

# Bianco Research L.L.C.

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## *U.S. Treasury's International Capital Statistics*

An Analysis of Foreign Investment Flows and Positions in the U.S. Financial Markets

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**On September 30, 2002, the Department of Treasury released its "Treasury International Capital Movements" data. This is a monthly series and the current release is updated through July 31, 2002.**

Because this data is two months old, subject to modest revisions, and heavily influenced by the seasonal factors of each country, this report uses the trailing 12-month sum of net purchases. Our intention is to illustrate the larger trends of foreign activity in U.S. long-term securities.

In general, information on U.S. transactions with foreigners in long-term securities is reported opposite the country in which the immediate foreign transactor is located. The foreign party to a cross-border securities transaction may be an end-investor or issuer of securities, or it may be an intermediary. It is important to note that the country breakdown does not necessarily indicate the country of beneficial owner or issuer, nor does it indicate the currency in which securities are denominated.

Our analysis of the data assumes a close relationship between the country/region of each transaction and final ownership of the securities. For more information about this report, and to find background information on this data, refer to: "A Primer on Treasury International Capital" in the "Subscriber Area" of our web site under "U.S. Treasury's International Capital Statistics."

**Our website (<http://www.biancoresearch.com>) has over 150 charts using this data. To view these charts, go to the "Subscriber Area," then "U.S. Treasury's International Capital Statistics."**

### U.S. Treasury Notes and Bonds

In the 12 months ending July 31, 2002, All Foreign Countries were net **buyers** of \$67.26 billion of U.S. Treasury Notes and Bonds.

- Total Europe was a net **seller** of \$10.78 billion
- Total Asia was a net **buyer** of \$55.39 billion
- China-Mainland was a net **buyer** of \$7.98 billion and Japan was a net **buyer** of \$28.06 billion

### U.S. Government Agency Securities

In the 12 months ending July 31, All Foreign Countries were net **buyers** of \$166.86 billion of U.S. Government Agency Securities.

- Total Asia was a net buyer of \$87.80 billion
- Total Europe was a net buyer of \$44.31 billion
- Total Latin America was a net buyer of \$36.21 billion

### Are Foreigners Merely Switching From Treasuries To Agencies?

In the 12 months ending July 31, All Foreign Countries bought \$234.12 billion of Treasuries **and** Agencies. This represents about 47.9% of the \$488.75 spent on all U.S. assets (Treasuries, Agencies, Corporate Bonds and Equities). Historically, foreign purchases of U.S. Treasuries have accounted for about 44% of all purchases of U.S. assets.

### U.S. Corporate Bonds

In the 12 months ending July 31, All Foreign Countries were net **buyers** of \$186.01 billion of U.S. Corporate Bonds.

- Total Europe accounted for the vast majority of this buying at \$111.57 billion with the United Kingdom accounting for \$88.21 billion.
- Tax Havens net purchases totaled \$40.00 billion.
- Total Asia net purchases totaled only \$25.89 billion with Japan accounting for \$6.68 billion.

### U.S. Equities

In the 12 months ending July 31, All Foreign Countries were net **buyers** of \$68.62 billion of U.S. Equities.

- Total Europe accounted for most of these purchases at \$47.18 billion with the United Kingdom accounting for \$23.40 billion.
- Total Asia was a net buyer of \$19.37 billion with Japan accounting for \$13.08 billion.
- Tax Havens accounted for \$12.47 billion in net sales.

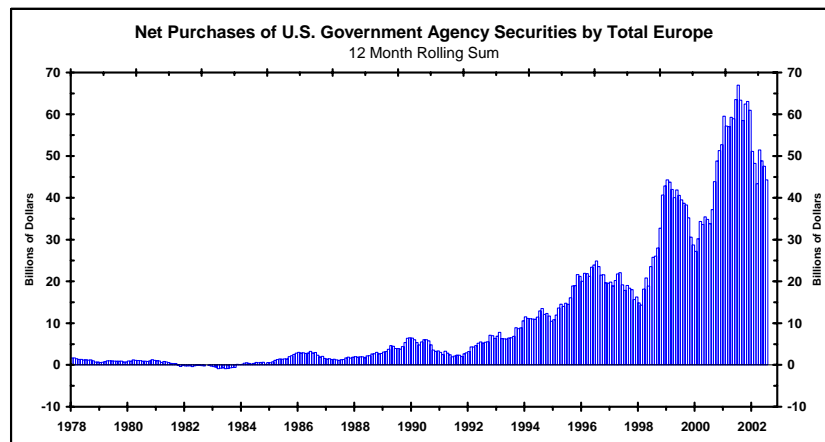
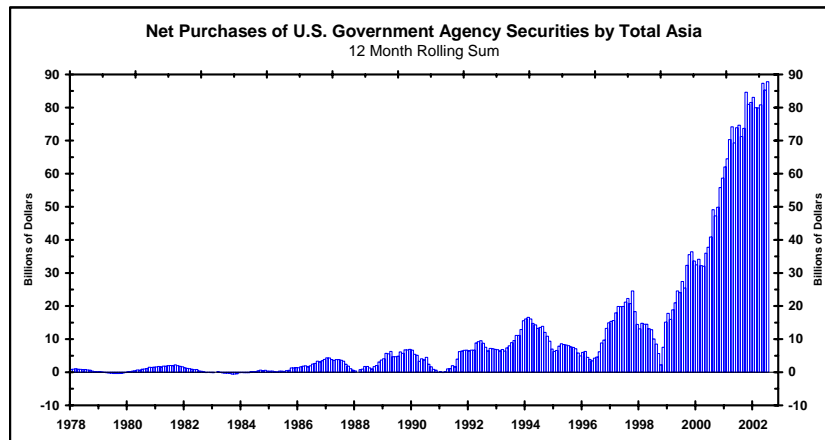
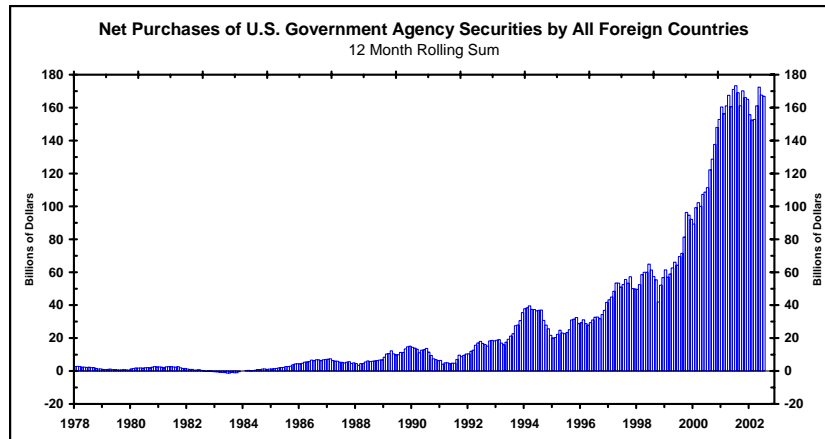
## Foreigners' Love Affair With Agency Debt

The charts below show that foreigners have been massive buyers of Agency debt in recent years. Asia's appetite for agency debt is particularly interesting (middle chart). For the 12-months ending July 31, 2002, they were net **buyers** of \$87.80 billion of Agencies.

It has been our experience that agency debt is greatly misunderstood by foreigners. Many are not aware that Fannie and Freddie are publicly traded

companies. Others think their debt is directly guaranteed, or even issued by, the U.S. Government. This explains the preference for Agency debt over Treasury debt. Agency debt is viewed as "high-yielding Treasuries."

If Fannie's duration gap announcement is the start of an education program about what Fannie and Freddie are and are not, will it lead to foreigners reassessing their Agency debt holdings?



To see larger version of these charts, as well as over 150 other charts drawn from this data, please visit our [website](#).

<b>Net Purchases of U.S. Treasury Notes and Bonds Broad Regions</b>							
	<b>All Foreign Countries</b>	<b>Total Asia</b>	<b>Total Europe</b>	<b>Total Latin America</b>	<b>Asia less Japan</b>	<b>Europe less the U.K.</b>	<b>All Foreign less the U.K. &amp; Tax Havens</b>
<b>12 Month Rolling Sum of Net Purchases of U.S. Treasury Notes and Bonds (billions of \$)</b>							
7/31/2002	67.26	55.39	-10.78	22.88	27.33	-30.70	17.53
6/30/2002	30.39	36.86	-24.45	19.29	19.22	-25.95	7.10
5/31/2002	13.54	34.49	-27.41	8.17	23.46	-22.89	4.74
4/30/2002	16.54	39.56	-21.18	0.55	24.52	-15.92	18.15
5 Year High (date)	246.07 9/30/1997	104.20 8/31/1997	160.63 1/31/1998	22.88 7/31/2002	52.28 8/31/1997	56.43 10/31/1997	161.78 8/31/1997
5 Year Low (date)	-77.04 4/30/2001	-22.72 4/30/2001	-55.98 1/31/2001	-22.87 4/30/1998	-25.47 5/31/2001	-30.70 7/31/2002	-41.37 4/30/2001
<b>Net Purchases Percentile Ranking Of Its 5 Year Range</b>							
7/31/2002	44.7%	61.5%	20.9%	100.0%	67.9%	0.0%	29.0%
6/30/2002	33.2%	46.9%	14.6%	100.0%	57.5%	0.0%	23.9%
5/31/2002	25.9%	43.5%	13.2%	68.5%	62.9%	0.0%	22.7%
4/30/2002	26.7%	47.3%	16.1%	51.4%	64.3%	8.8%	29.3%
<b>Gross Percentage of All Foreign Trading</b>							
7/31/2002	100.0%	13.9%	55.9%	N/A	7.6%	23.8%	45.0%
6/30/2002	100.0%	14.1%	56.4%	N/A	7.7%	24.0%	45.1%
5/31/2002	100.0%	14.5%	57.1%	N/A	8.0%	23.9%	45.3%
4/30/2002	100.0%	14.8%	57.1%	N/A	8.2%	23.4%	45.2%

<b>Net Purchases of U.S. Government Agency Securities Broad Regions</b>							
	<b>All Foreign Countries</b>	<b>Total Asia</b>	<b>Total Europe</b>	<b>Total Latin America</b>	<b>Asia less Japan</b>	<b>Europe less the U.K.</b>	<b>All Foreign less the U.K. &amp; Tax Havens</b>
<b>12 Month Rolling Sum of Net Purchases of U.S. Treasury Notes and Bonds (billions of \$)</b>							
7/31/2002	166.86	87.80	44.31	36.21	56.72	15.47	112.99
6/30/2002	167.61	85.22	47.56	35.41	55.91	14.97	109.89
5/31/2002	172.47	87.30	48.86	38.18	54.88	11.63	107.25
4/30/2002	161.07	80.78	51.45	30.68	53.74	11.33	100.19
5 Year High (date)	173.31 7/31/2001	87.80 7/31/2002	66.98 7/31/2001	38.18 5/31/2002	60.88 3/31/2002	26.00 1/31/2001	118.87 4/30/2001
5 Year Low (date)	41.91 10/31/1998	2.22 10/31/1998	14.31 2/28/1998	-3.02 2/28/1999	4.49 10/31/1998	6.05 11/30/1997	17.11 10/31/1998
<b>Net Purchases Percentile Ranking Of Its 5 Year Range</b>							
7/31/2002	95.1%	100.0%	57.0%	95.2%	92.6%	47.2%	94.2%
6/30/2002	95.7%	97.6%	63.1%	93.3%	91.2%	44.7%	91.2%
5/31/2002	99.4%	100.0%	65.6%	100.0%	89.4%	28.0%	88.6%
4/30/2002	90.7%	95.4%	70.5%	99.3%	87.3%	26.5%	81.6%
<b>Gross Percentage of All Foreign Trading</b>							
7/31/2002	100.0%	16.1%	23.9%	N/A	8.2%	12.3%	33.2%
6/30/2002	100.0%	17.0%	24.5%	N/A	8.9%	12.4%	34.6%
5/31/2002	100.0%	17.9%	25.3%	N/A	9.5%	12.7%	35.7%
4/30/2002	100.0%	18.7%	26.5%	N/A	10.1%	13.1%	37.0%

For more detailed version of these tables, please visit our [website](#).

### Net Purchases of U.S. Corporate Bonds Broad Regions

	All Foreign Countries	Total Asia	Total Europe	Total Latin America	Asia less Japan	Europe less the U.K.	All Foreign less the U.K. & Tax Havens
<b>12 Month Rolling Sum of Net Purchases of U.S. Treasury Notes and Bonds (billions of \$)</b>							
7/31/2002	186.01	25.89	111.57	44.06	19.21	23.36	57.80
6/30/2002	197.02	26.47	117.63	49.25	19.33	22.77	57.74
5/31/2002	191.09	25.42	110.53	50.93	19.54	21.28	55.16
4/30/2002	197.88	26.52	114.92	51.97	20.79	22.37	57.68
5 Year High (date)	248.41 5/31/2001	29.14 1/31/2002	168.19 5/31/2001	54.64 12/31/2001	21.55 12/31/2001	30.72 10/31/2001	71.30 10/31/2001
5 Year Low (date)	84.36 12/31/1997	0.69 10/31/1998	54.68 2/28/1998	14.99 8/31/1997	0.12 10/31/1998	7.97 9/30/1997	23.86 9/30/1997
<b>Net Purchases Percentile Ranking Of Its 5 Year Range</b>							
7/31/2002	62.0%	88.6%	50.1%	73.3%	89.1%	67.7%	71.5%
6/30/2002	68.7%	90.6%	55.5%	86.4%	89.7%	65.1%	71.4%
5/31/2002	65.1%	86.9%	49.2%	90.6%	90.6%	58.5%	66.0%
4/30/2002	69.2%	90.8%	53.4%	93.3%	96.4%	63.3%	71.3%
<b>Gross Percentage of All Foreign Trading</b>							
7/31/2002	100.0%	6.9%	54.7%	N/A	4.4%	11.7%	26.7%
6/30/2002	100.0%	6.9%	54.9%	N/A	4.4%	11.6%	26.4%
5/31/2002	100.0%	6.9%	55.5%	N/A	4.5%	11.5%	26.3%
4/30/2002	100.0%	6.8%	55.9%	N/A	4.4%	11.3%	25.9%

### Net Purchases of U.S. Equities Broad Regions

	All Foreign Countries	Total Asia	Total Europe	Total Latin America	Asia less Japan	Europe less the U.K.	All Foreign less the U.K. & Tax Havens
<b>12 Month Rolling Sum of Net Purchases of U.S. Treasury Notes and Bonds (billions of \$)</b>							
7/31/2002	68.62	19.37	47.18	-9.81	6.29	23.78	57.69
6/30/2002	70.49	18.31	50.66	-8.41	6.94	25.35	55.15
5/31/2002	76.92	16.09	60.61	-8.78	6.91	32.42	58.82
4/30/2002	94.58	17.22	72.96	-4.64	10.07	38.44	67.08
5 Year High (date)	188.09 1/31/2001	35.12 7/31/2001	170.37 10/31/2000	14.18 9/30/1999	22.99 1/31/2001	115.57 10/31/2000	142.00 11/30/2000
5 Year Low (date)	30.59 3/31/1999	-17.21 4/30/1999	37.88 8/31/1997	-22.45 3/31/2001	-17.26 4/30/1999	21.21 8/31/1997	20.76 5/31/1999
<b>Net Purchases Percentile Ranking Of Its 5 Year Range</b>							
7/31/2002	24.1%	69.9%	7.0%	34.5%	58.5%	2.7%	30.5%
6/30/2002	25.3%	67.9%	10.0%	38.3%	60.1%	5.3%	28.4%
5/31/2002	29.4%	63.6%	22.6%	37.3%	60.0%	17.9%	34.9%
4/30/2002	42.7%	65.8%	33.9%	48.6%	67.9%	25.7%	43.0%
<b>Gross Percentage of All Foreign Trading</b>							
7/31/2002	100.0%	5.1%	36.8%	N/A	3.0%	19.2%	38.7%
6/30/2002	100.0%	5.3%	37.1%	N/A	3.1%	19.2%	38.7%
5/31/2002	100.0%	5.4%	37.2%	N/A	3.2%	19.2%	38.8%
4/30/2002	100.0%	5.5%	37.7%	N/A	3.3%	19.3%	39.2%

For more detailed version of these tables, please visit our [website](#)

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