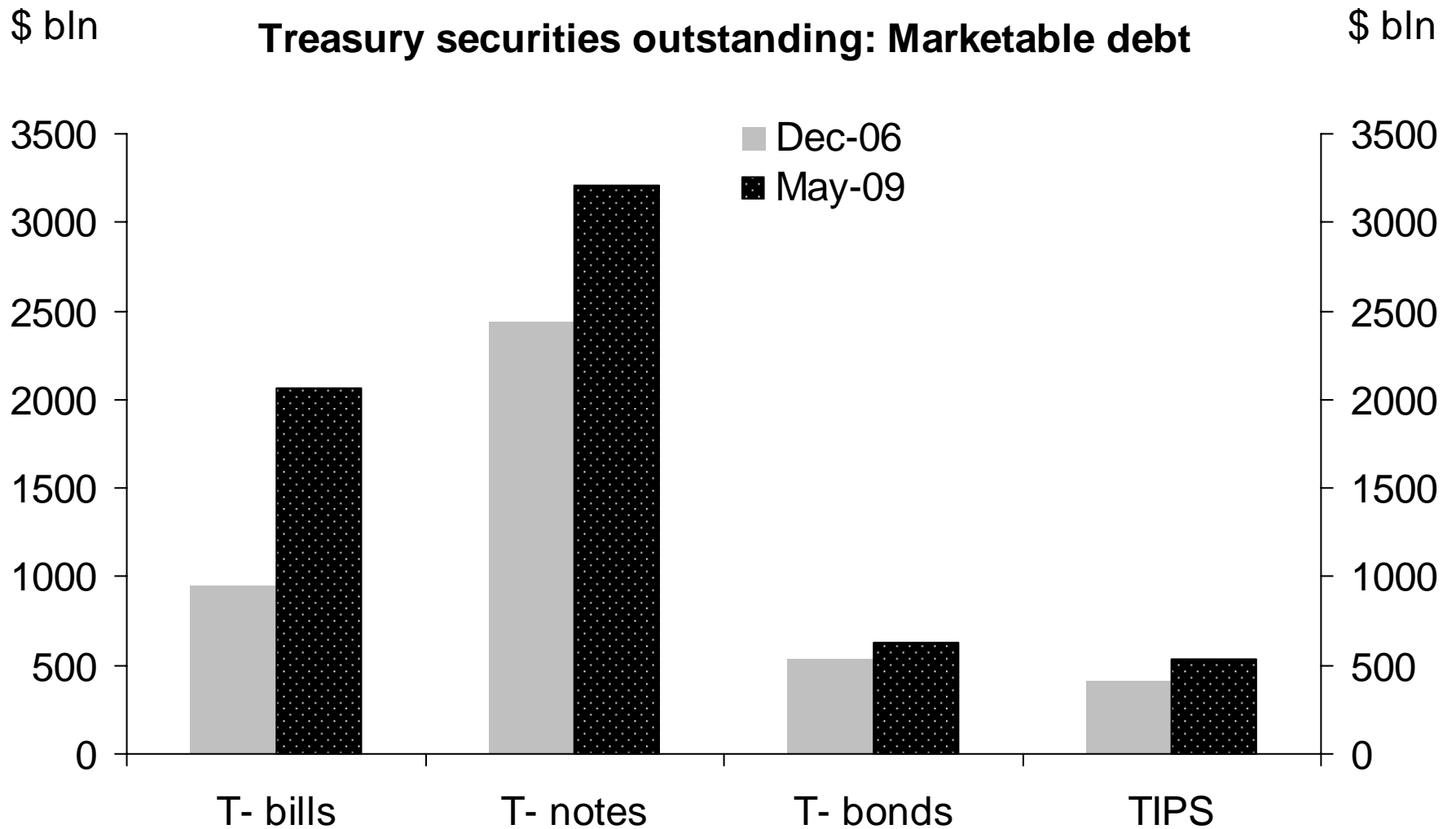


Major foreign holdings of US Treasury securities
(Apr-2009)



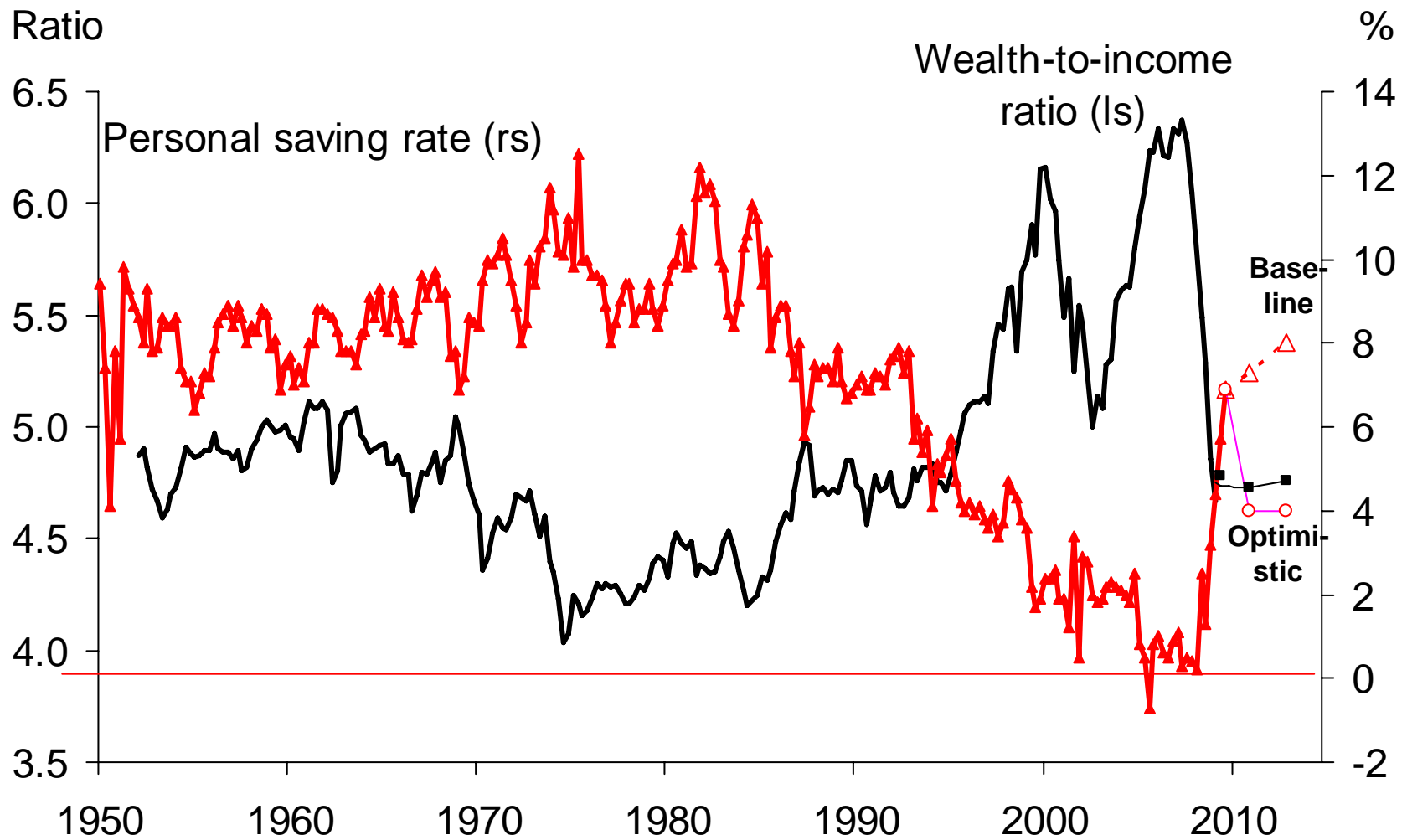
Source: US Treasury, DB Global Markets Research

Bills and Notes increasing



Source: US Treasury, DB Global Markets Research

Personal saving rate rising

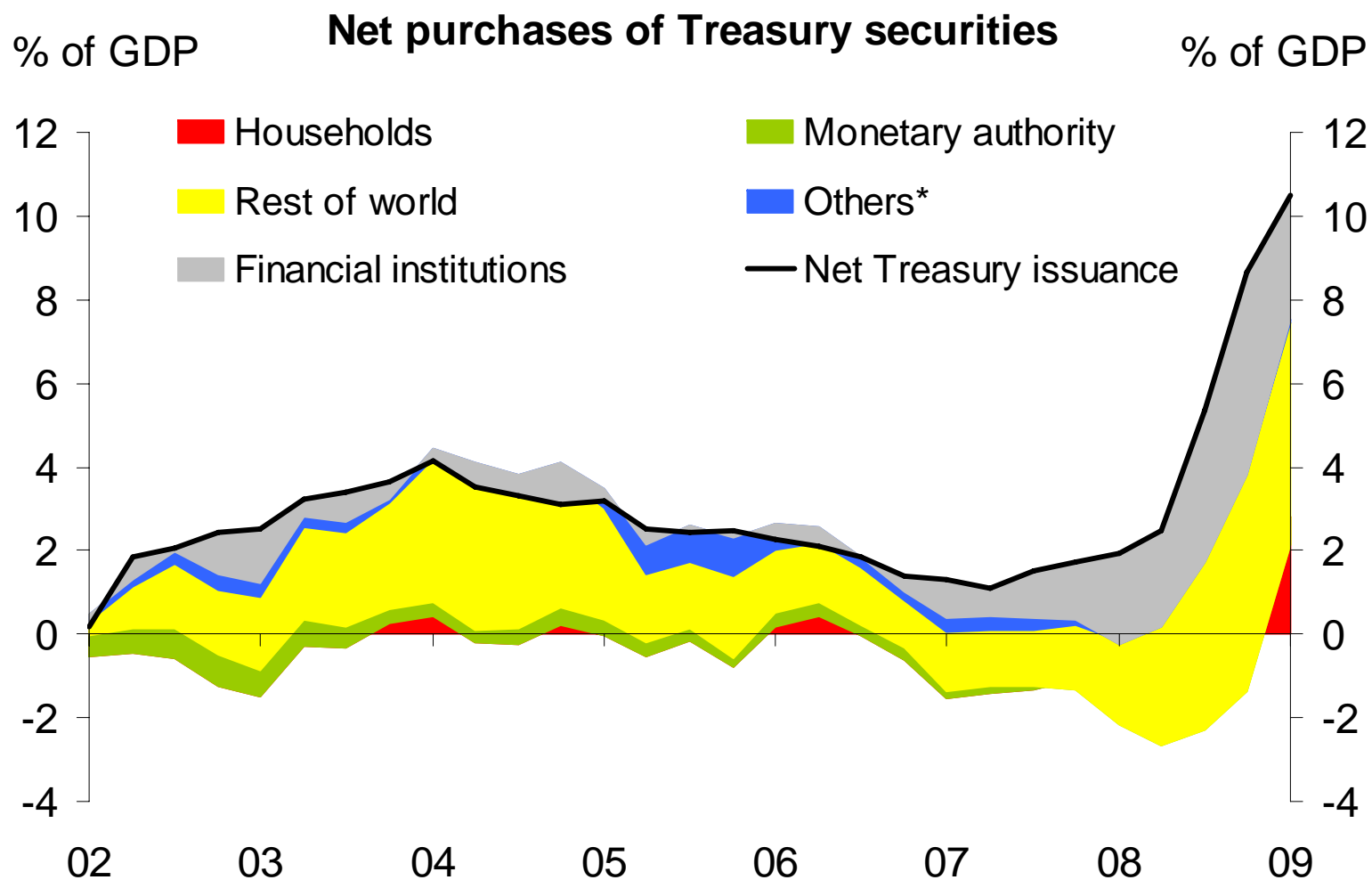


Source: BEA, FRB, DB Global Markets Research

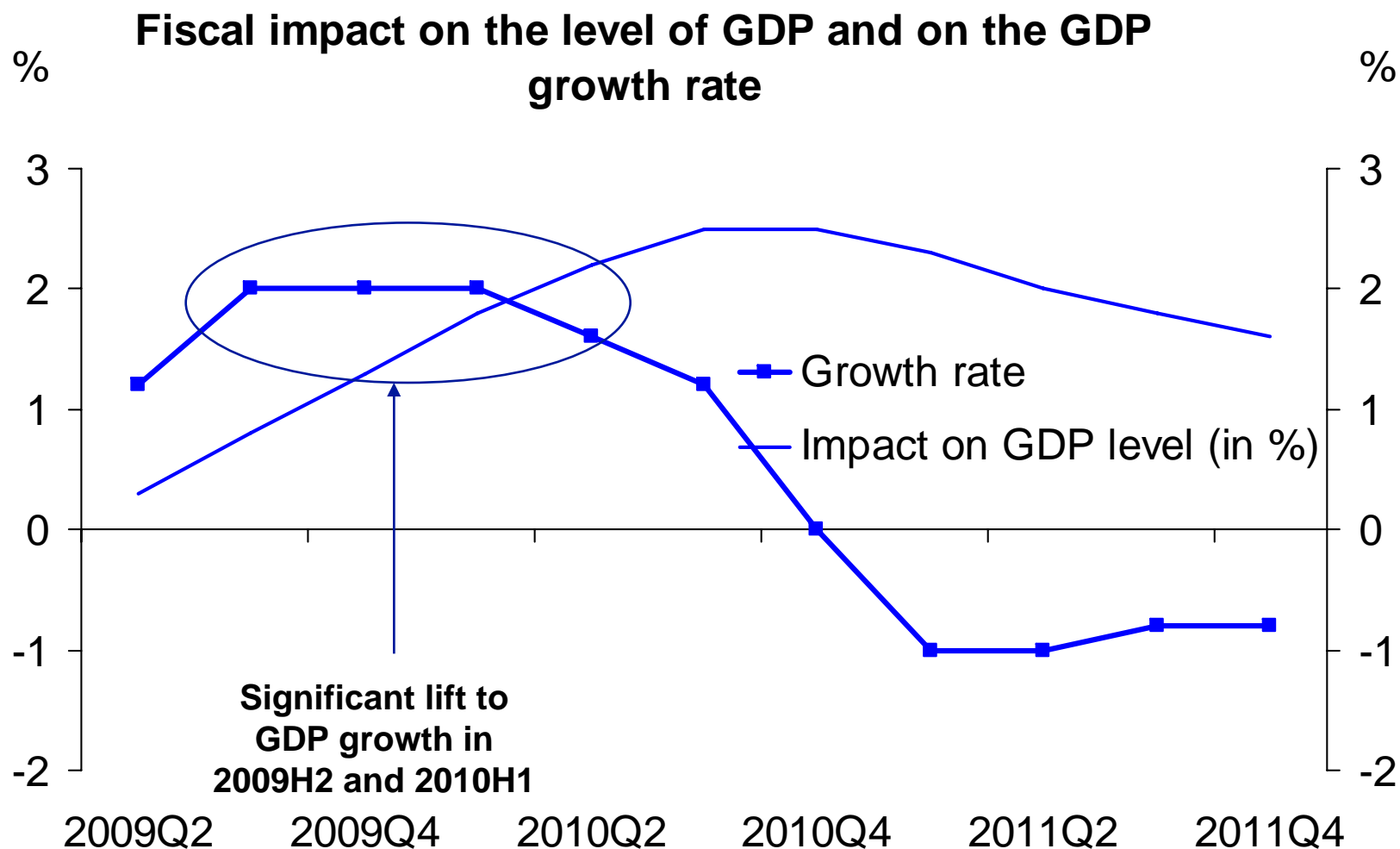
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US households starting to buy Treasuries



Fiscal stimulus should boost GDP growth well into 2010



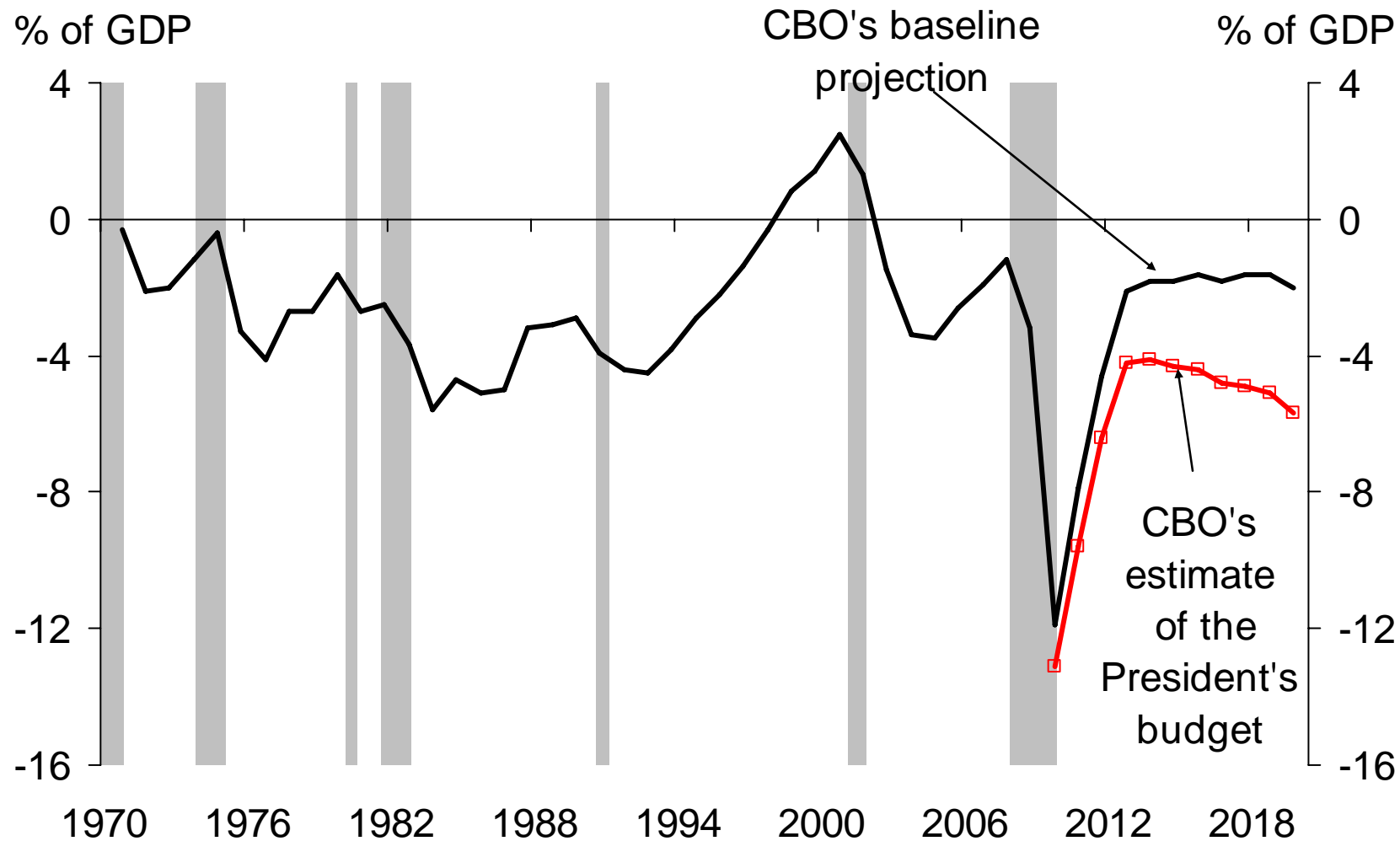
Significant lift to
GDP growth in
2009H2 and 2010H1

Source: Haver, DB Global Markets Research

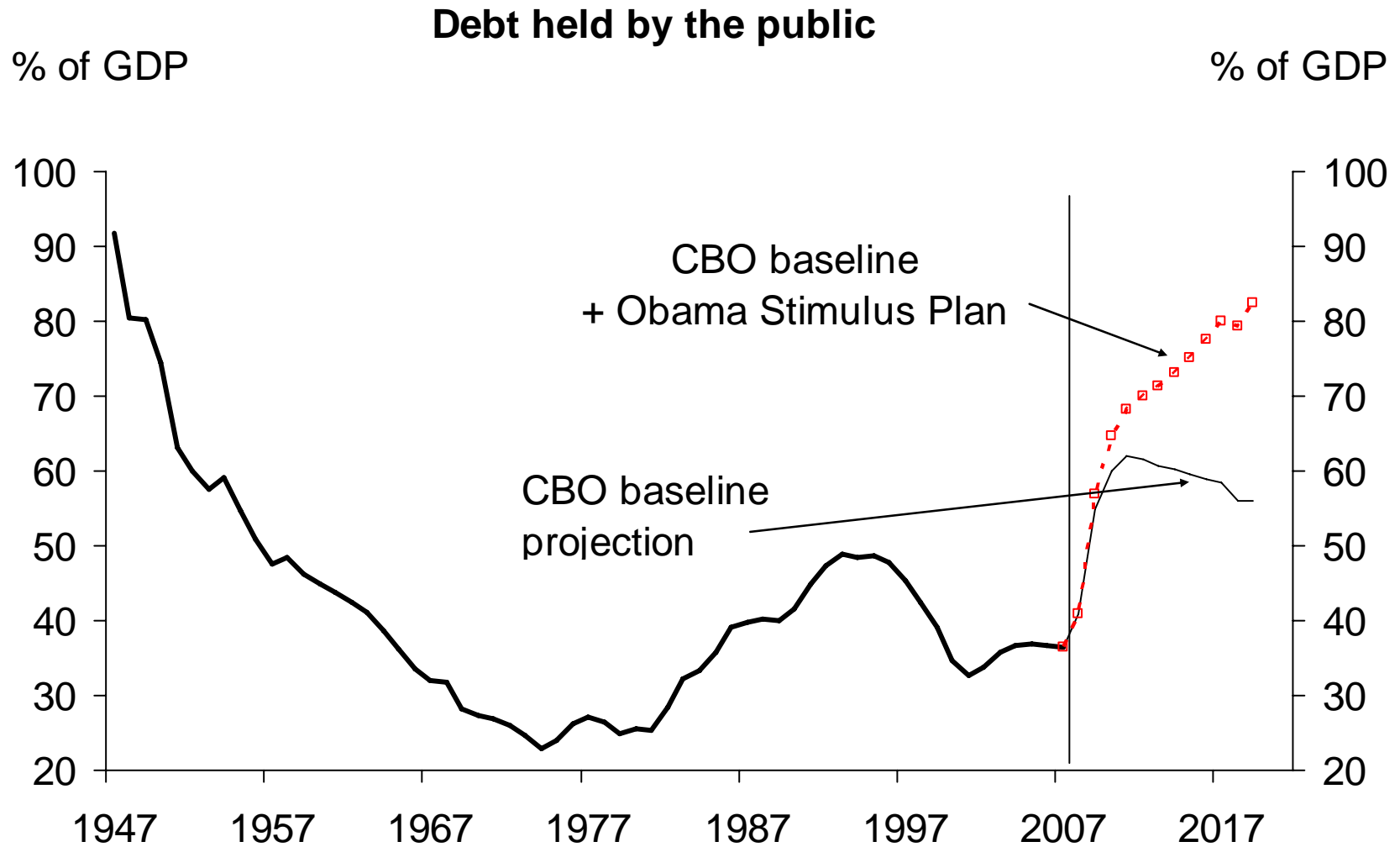
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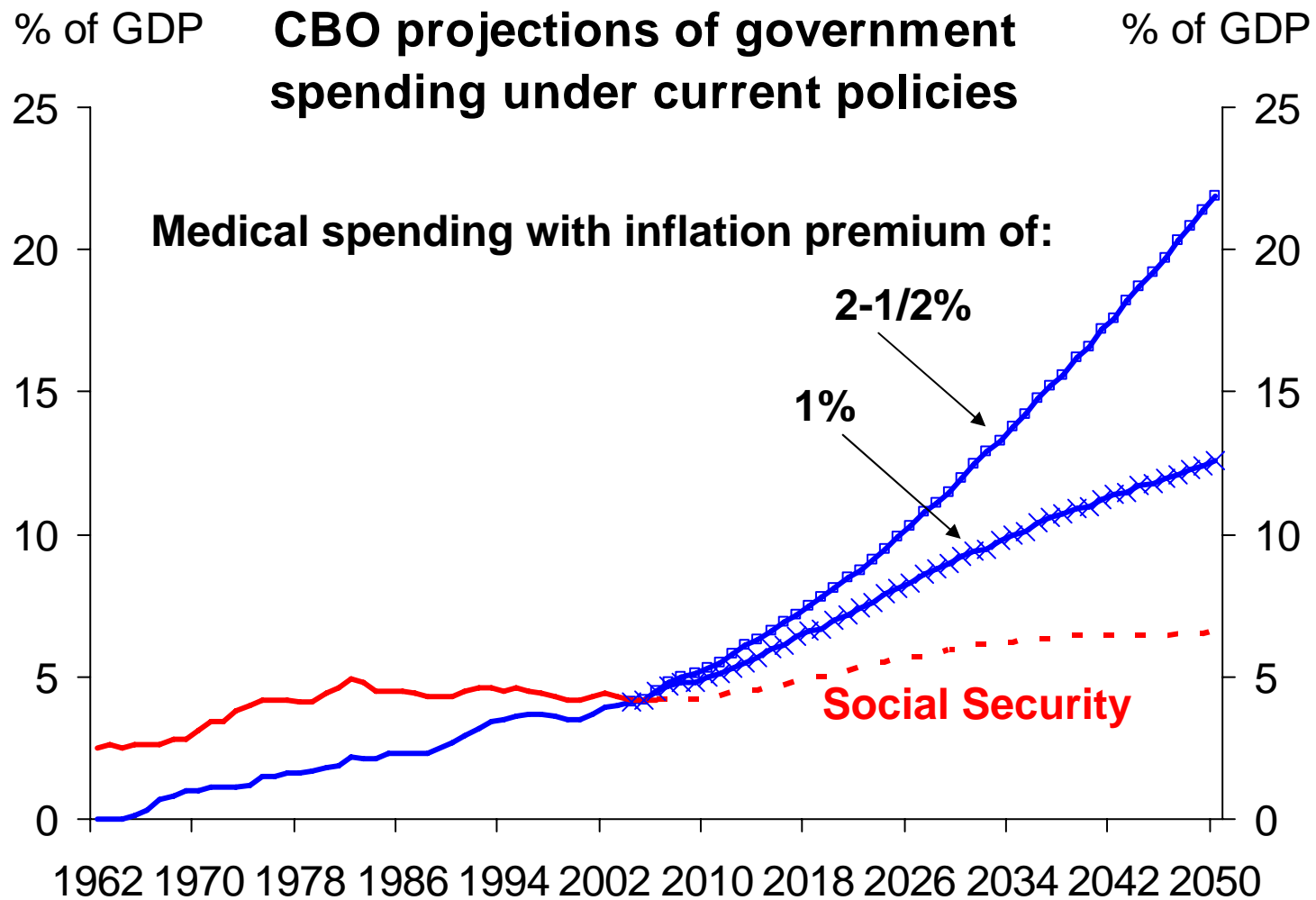
Stimulus plan means substantial widening of budget deficit



US debt/GDP moving to highest level in 50 years



Additional fiscal pressure waiting in the wings

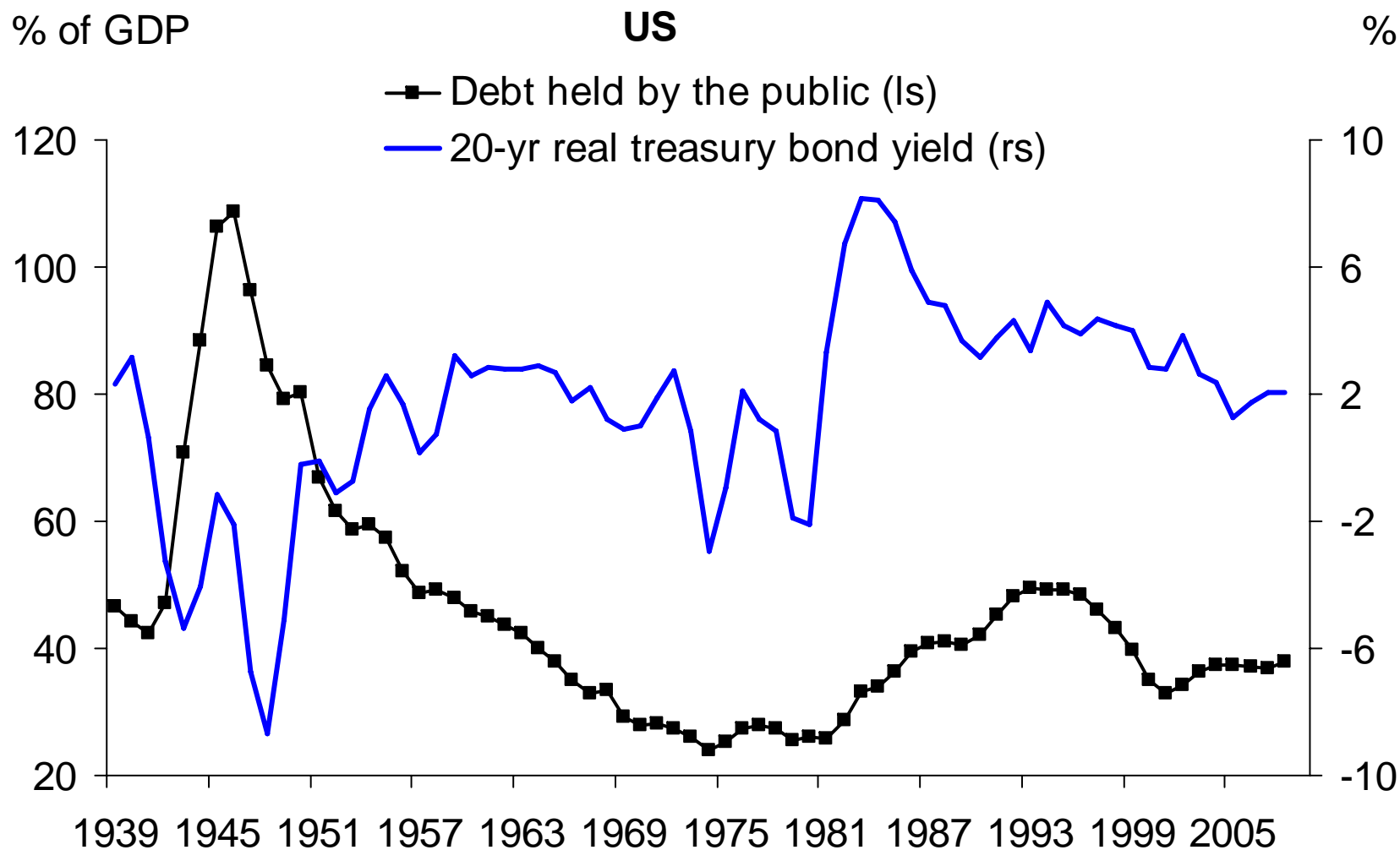


Source: CBO, DB Global Markets Research

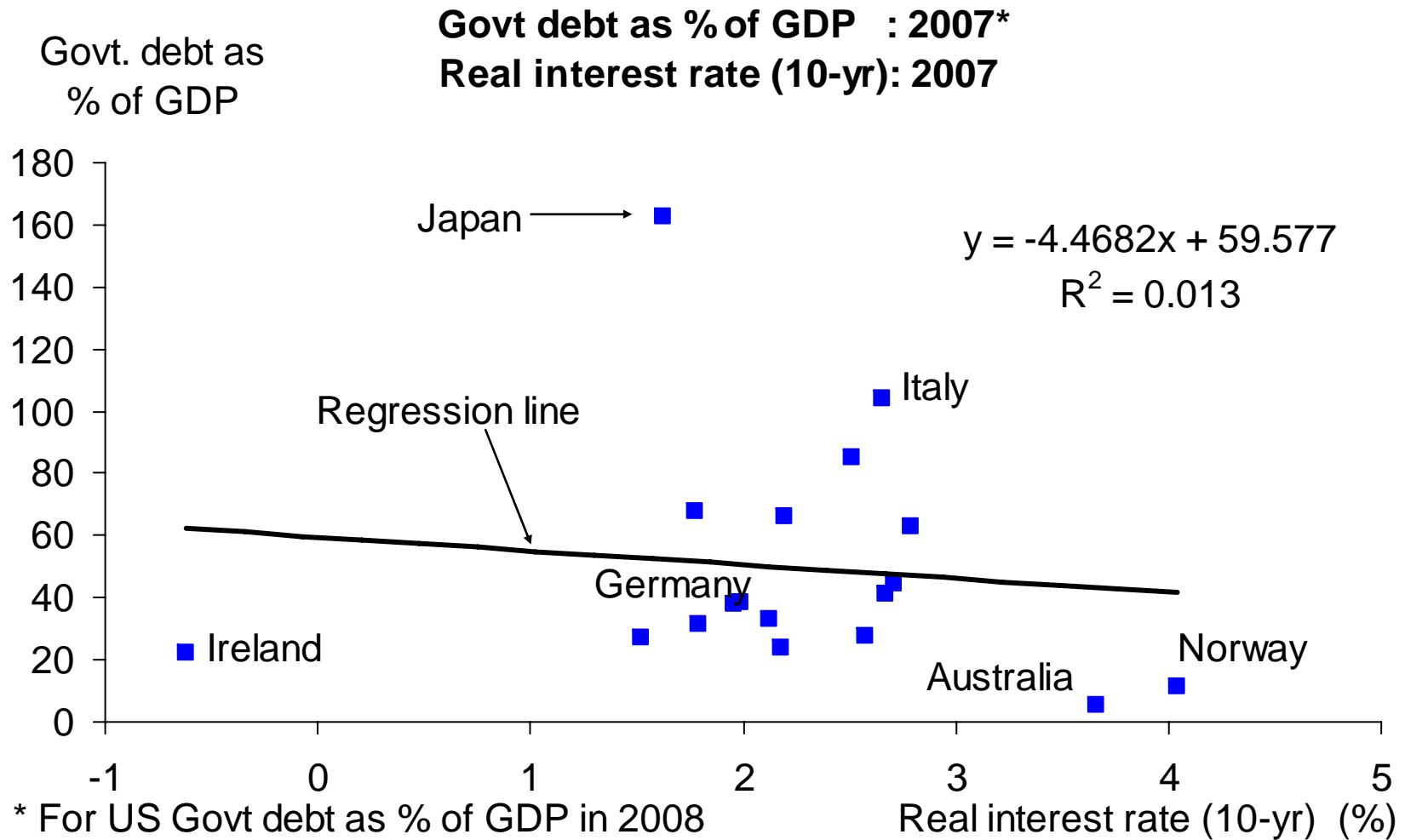
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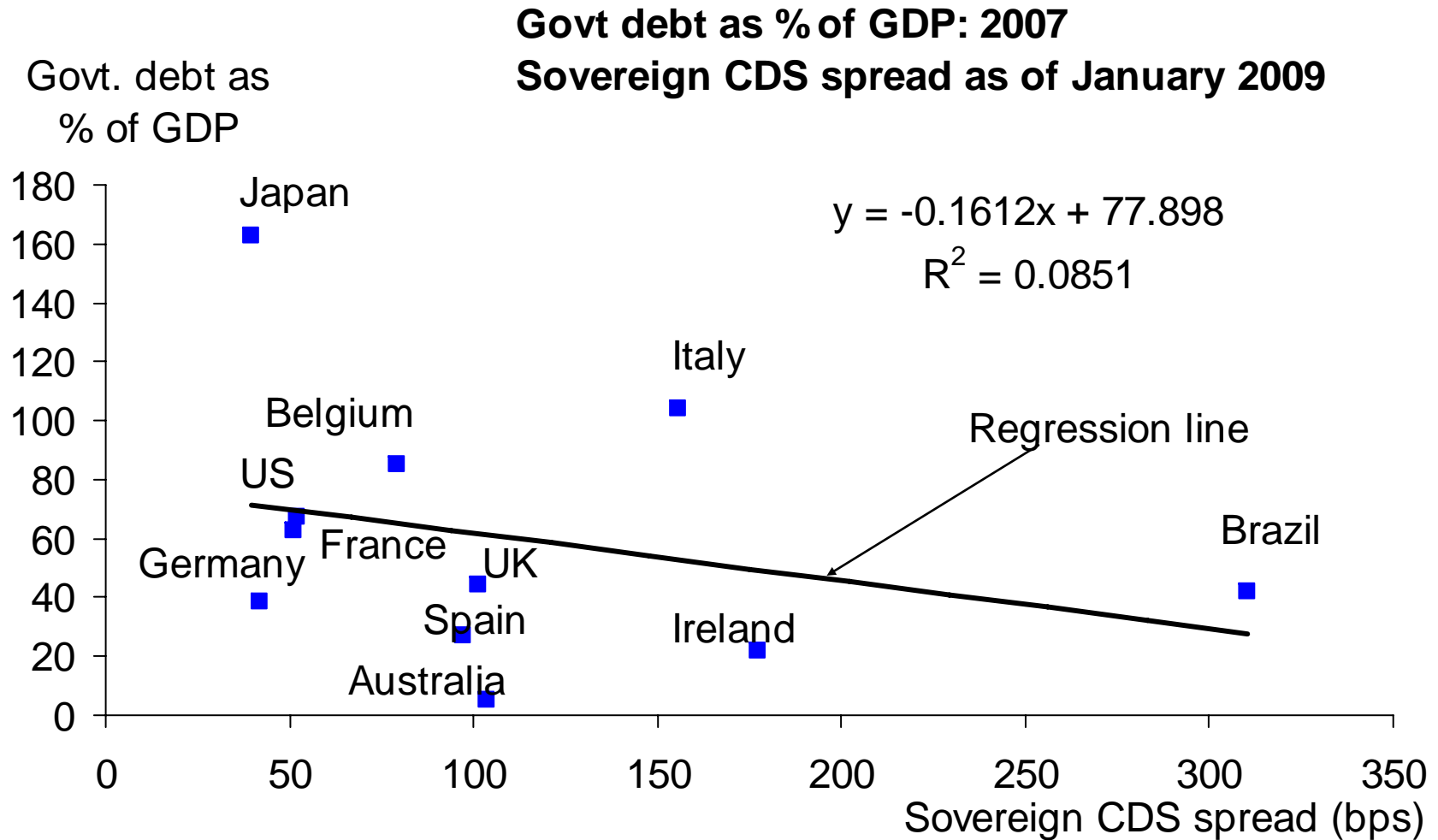
Past surges in US debt not strongly associated with rising Treasury yields



Government debt and real interest rates across industrial countries



Sovereign CDS spreads and debt levels across countries



From budget deficits to financing needs

$i_{LT} =$
F(Inflation expectations, Output gap, Government debt/GDP)

Issuance is normally \$600bn. In 2009: \$2.3trn

Coefficient on Govt debt/GDP: 0.04

I.e. a 25% increase in debt to GDP could raise 10-year Treasury yields by 1 percentage point

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- Torsten Slok joined Deutsche Bank Securities in the fall of 2005 and is a senior member of the Global Research Team.
- Prior to joining the firm, Mr. Slok worked at the OECD in Paris in the Money and Finance Division and the Structural Policy Analysis Division. Before joining the OECD he worked for four years at the IMF in the Division responsible for writing the World Economic Outlook and the Division responsible for China, Hong Kong, and Mongolia.
- Mr. Slok studied at University of Copenhagen and Princeton University. He has published numerous journal articles and reviews on economics and policy analysis.

Appendix 1

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