

## US Treasury Bonds

# China returns to top of list of US government creditors

Country surpasses Japan as largest foreign holder of Treasuries



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7 HOURS AGO by: Joe Rennison in New York

China has reclaimed its position as America's biggest creditor, displacing Japan as the top holder of US Treasuries according to fresh data from the US government.

Investors have been closely scrutinising China's ownership of Treasuries after the country [spent a portion](#) of its foreign exchange reserves last year to defend the renminbi, and in October [it ceded its status](#) as the largest foreign holder of Treasuries to Japan.

Since then, however, the Chinese currency has stabilised and so far in 2017 has strengthened from Rmb6.9450 at the start of the year to Rmb6.6855 on Tuesday.

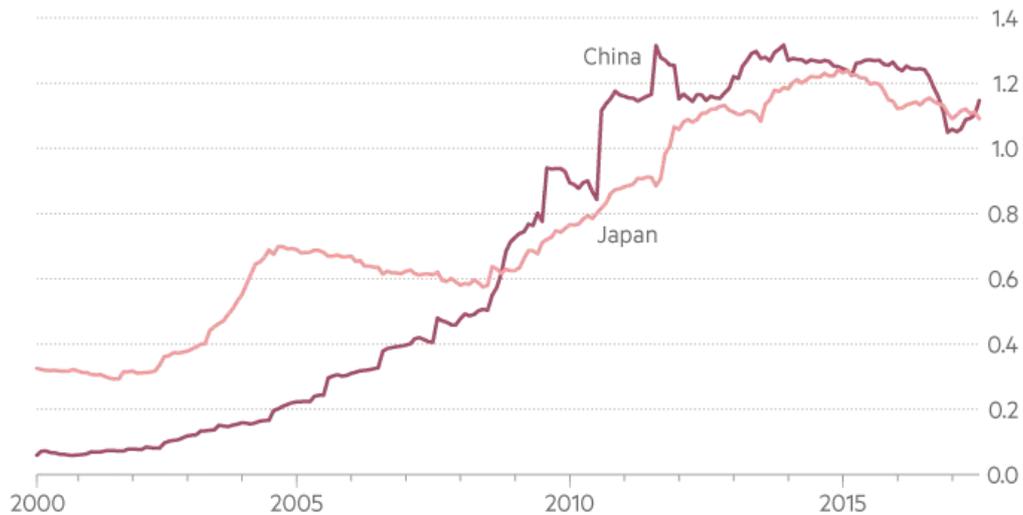
China bought \$44.3bn of Treasuries in June, its biggest haul since June 2011 and the fifth straight month of increases, taking its total holdings to \$1.147tn. Japan sold \$20.5bn, taking its total holdings to \$1.091tn.

"It's certainly a big deal," said David Ader, chief macro strategist at Informa Globalmarkets. "After concern about China selling they are clearly back in and buying."

Despite the recent increases to its holdings, they remain \$94bn below levels seen at this time last year.

## China reclaims title as largest US creditor nation

Holdings of Treasury securities by country (\$tn)



Source: US Department of the Treasury, Bloomberg; Graphic: Eric Platt/FT

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Belgium's holdings fell slightly, dipping \$400m in June. "This is significant because it is widely speculated that China executes trades with Treasuries held in custody in Belgium," said Thomas Simons, senior money market economist at Jefferies. But the sales were insignificant when set against China's direct buying. Mr Ader said: "This is not merely a switch from one seller to another."

The buying and selling of foreign central banks and investors can have a big impact on the US government bond market. The yield on the benchmark 10-year Treasury hit a peak for the year of 2.63 per cent in March and a low of 2.13 per cent in June, trading within a narrow range for the rest of the year, ending Tuesday at 2.27 per cent.

Japan became the biggest creditor to the US in October despite its holdings of US Treasuries gradually falling.

"The overall trajectory has been very cautious," said John Herman, an interest rates strategist at MUFG. "[Japan is] worried the US is still in a rising interest rate environment. They don't want to be buying at the top of the range."

China and Japan between them account for more than a third of the total foreign ownership of US Treasury securities. Ireland, Brazil and the Cayman Islands, the latter mostly holdings of asset managers with legal domiciles in the Caribbean country, round out the top five.

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