

In this first chart shown below, please note that the Treasury has two different methods for computing the net capital flows for each month. One uses only long term securities while a newer methodology measures both LONG term and SHORT term securities. The BLUE line is long term securities while the RED line is the plot of both long and short term securities. The BLACK line is the absolute value of the US trade balance which happens to be negative.

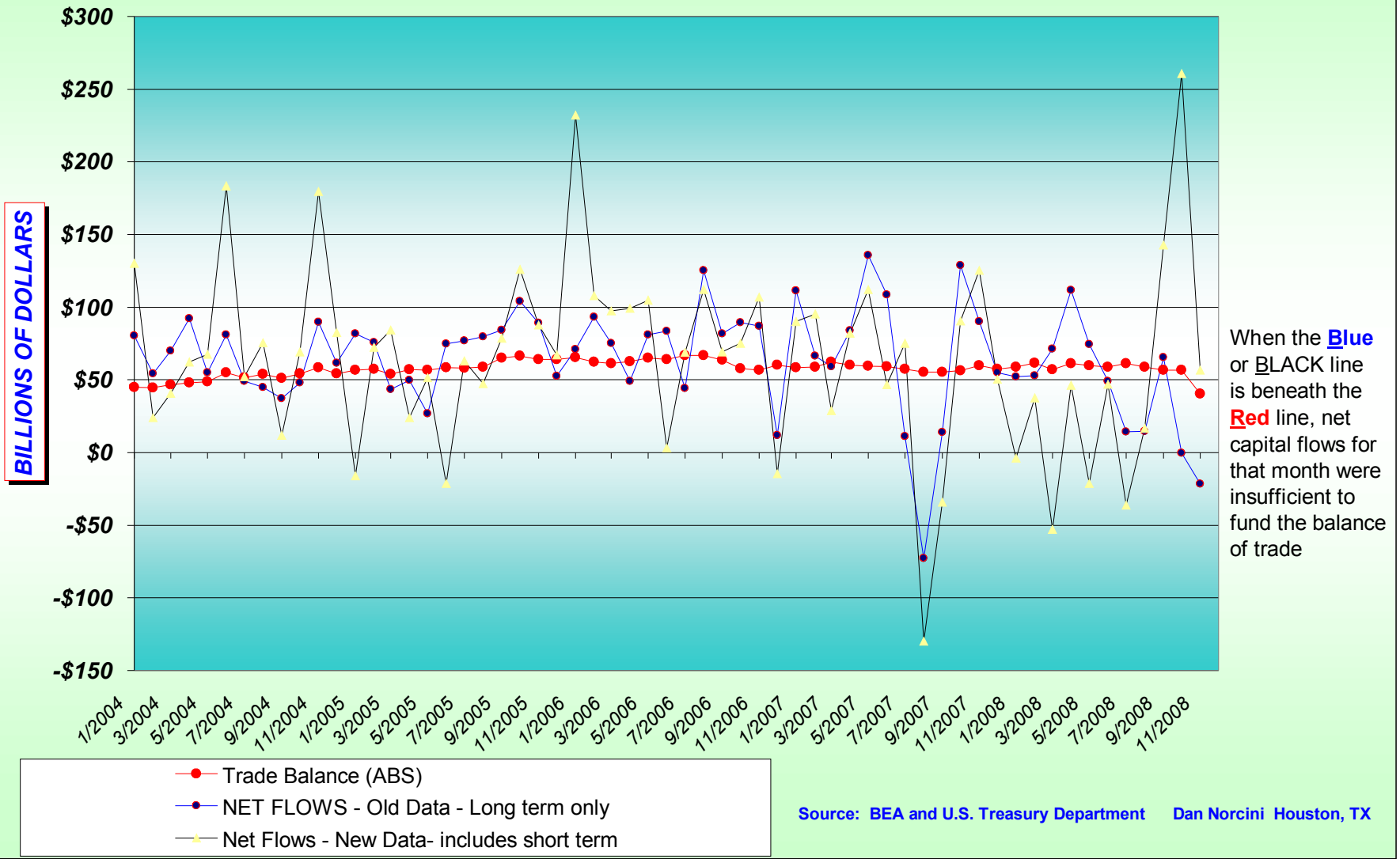
You will note that since July of last year (2008), when the credit crisis seemed to erupt, with the exception of only one month, notably September, foreign investors, both private and official, have been unloading long term US debt in favor of shorter dated securities.

This data can be quite volatile so it is rash to make too many assumptions based off a few months activity but I would go as far as saying that foreign appetite for long term US debt in particular reveals their willingness to continue financing US deficit spending. Should they continue in what seems like the beginning of a serious trend, that would leave only the Fed and the Treasury itself as the buyers of last resort for their own issuances.

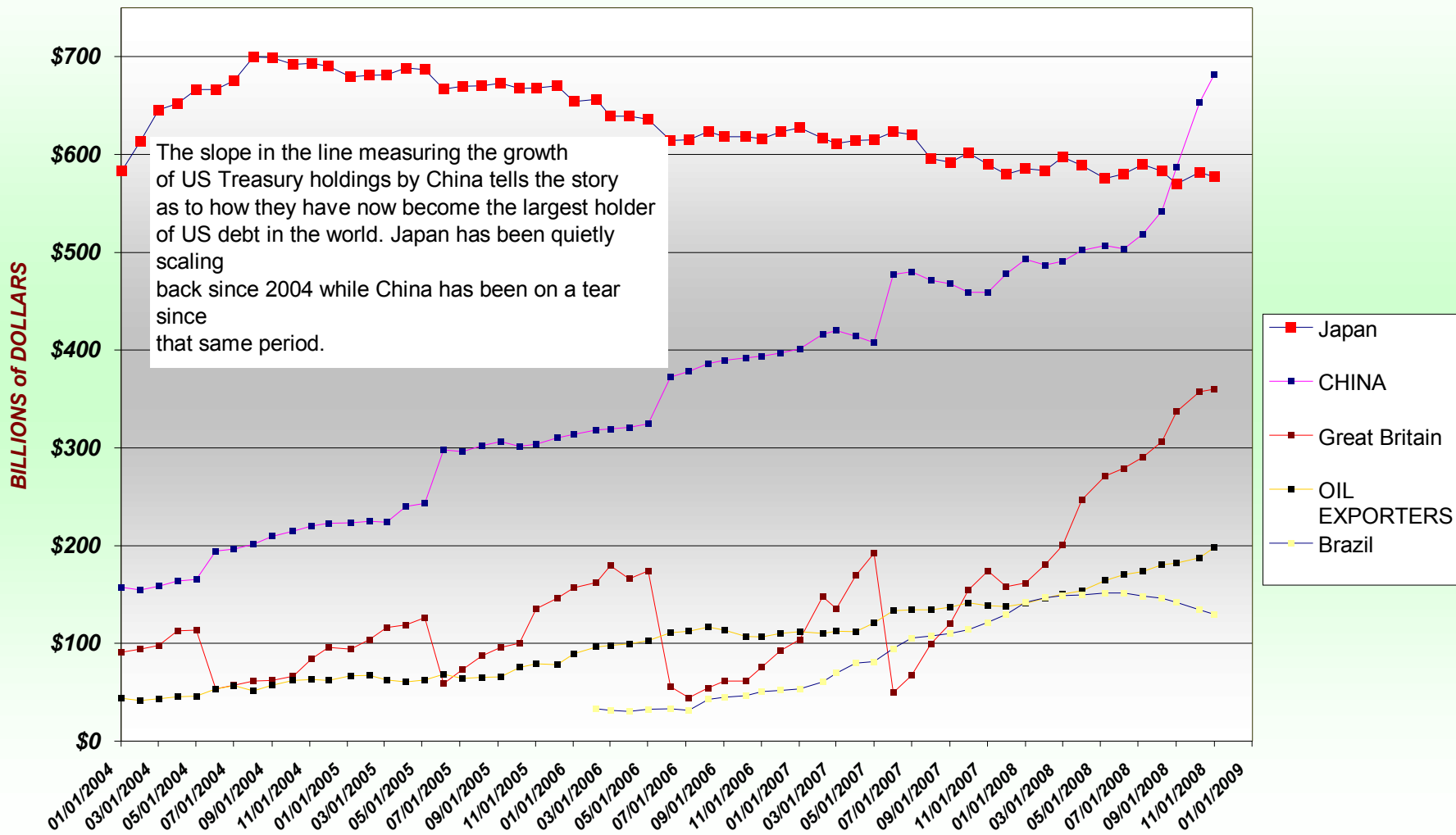
You will also notice in subsequent charts, the trend that seemed to begin with last month's data has now been confirmed – China has become the largest holder of US debt in the world having easily eclipsed Japan which has quietly been continuing to slowly draw down its reserves of Treasuries. Who would have ever envisioned 10 years ago that the nation which is the model of free market capitalism would have become completely dependent on a Communist nation to finance its way of life.

Lastly, note that all major categories of US Debt were offloaded by foreign investors in November 2008. Bonds, Agency debt (fannie and freddie) along with US corporate issues were summarily dumped. The only US securities that showed net inflows were US equities.

### Balance of Trade vs Net Capital Flows 2004-2008

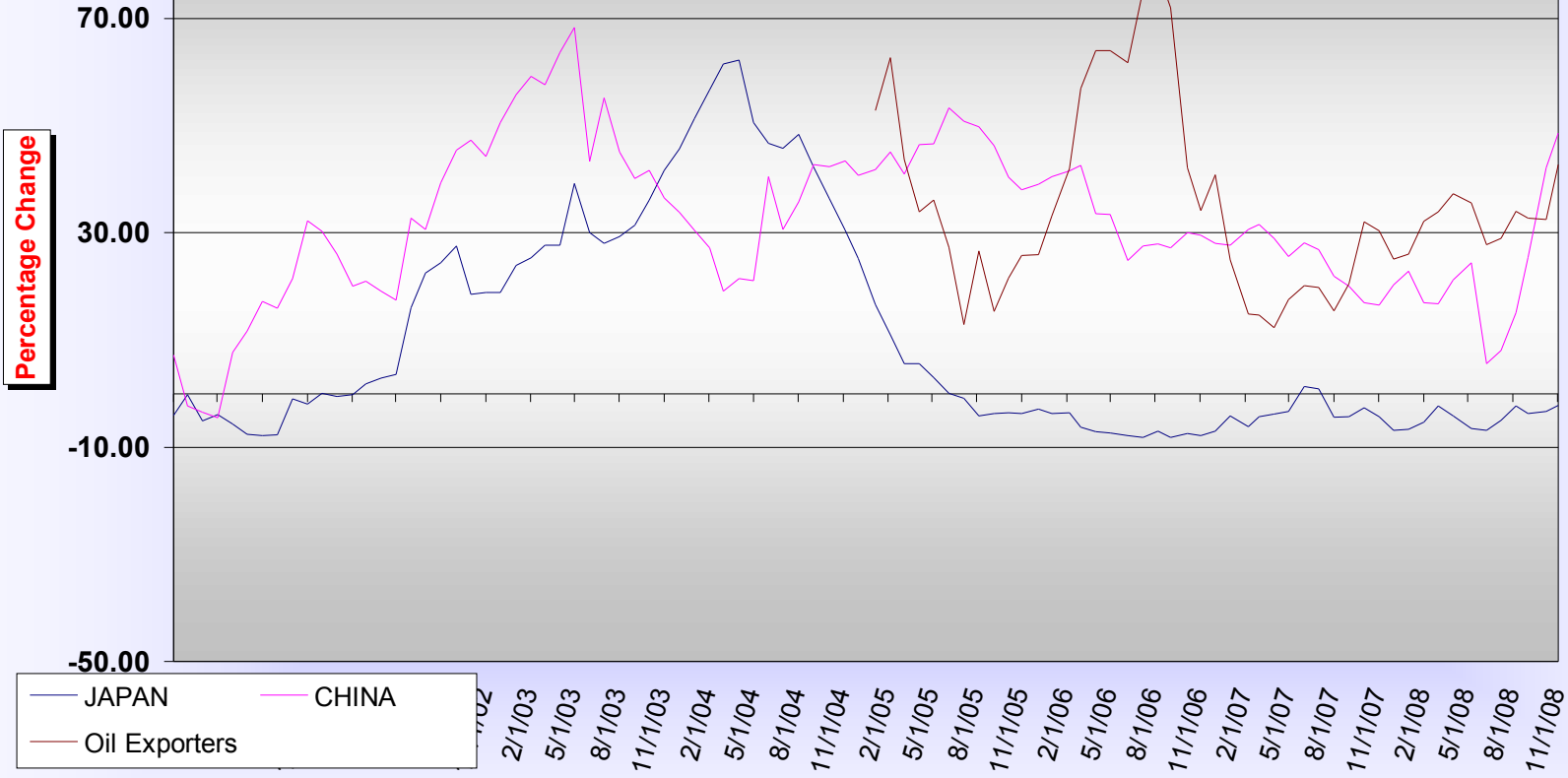


## Treasury Holdings 2004-2008 Japan, China, Great Britain, Oil Exporting Nations and Brazil

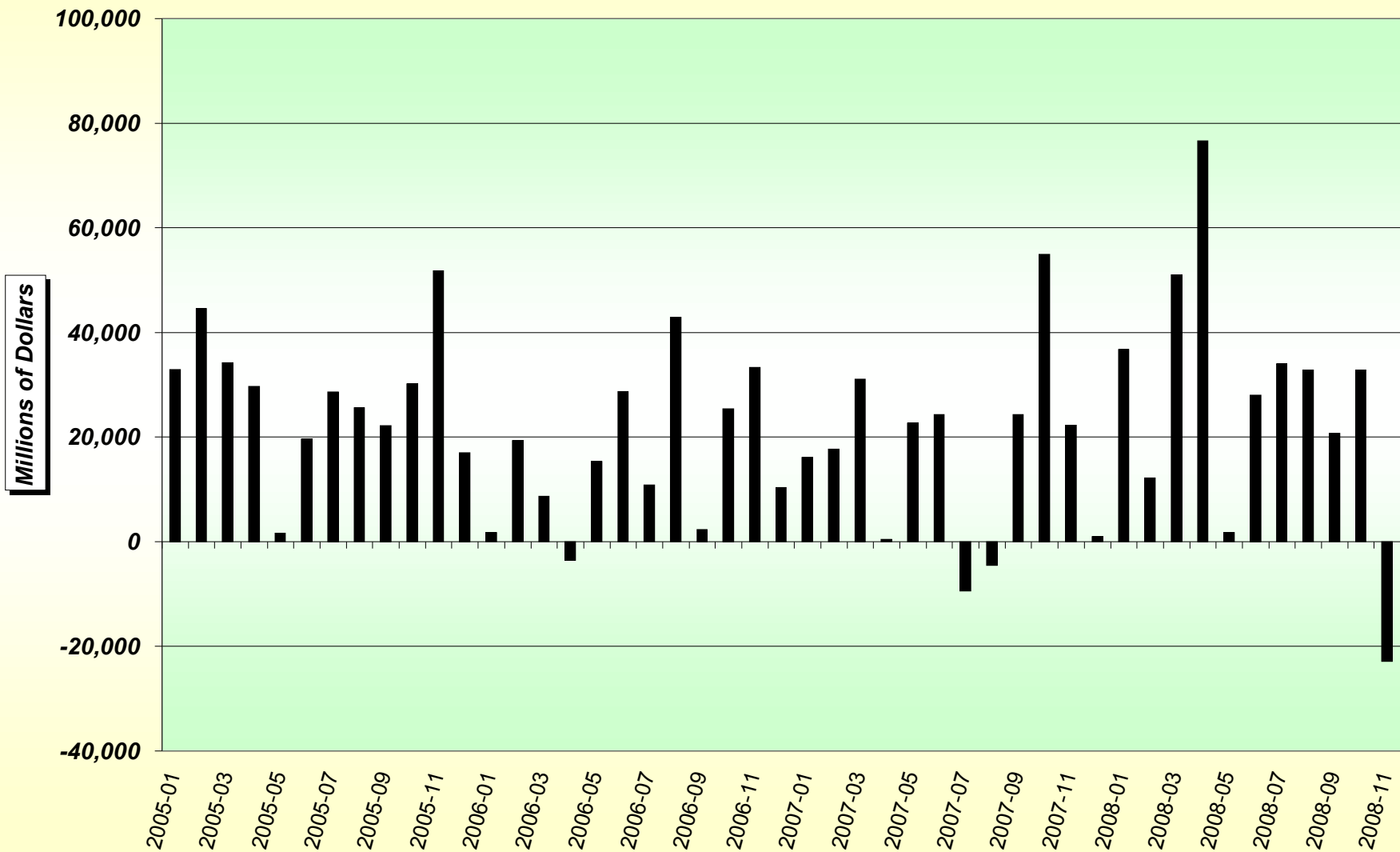


**U.S. Treasury Holdings of Japan, China, and Oil Exporting nations -  
Twelve Month Trailing Rate of Accumulation**

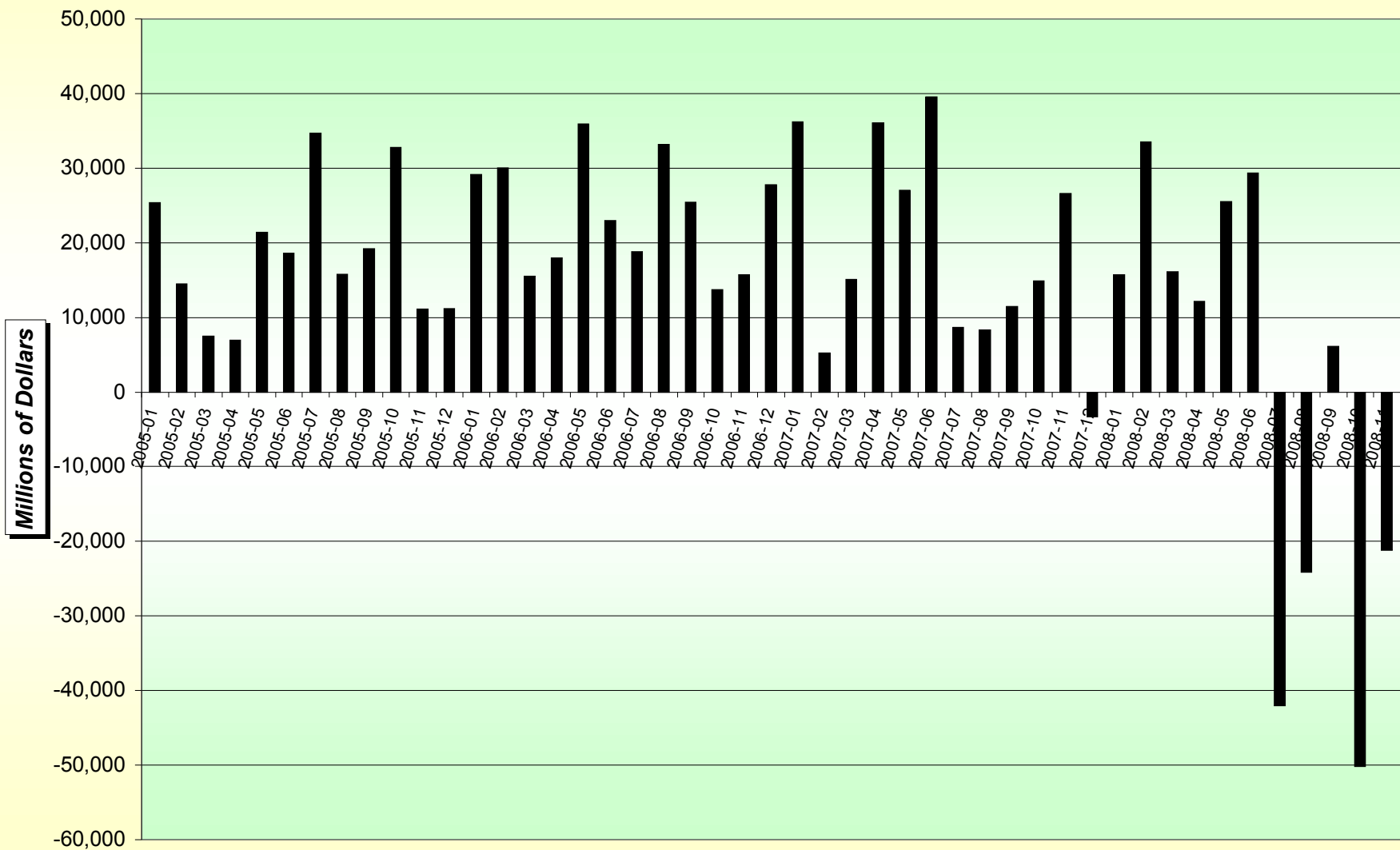
Look at the SHARP increase in buying on a percentage basis when compared to the same period last year by China! Is it any wonder that they have now taken over the number one



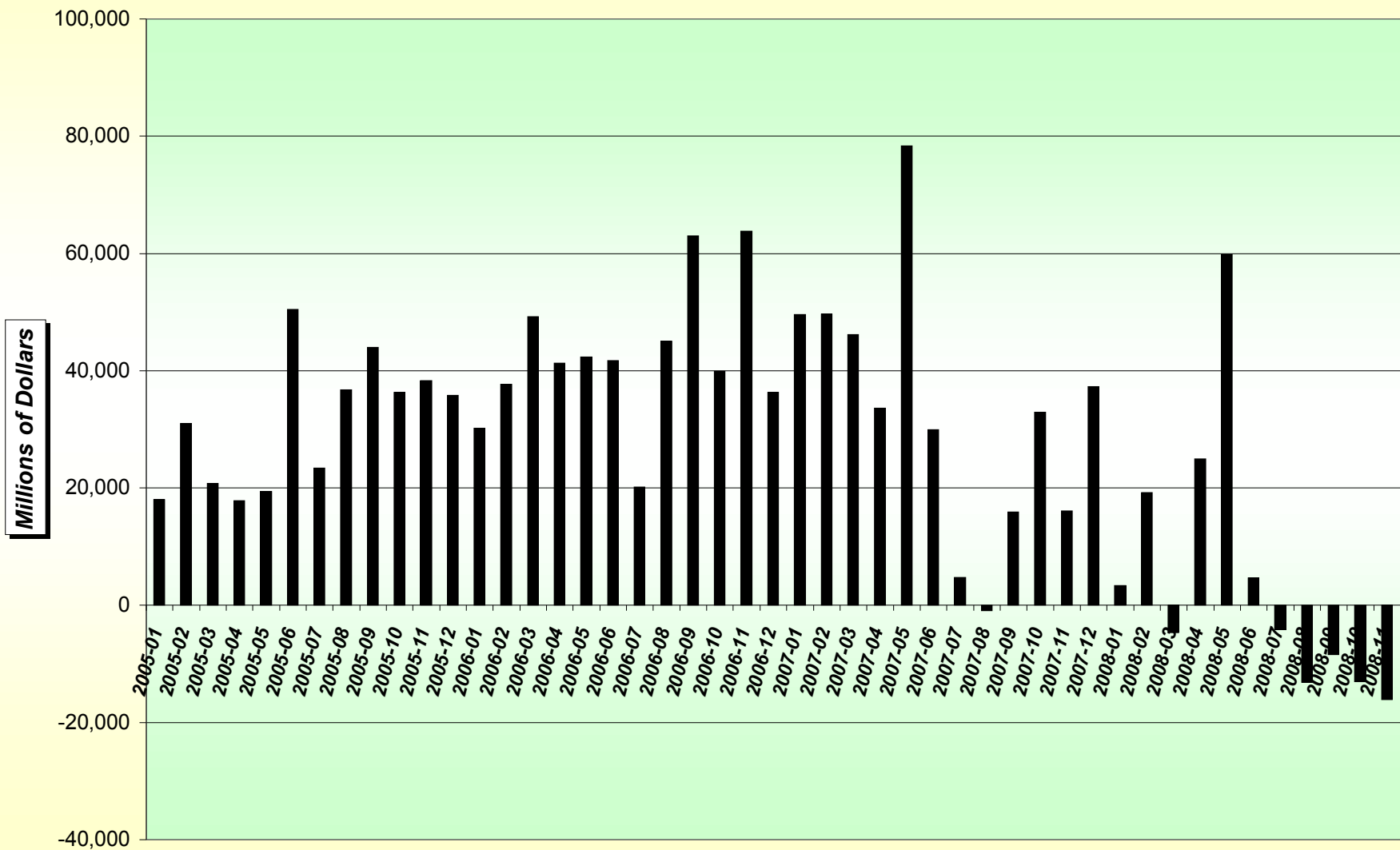
### Foreign Treasuries and Notes Purchases



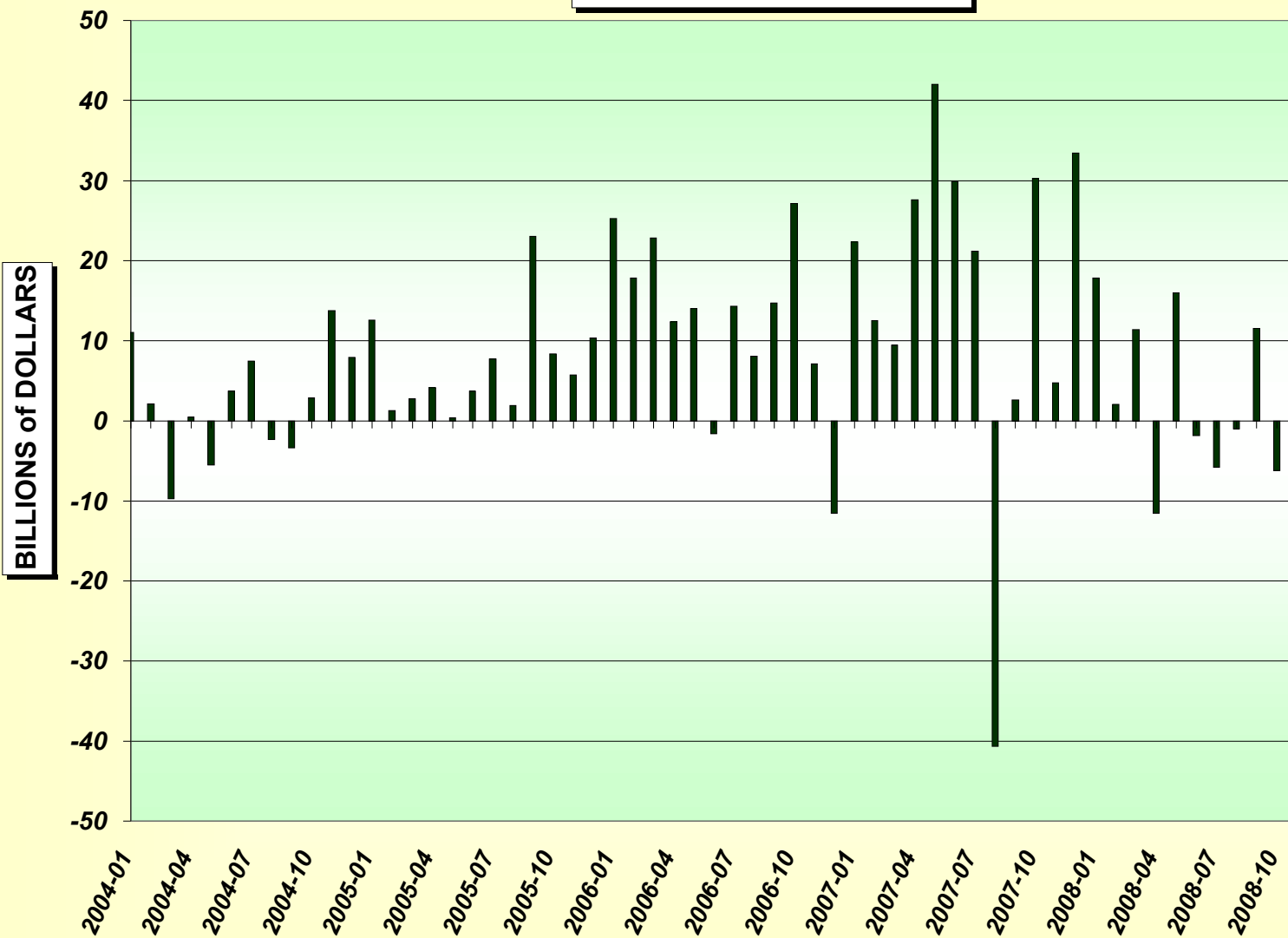
# Foreign Agency Debt Purchases



### Foreign Purchases of US Corporate Bonds



### Foreign Net Stock Purchases



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