

## Who Bought the Monstrous \$4.2 Trillion Added to the Incredibly Spiking US National Debt in 12 Months? Everyone but China

### Description

by [Wolf Richter](#) via Wolf Street

The Incredibly Spiking US National Debt has soared by \$3.75 trillion since March 1, powered by stimulus and bailouts, and by \$4.2 trillion over the past 12 months, to \$27.3 trillion, after having already spiked by \$1.4 trillion in the final 12 months of the Good Times. Trillions are zooming by so fast it's hard to even see them. But these are all Treasury securities, and someone had to buy them:

With the Treasury Department's [Treasury International Capital](#) data through September 30, released Tuesday afternoon, Fed's balance sheet data released weekly by the Fed, bank balance-sheet data

also released by the Fed, and the Treasury Department's data on Treasury securities held by US government entities, we can piece together who bought those trillions of dollars in Treasury Securities over the past 12 months.

### **The share of foreign holders is waning:**

Foreign central banks, foreign government entities, and foreign private-sector entities (companies, banks, bond funds, individuals, etc.) increased their holdings in the third quarter by \$32 billion from the second quarter, which brought their holdings to \$7.07 trillion.

Compared to Q3 last year, this total was up by \$147 billion (blue line, right scale in the chart below). But their share of the Incredibly Spiking US National Debt at the end of Q3 declined to 26.2%, the lowest since 2008 (red line, right scale):

Diminishing importance of Japan and China: Japan, the largest foreign creditor of the US, increased its holdings in Q3 by \$15 billion, to a total of \$1.28 trillion. Over the 12 months, its holdings increased by \$130 billion (blue line).

China (red line) continued to whittle down its holdings in Q3 by \$13 billion, and over the 12-month period, by \$40 billion, to \$1.06 trillion, following the trend since 2015, with exception of its capital-flight phase:

Over the past five years, Japan's and China's combined holdings of US Treasuries has been roughly stable, with some variation in between. At the end of September, their combined holdings amounted to \$2.34 trillion, down just a tad from their holdings at the end of 2015 of \$2.37 trillion. But their combined share of the of the Incredibly Spiking US Debt fell to 8.7%, the lowest share in many years:

Next 10 largest foreign holders in September. This list is top-heavy with tax havens and financial centers, including those where US corporations have legal entities that hold US Treasuries, such as Apple in Ireland. In others words, some of these “foreign” holders are US entities, such as Apple, that are holding Treasuries registered in their foreign mailbox entities (the amounts in parenthesis indicate their holdings a year earlier):

1. UK (“City of London” financial center): \$425 billion (\$413 billion)
2. Ireland: \$315 billion (\$274 billion)
3. Brazil: \$265 billion (\$303 billion)
4. Luxembourg: \$262 billion (\$252 billion)
5. Switzerland: \$255 billion (\$231 billion)
6. Hong Kong: \$246 billion (\$242 billion)
7. Cayman Islands: \$232 billion (\$250 billion)
8. Belgium: \$218 billion (\$215 billion)
9. Taiwan: \$213 billion (\$189 billion)
10. India: \$213 billion (\$161 billion)

Germany and Mexico, among the countries with which the US has the biggest trade deficits, are much further down the list: Germany in 20th place, and Mexico in 24th place.

### **Diminishing importance of US government funds.**

US government funds – the [Social Security Trust Fund](#), pension funds for federal civilian employees and the US military, and other government funds – added \$16 billion in Q3 compared to the prior quarter and \$22 billion over the 12-month period, to \$5.92 trillion.

While the dollar amount has been increasing gradually (blue line, left scale), their share of the Incredibly Spiking US National Debt has declined from over 45% in 2008, to just 22%, the lowest since dirt was young (red line, right scale):

### **The Federal Reserve became a huge factor.**

In Q3, the Fed added \$240 billion to its Treasury holdings, bringing the pile to \$4.44 trillion (blue line, left scale), a record of 16.5% of the Incredibly Spiking US National Debt (red line, right scale). This is the portion of the US debt that the Fed has monetized. Over the 12-month period, the Fed added \$2.4 trillion in Treasuries to its holdings, most of it since March, doubling its pile, and increasing its share of the US debt from 9.3% in Q1 to 16.5% in Q3:

## **US Commercial Banks pile it on.**

US commercial banks piled \$116 billion in Treasury securities in Q3 onto their balance sheets, and \$269 billion over the 12-month period, bringing the total to \$1.19 trillion, according to the Federal Reserve's [data release](#) on bank balance sheets. This amounted to 4.4% of the total US debt:

## **Other US entities & individuals**

The holders of the remaining Treasuries – after all foreign holders, US government funds, the Fed, and US banks – are by definition US individuals and institutions such as bond funds, pension funds, insurers, cash-rich corporations, hedge funds that use Treasuries in complex trades, private equity firms that are sitting on cash, etc. During the chaos earlier this year, they piled into Treasuries, adding \$800 billion in Q2. But this settled down in Q3, when they added only \$95 billion, bringing their pile to \$8.31 trillion, which amounted to 30.9% of the Incredibly Spiking US National Debt:

And here they are, this monstrous pile of Treasury securities, all combined into one incredibly spiking chart, by category of holder as of September 30:



