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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 November 15, 2003, the Department of Treasury released its "Treasury International Capital Movements" data. This is a monthly series and the current release is updated through October 31, 2003.

Because this data is almost 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," click on the "Charts" drop down box, click on the "Archive of Charts", and scroll down the page to click on the "U.S. Treasury's International Capital Statistics."

Note: The charts and tables have been reformatted to show both monthly (short term) and rolling 12-month (long term) flows. We believe this new format provides more detail and insight into foreign capital movements in U.S. securities.

U.S. Treasury Notes and Bonds

In the 12 months ending October 31, 2003, All Foreign Countries were net **buyers** of \$244.32 billion of U.S. Treasury Notes and Bonds.

- Total Europe was a net **buyer** of \$64.76 billion
- Total Asia was a net **buyer** of \$144.89 billion, China-Mainland was a net **buyer** of \$35.45 billion and Japan was a net **buyer** of \$108.57 billion
- Total Latin American was a net **buyer** of \$19.73 billion.

U.S. Government Agency Securities

In the 12 months ending October 31, All Foreign Countries were net **buyers** of \$169.01 billion of U.S. Government Agency Securities.

- Total Asia was a net buyer of \$95.46 billion
- Total Europe was a net buyer of \$42.10 billion

U.S. Corporate Bonds

In the 12 months ending October 31, All Foreign Countries were net **buyers** of \$256.43 billion of U.S. Corporate Bonds.

- Total Europe accounted for the vast majority of this buying at \$156.43 billion with the United Kingdom accounting for \$94.43 billion.
- Tax Havens net purchases totaled \$47.35 billion.
- Total Asia net purchases totaled only \$33.39 billion with Japan accounting for \$14.83 billion.

U.S. Equities

In the 12 months ending October 31, All Foreign Countries were net **buyers** of \$25.05 billion of U.S. Equities.

- Total Europe was a net buyer of \$22.39 billion, while the United Kingdom was a **net seller** of \$3.29 billion.
- Total Asia accounted for some of these purchases at \$0.56 billion, while Japan accounted for \$3.88 billion in **net sales**.
- Tax Havens were net sellers with \$3.34 billion in **net sales**.

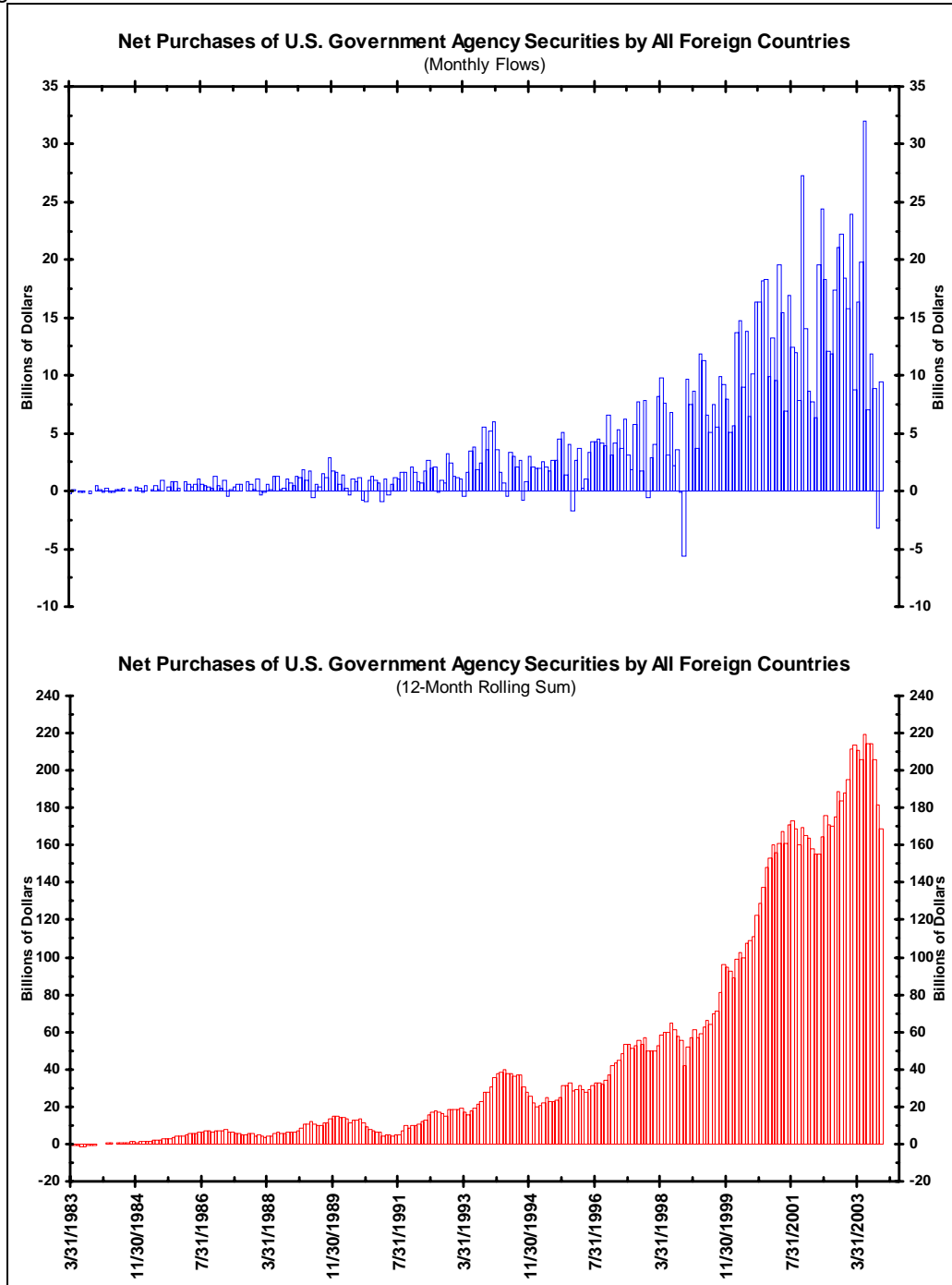
Foreigners Buy U.S. Agencies in October

Last month the financial press/Wall Street made a big deal about the fact that foreigners sold Agency securities in September. It was the first time in five years that foreigners were net sellers (\$3.24 billion) and many took it as a sign that foreign investors were “having second thoughts” about dollar-based investments. The October data shows that foreigners reversed their one-month outflow and bought a hefty \$9.41 billion in Agencies.

As we mentioned last month, most of this month-to-month swing came from the Caribbean-based tax

haven countries (Cayman Islands, Bermuda, Bahamas, etc.). In September the Caribbean tax haven countries were net sellers of \$8.61 billion of Agencies. In October they were net buyers of \$120 million. These swings largely explain the monthly changes in the overall foreign flows.

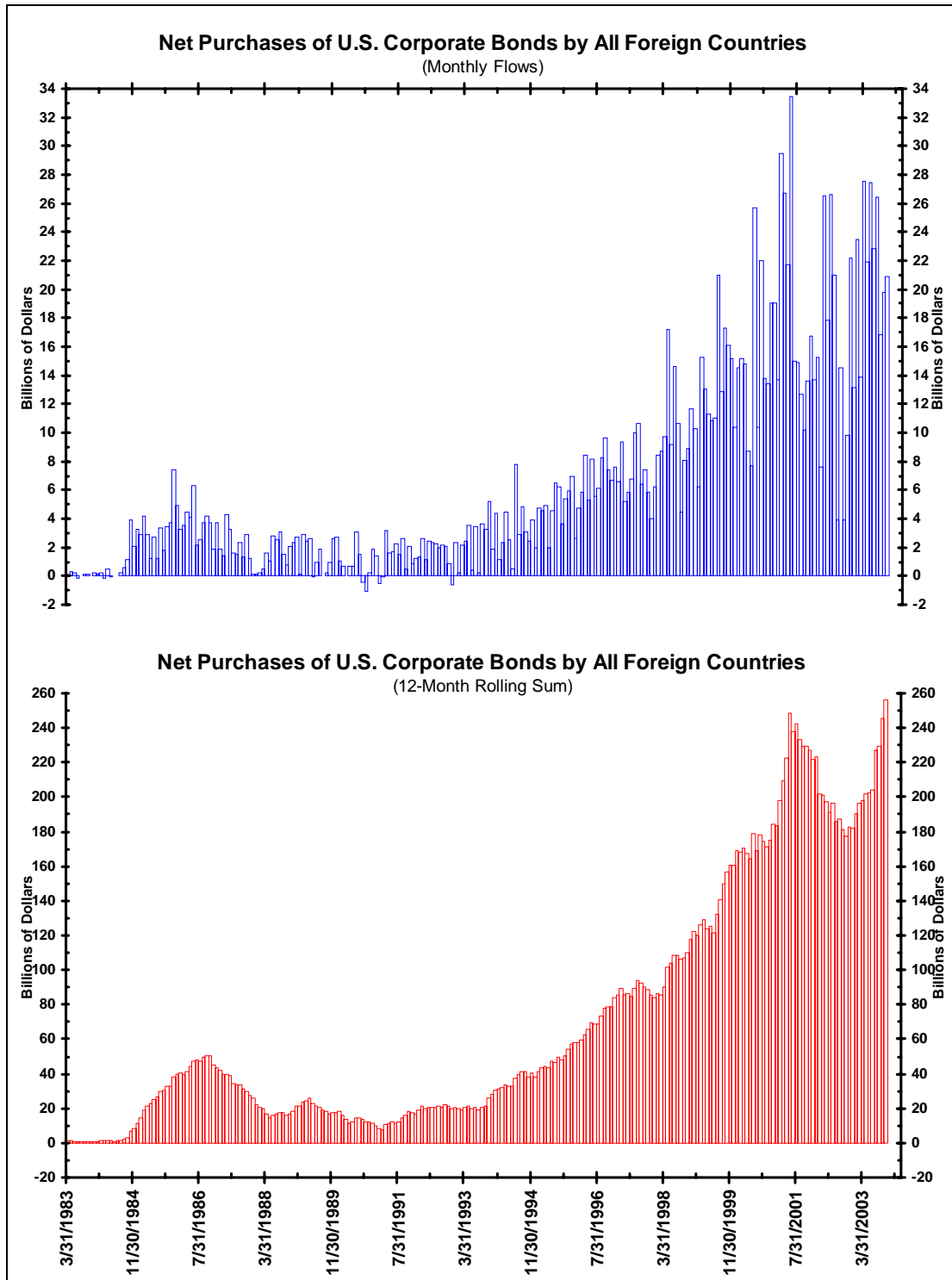
The flows from these countries are dominated by American hedge funds operating offshore. These players, in these securities, are not making a dollar play like many argued last month.



Foreign Flows Into Corporates – A New Record

As the chart below shows, the 12-month rolling sum of foreign flows into corporate bonds set a new record (bottom panel) – \$256.42 billion. If foreigners are afraid of the dollar, it is certainly not showing in

this market (or Treasury Notes and Bonds that saw a near record \$244.32 billion over the same 12-month period).



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

Net Purchases of U.S. Treasury Notes and 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	
<u>Monthly</u> Net Purchases of U.S. Treasury Notes and Bonds (billions of \$)								
10/31/03	12.03	25.11	-0.10	-9.61	3.58	-5.58	13.99	
9/30/03	5.56	20.66	-15.68	-0.44	-0.88	-3.41	20.09	
8/31/03	25.12	7.97	15.73	0.16	-1.75	7.45	17.41	
5 Year High	44.69	25.24	21.89	12.48	13.23	12.19	39.40	
(date)	7/31/03	5/31/03	7/31/03	3/31/03	3/31/03	6/30/03	6/30/03	
5 Year Low	-17.93	-10.09	-15.68	-11.84	-6.30	-8.72	-21.23	
(date)	6/30/00	1/31/02	9/30/03	8/31/02	10/31/00	4/30/99	1/31/02	
Net Purchases Percentile Ranking Of Its 5 Year Range								
10/31/03	47.8%	99.7%	41.5%	9.2%	50.6%	15.0%	58.1%	
9/30/03	37.5%	87.0%	0.0%	46.9%	27.7%	25.4%	68.2%	
8/31/03	68.7%	51.1%	83.5%	49.3%	23.3%	77.3%	63.7%	
<u>12 Month Rolling Sum</u> of Net Purchases of U.S. Treasury Notes and Bonds (billions of \$)								
10/31/03	244.32	144.89	64.76	19.73	36.33	36.05	203.78	
9/30/03	238.38	119.71	66.19	35.42	33.99	37.92	186.25	
8/31/03	254.48	108.02	87.26	43.61	31.27	40.05	173.64	
5 Year High	254.48	144.89	87.26	43.61	42.33	40.05	203.78	
(date)	8/31/03	10/31/03	8/31/03	8/31/03	7/31/03	8/31/03	10/31/03	
5 Year Low	-77.04	-22.72	-55.98	-22.65	-25.47	-34.41	-41.37	
(date)	4/30/01	4/30/01	1/31/01	9/30/00	5/31/01	8/31/02	4/30/01	

Net Purchases of U.S. Government Agency Securities 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	
<u>Monthly</u> Net Purchases of U.S. Government Agency Securities (billions of \$)								
10/31/03	9.41	5.90	0.51	1.87	2.53	0.96	9.74	
9/30/03	-3.24	1.23	4.10	-7.89	1.78	4.19	5.45	
8/31/03	8.91	0.89	0.67	6.74	4.79	1.11	4.50	
5 Year High	32.01	17.98	12.87	19.10	8.61	4.62	21.60	
(date)	5/31/03	10/31/01	4/30/02	5/31/03	3/31/02	4/30/02	10/31/01	
5 Year Low	-3.24	0.04	-7.09	-8.83	-0.18	-4.73	0.87	
(date)	9/30/03	8/31/99	6/30/03	2/28/03	8/31/99	6/30/03	8/31/99	
Net Purchases Percentile Ranking Of Its 5 Year Range								
10/31/03	35.9%	32.7%	38.1%	38.3%	30.8%	60.8%	42.8%	
9/30/03	6.4%	6.6%	56.1%	15.3%	22.3%	95.3%	22.1%	
8/31/03	38.6%	13.2%	38.9%	61.2%	60.6%	62.5%	30.6%	
<u>12 Month Rolling Sum</u> of Net Purchases of U.S. Government Agency Securities (billions of \$)								
10/31/03	169.01	95.46	42.10	33.81	65.81	14.59	119.82	
9/30/03	181.80	99.91	51.23	33.38	67.06	16.62	124.69	
8/31/03	206.10	107.62	54.88	45.34	68.41	15.28	132.04	
5 Year High	219.64	121.06	74.40	45.34	70.61	31.10	151.66	
(date)	5/31/03	6/30/03	2/28/03	8/31/03	6/30/03	2/28/03	5/31/03	
5 Year Low	52.12	7.52	27.18	-3.02	5.84	9.22	22.27	
(date)	11/30/98	11/30/98	1/31/00	2/28/99	11/30/98	3/31/02	11/30/98	

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
Monthly Net Purchases of U.S. Corporate Bonds (billions of \$)							
10/31/03	20.93	3.56	10.60	5.06	1.69	3.03	8.69
9/30/03	19.77	2.69	15.45	1.09	1.11	2.73	6.99
8/31/03	16.85	2.80	6.74	5.96	1.74	4.16	9.33
5 Year High	33.43	5.90	22.07	10.46	2.60	9.12	13.88
(date)	5/31/01	11/30/02	5/31/01	7/31/03	4/30/02	1/31/03	1/31/03
5 Year Low	3.87	-0.95	1.80	-0.60	-0.48	-0.54	1.69
(date)	9/30/02	1/31/01	7/31/02	9/30/02	2/29/00	9/30/00	1/31/00
Net Purchases Percentile Ranking Of Its 5 Year Range							
10/31/03	57.7%	65.8%	43.4%	51.1%	70.5%	37.0%	57.5%
9/30/03	53.8%	53.2%	67.4%	15.3%	51.6%	33.8%	43.5%
8/31/03	43.9%	54.7%	24.4%	63.3%	71.9%	48.7%	62.7%
12 Month Rolling Sum of Net Purchases of U.S. Corporate Bonds (billions of \$)							
10/31/03	256.43	33.39	156.43	59.33	18.56	61.99	114.65
9/30/03	245.27	29.69	152.75	57.20	17.78	62.69	110.23
8/31/03	229.38	27.70	141.31	55.50	17.05	61.50	105.16
5 Year High	256.43	33.39	168.19	59.33	21.55	62.69	114.65
(date)	10/31/03	10/31/03	5/31/01	10/31/03	12/31/01	9/30/03	10/31/03
5 Year Low	117.86	1.12	84.57	22.42	0.43	11.86	29.82
(date)	11/30/98	11/30/98	11/30/98	6/30/99	11/30/98	10/31/00	11/30/98

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
Monthly Net Purchases of U.S. Equities (billions of \$)							
10/31/03	-1.25	-1.93	2.58	-1.12	-2.27	5.97	3.58
9/30/03	-6.29	-1.25	-4.28	-0.95	-0.83	-4.20	-5.62
8/31/03	11.55	-0.72	9.42	0.63	0.35	4.66	6.34
5 Year High	27.75	6.59	24.38	7.75	4.01	17.69	19.56
(date)	2/29/00	11/30/02	2/29/00	11/30/99	1/31/01	2/29/00	2/29/00
5 Year Low	-11.53	-2.96	-7.33	-11.44	-2.27	-6.76	-7.21
(date)	9/30/01	3/31/99	9/30/01	4/30/00	10/31/03	9/30/01	9/30/01
Net Purchases Percentile Ranking Of Its 5 Year Range							
10/31/03	26.2%	10.7%	31.2%	53.8%	0.0%	52.1%	40.3%
9/30/03	13.4%	17.8%	9.6%	54.7%	14.6%	10.5%	6.0%
8/31/03	58.8%	23.5%	52.8%	63.5%	35.4%	46.7%	50.6%
12 Month Rolling Sum of Net Purchases of U.S. Equities (billions of \$)							
10/31/03	25.05	0.56	22.39	-2.50	4.45	25.68	31.68
9/30/03	29.92	6.39	22.00	-4.25	10.61	20.49	32.69
8/31/03	29.74	9.71	21.12	-6.20	13.26	20.76	35.78
5 Year High	188.09	35.12	170.37	14.18	22.99	115.57	142.00
(date)	1/31/01	7/31/01	10/31/00	9/30/99	1/31/01	10/31/00	11/30/00
5 Year Low	22.80	-17.21	11.42	-22.45	-17.26	4.78	20.76
(date)	7/31/03	4/30/99	4/30/03	3/31/01	4/30/99	4/30/03	5/31/99

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