



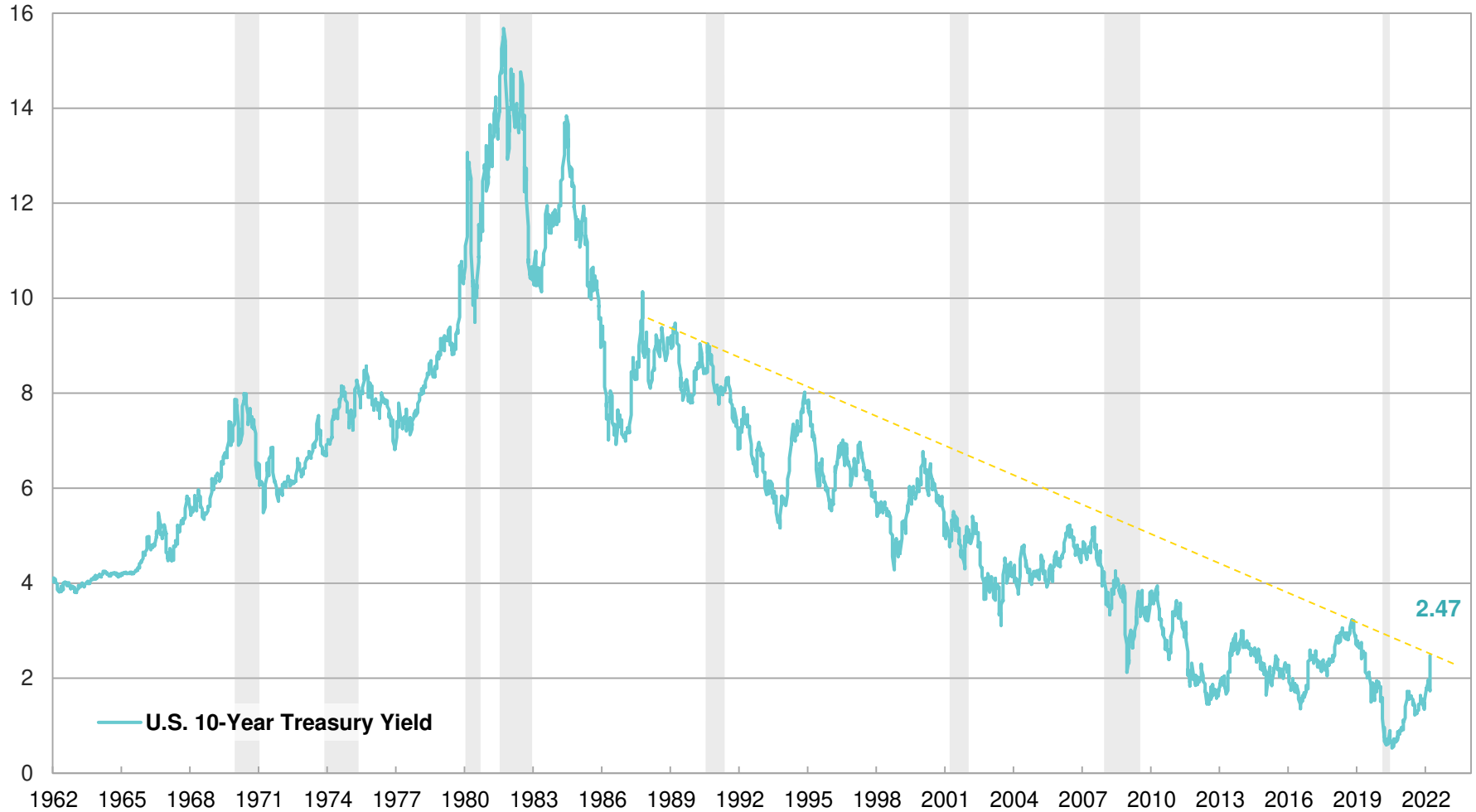
Topical Research:

Treasury Market Trends

As of 3/28/22

Cyclical vs. secular rise? Yields have been in a downward trajectory since the early 1980s, but trending higher since 2020 lows

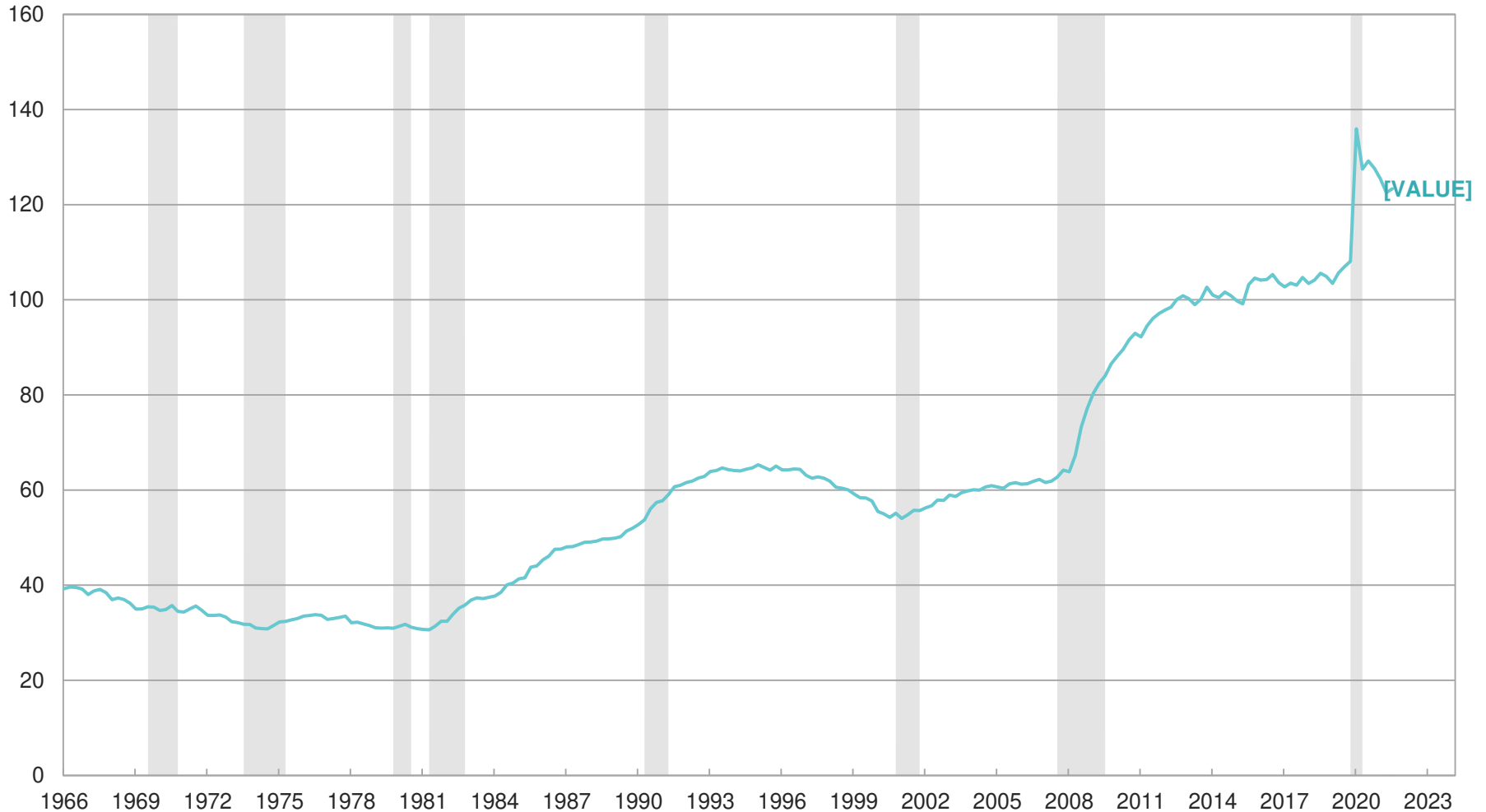
U.S. 10-YEAR TREASURY YIELD



Source: Bloomberg

➤ Federal response to COVID-19 has resulted in massive deficit spending, which required massive monetization

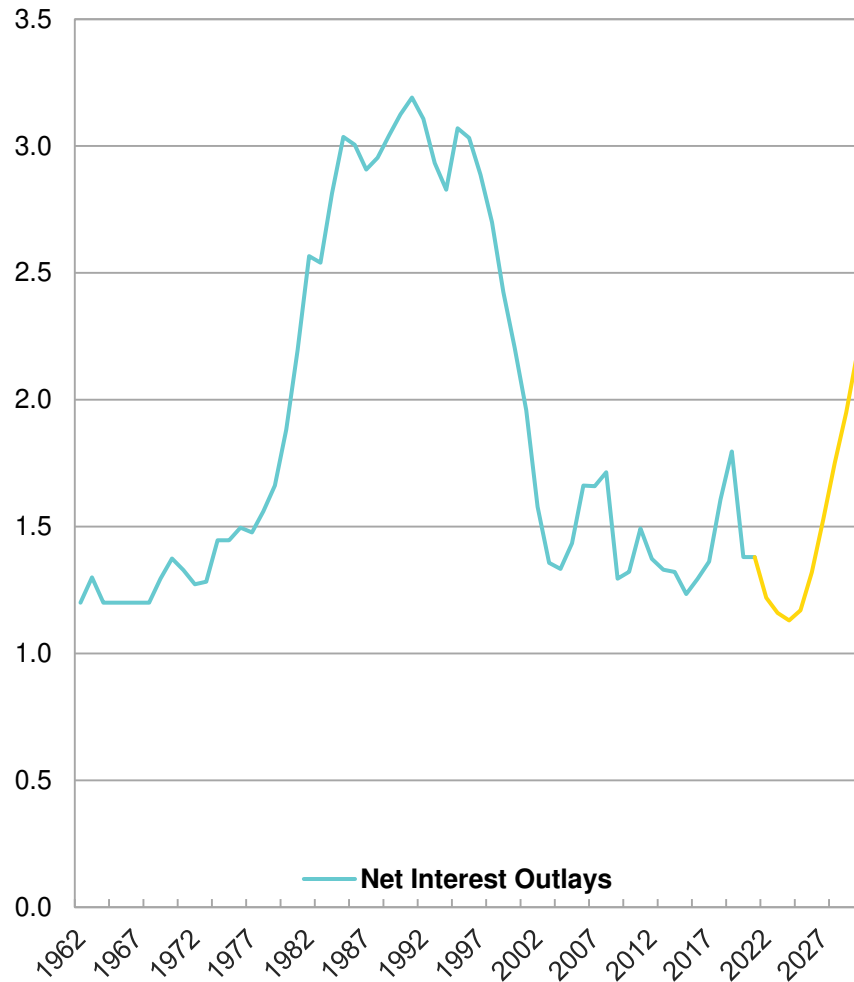
U.S. FEDERAL DEBT AS % OF GDP



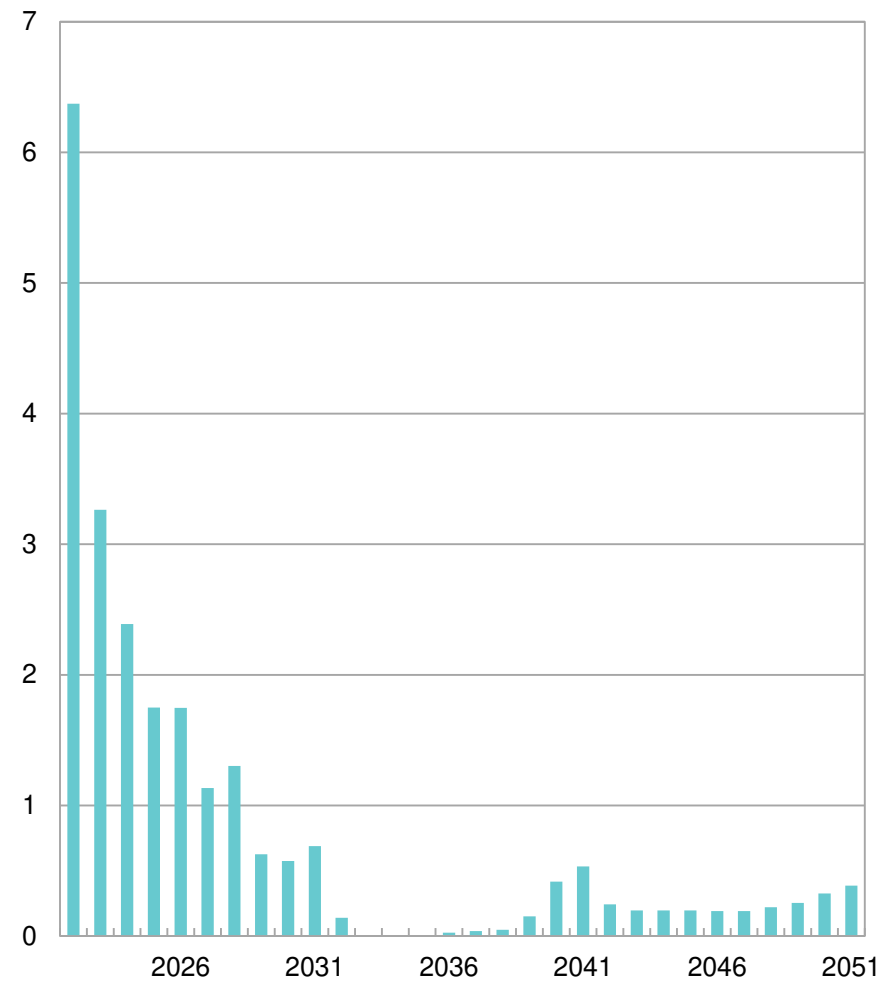
Source: Congressional Budget Office, Bloomberg

➤ Even with record debt levels, interest expense remains low but is expected to rise; weighted average maturity of government debt is 5.9 years

NET INTEREST, % OF GDP



GOVERNMENT DEBT MATURITY BY YEAR, \$TN

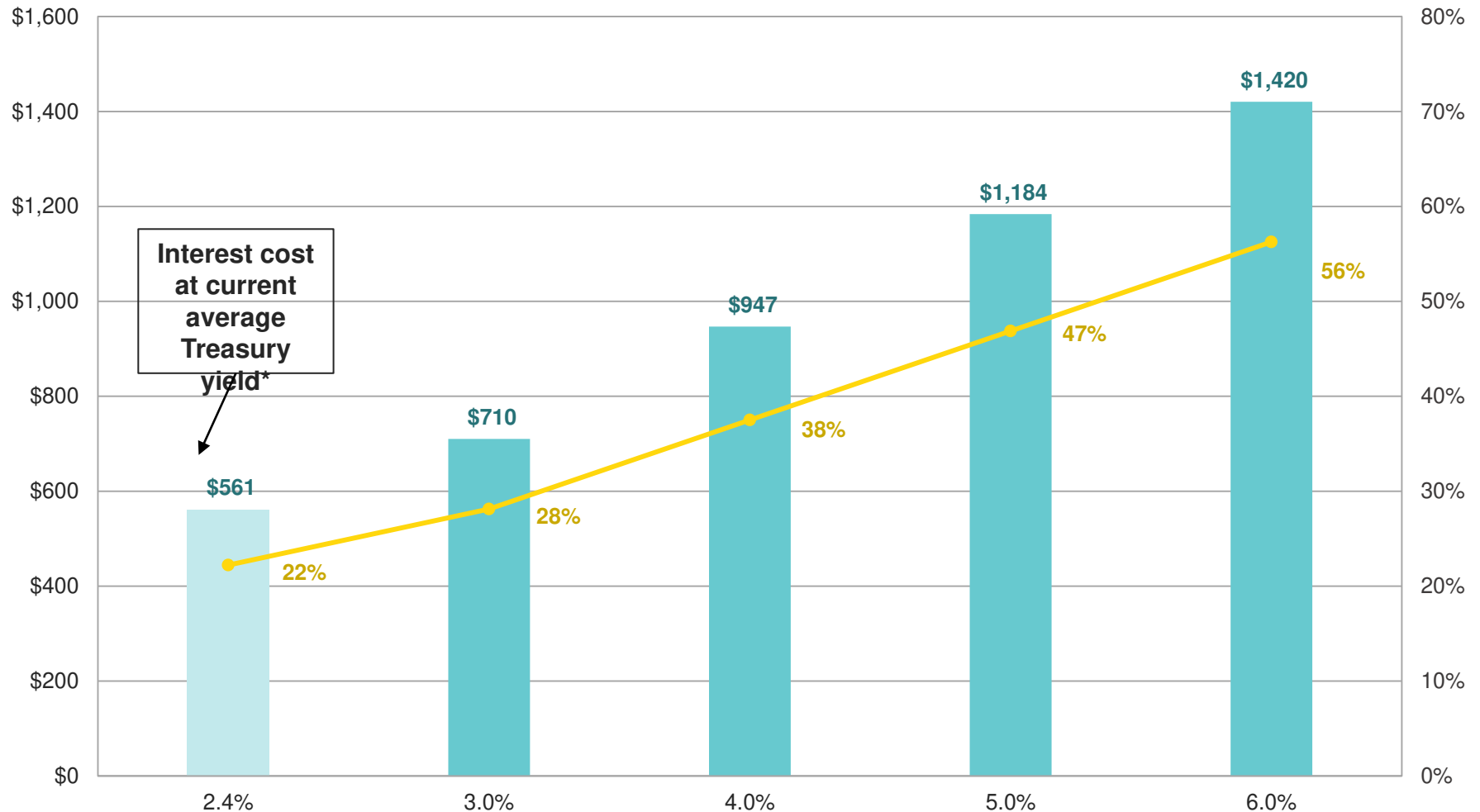


Source: Congressional Budget Office, Bloomberg.

➤ **At current yield, annual interest costs consume 22% of US tax receipts; at an average rate of 5.0%, interest cost would consumer nearly 50%**

ESTIMATED ANNUAL INTEREST COST BY RATE, \$BN

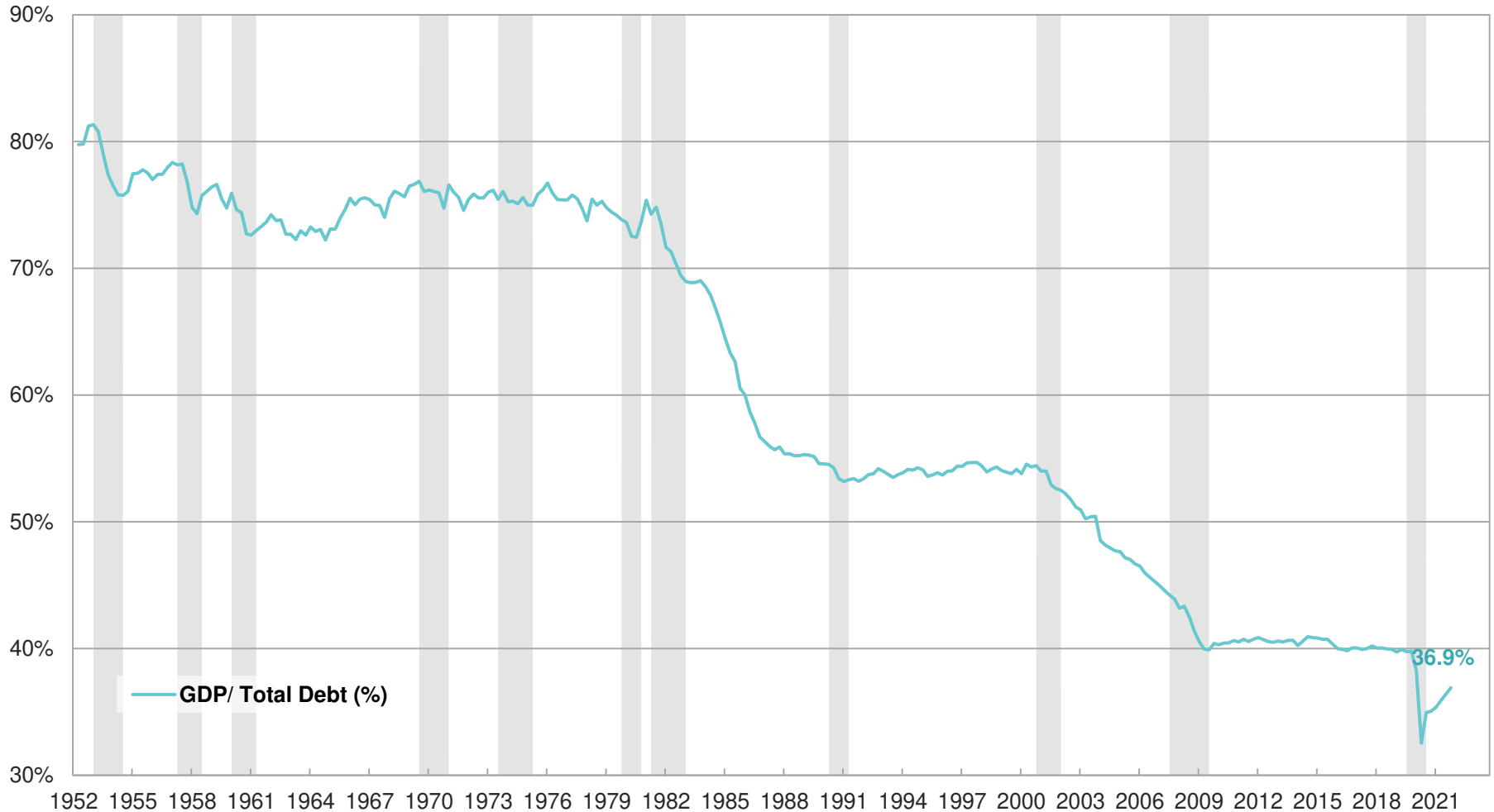
INTEREST COST AS % OF CURRENT TAX-RECEIPTS



Source: Bloomberg. *Assumes average yield is equal to the 7-Year Treasury yield (based on similar weighted average maturity).

➤ The productivity of debt has been on a downward trajectory since the 1950s, which has negatively impacted economic growth

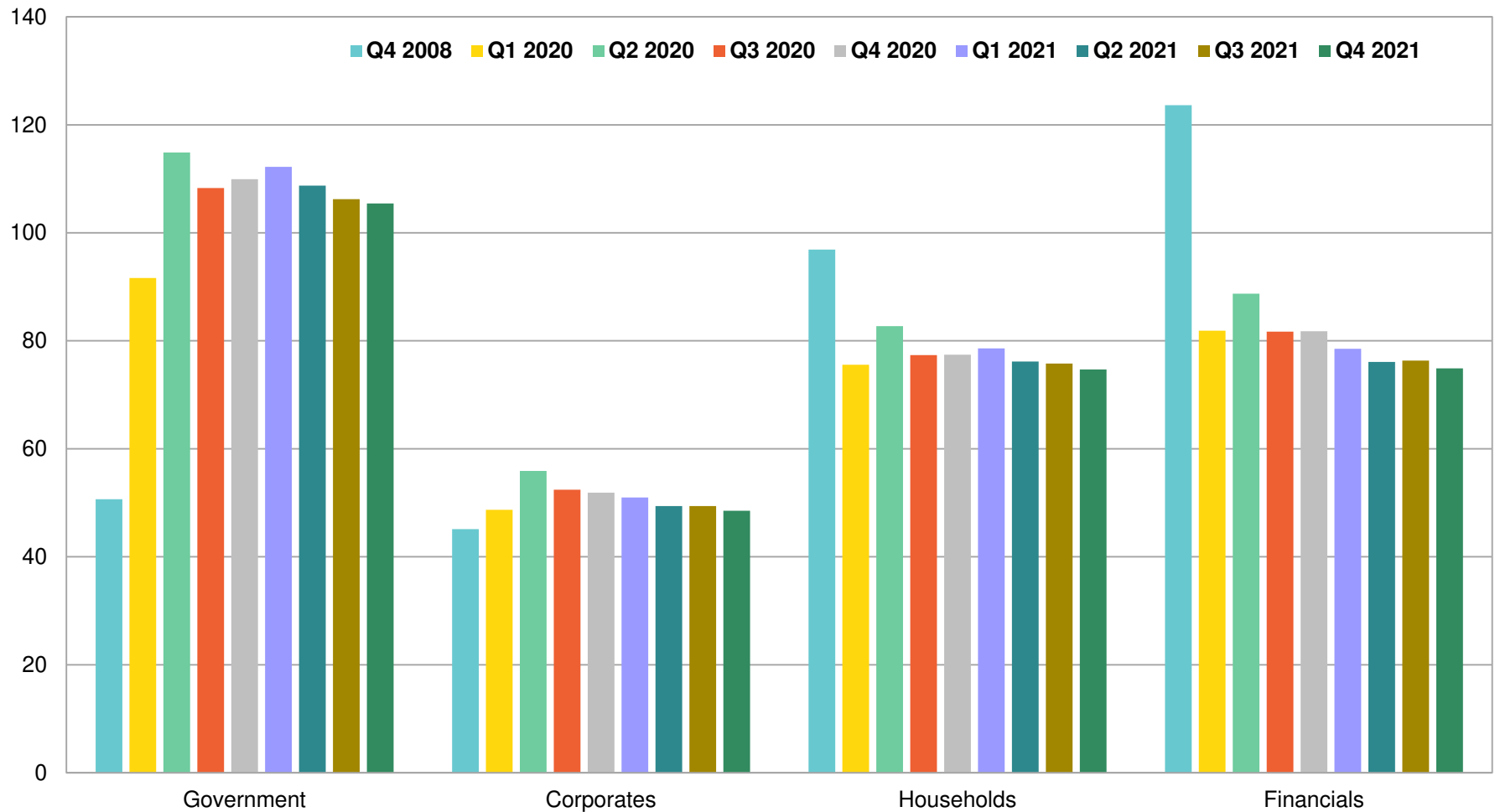
U.S. GDP TO TOTAL NON-FINANCIAL SECTOR DEBT



Source: FRED.

Government debt jumped as a result of the crisis response

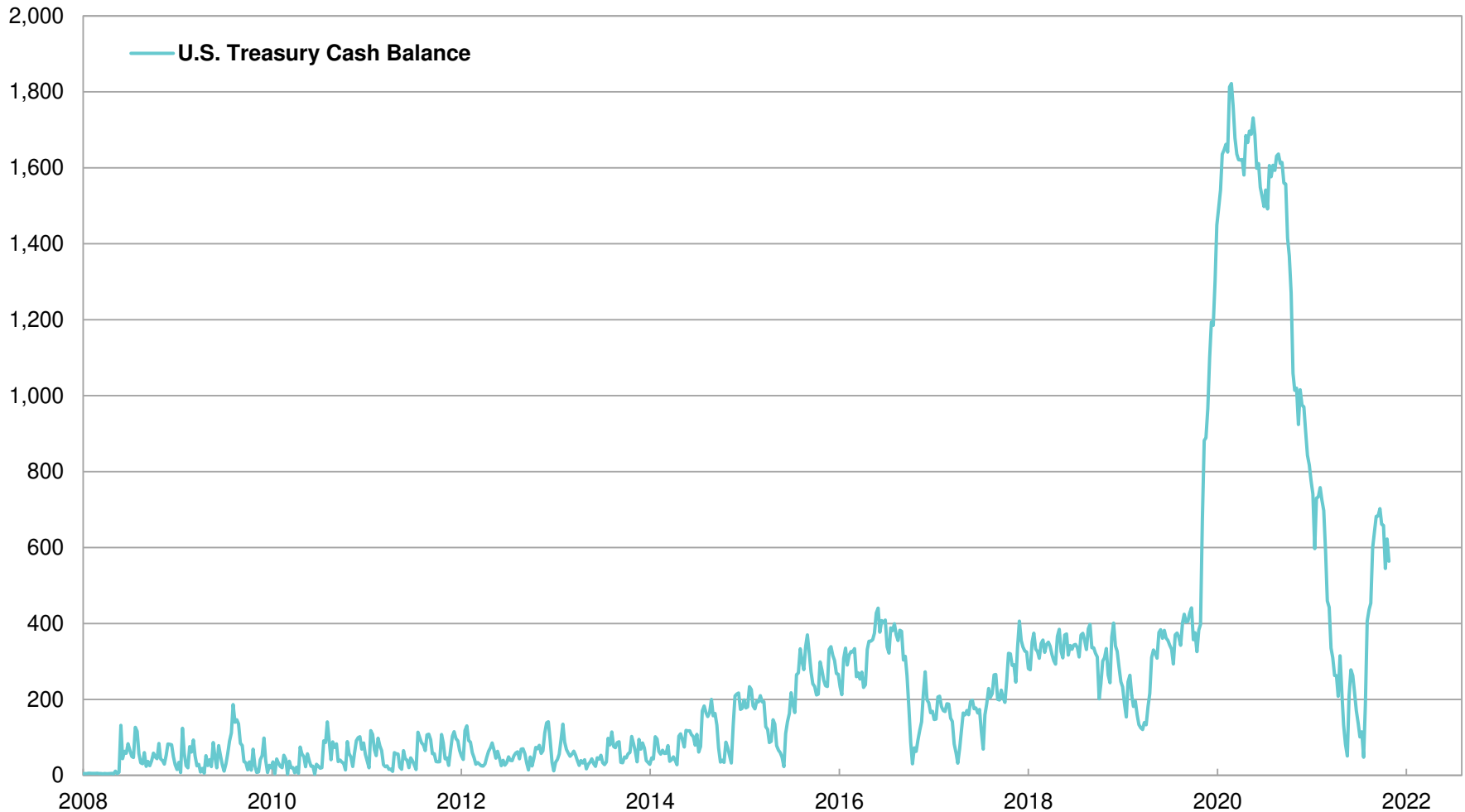
U.S. DEBT-TO-GDP %: GOVERNMENT, CORPORATIONS, HOUSEHOLDS AND FINANCIAL INSTITUTIONS



Source: Bloomberg, Federal Reserve Z1 account, SIFMA, SpringTide estimates, S&P Global.

➤ Treasury cash balance has been drawn down to fund spending; temporary increases in debt ceiling allowed the government to raise cash early 2022

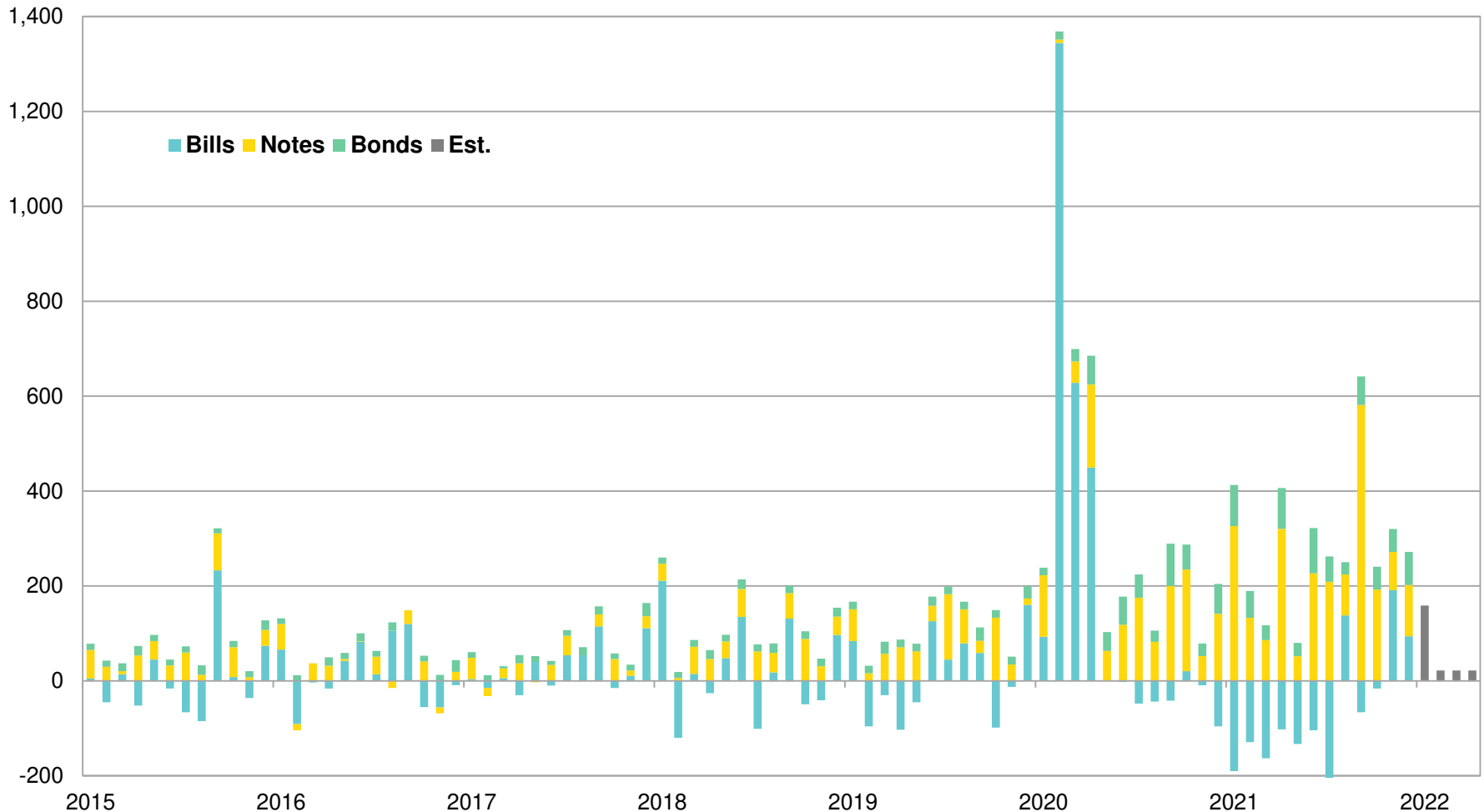
U.S. TREASURY CASH BALANCE IN \$BN



Source: Bloomberg

➤ Issuance expected to increase due to continued fiscal support; Congress raised the federal debt limit by \$2.5 trillion in December

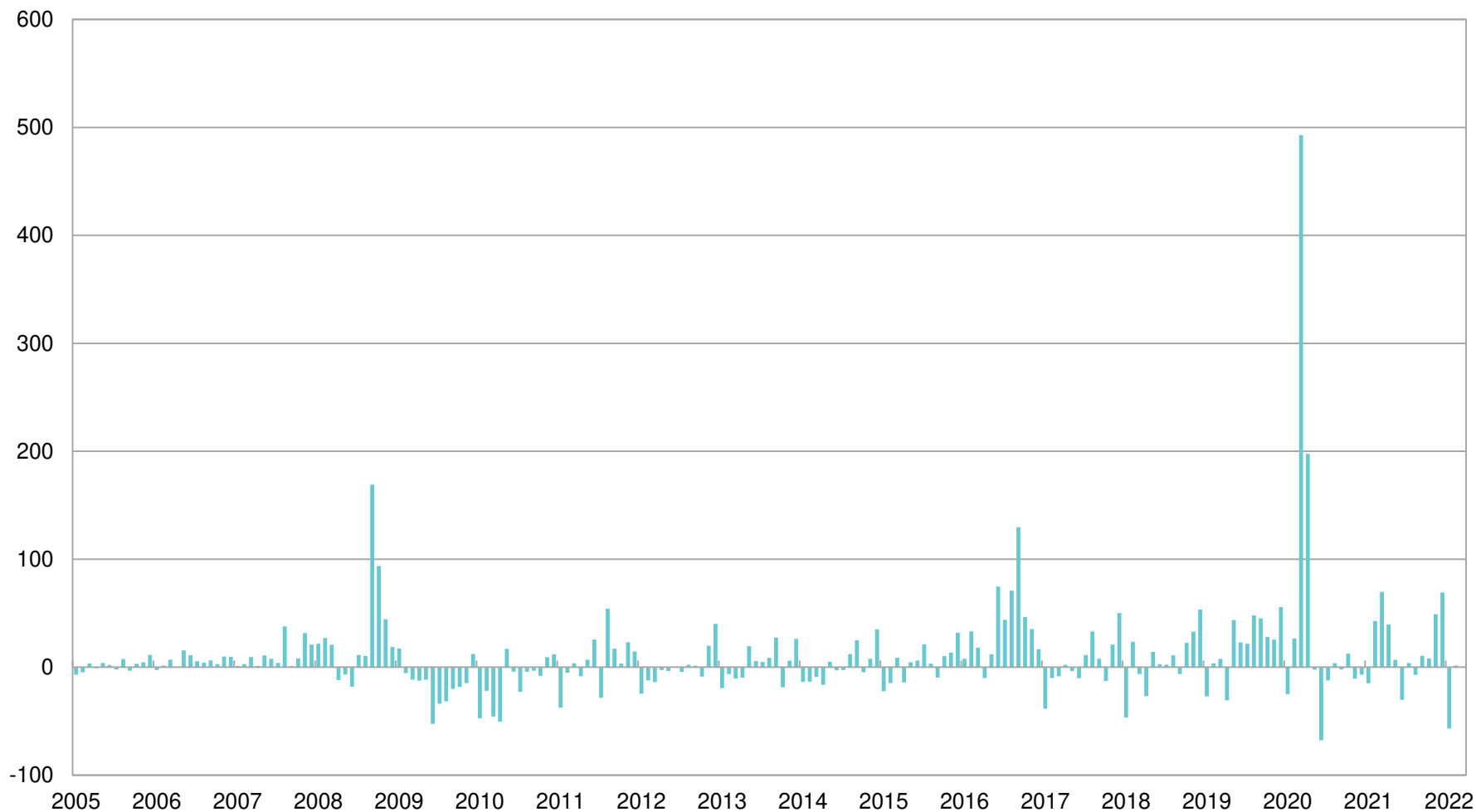
MONTHLY U.S. TREASURY ISSUANCE BY SECURITY, \$ BILLIONS



Source: Bloomberg, U.S. Department of the Treasury

➤ U.S. Treasury money market funds saw \$57 billion outflows in January, the largest outflows since June 2020

U.S. TREASURY MONEY MARKET MONTHLY FUND FLOWS, \$ BILLIONS

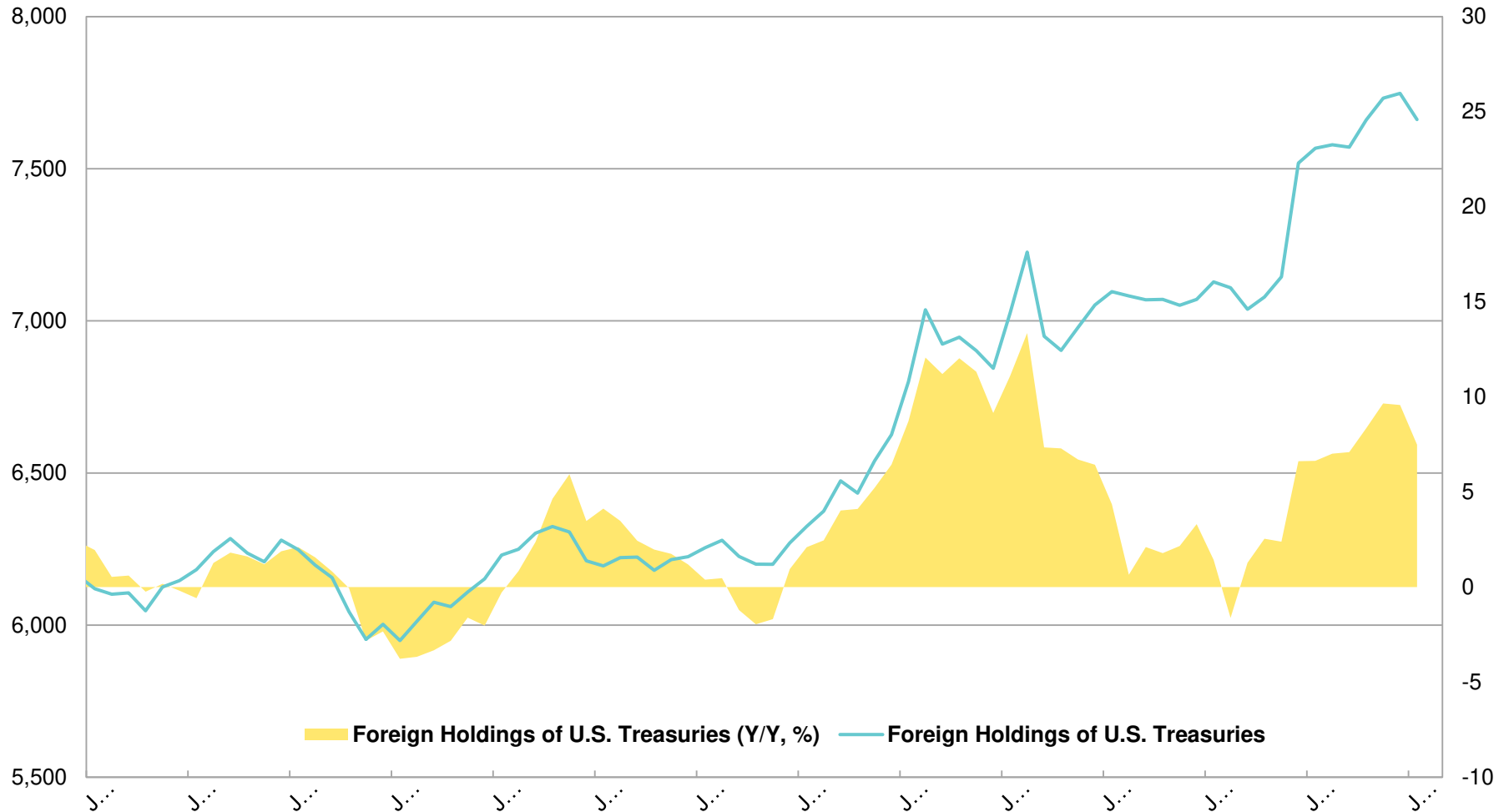


Source: Morningstar

Foreign holdings of Treasuries recently topped out and rolled over

TOTAL FOREIGN HOLDINGS OF U.S. TREASURIES

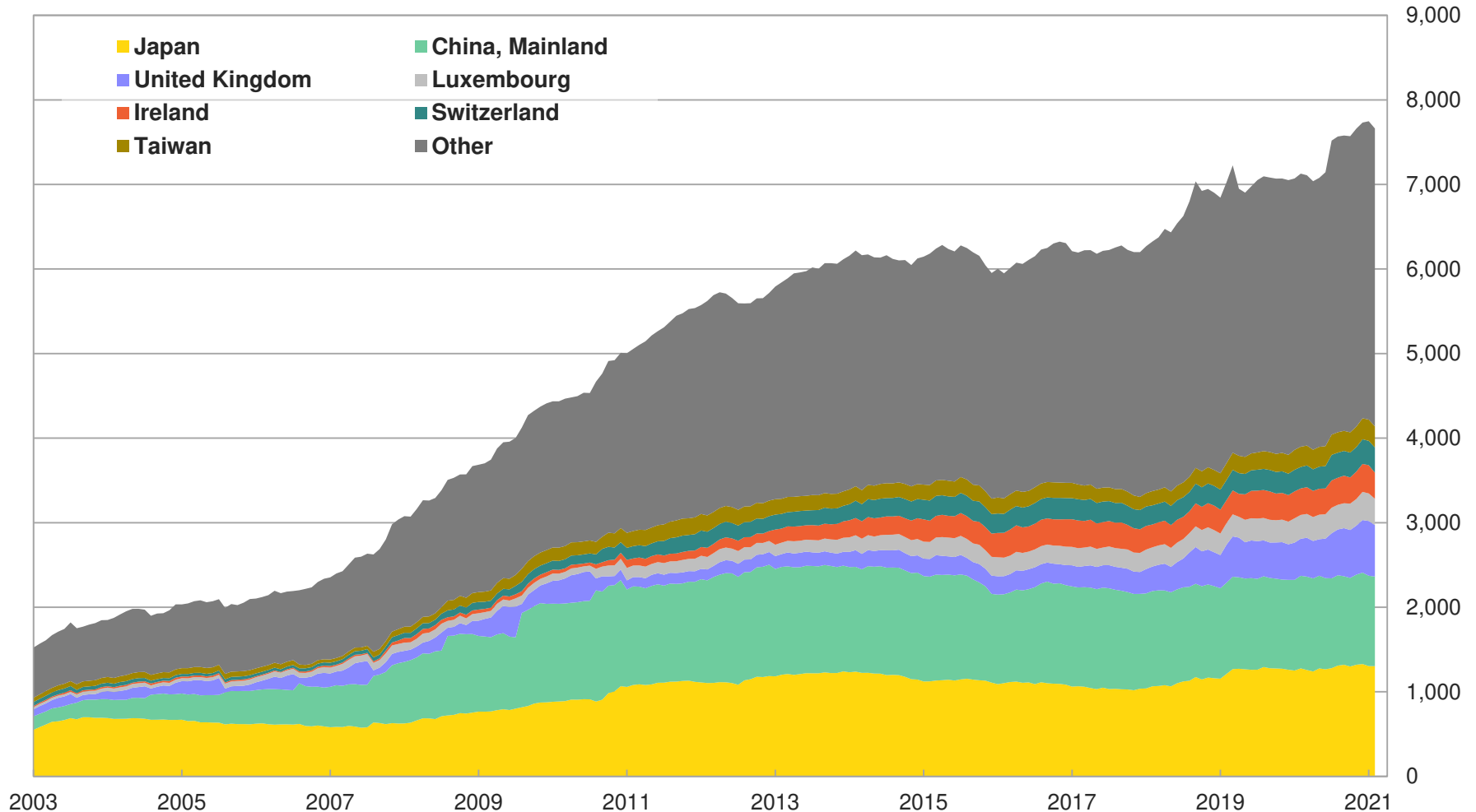
Y/Y % CHANGE IN HOLDINGS



Source: Bloomberg

Japan, China and the UK are the largest holders of US treasuries, accounting for ~40% of foreign held bonds.

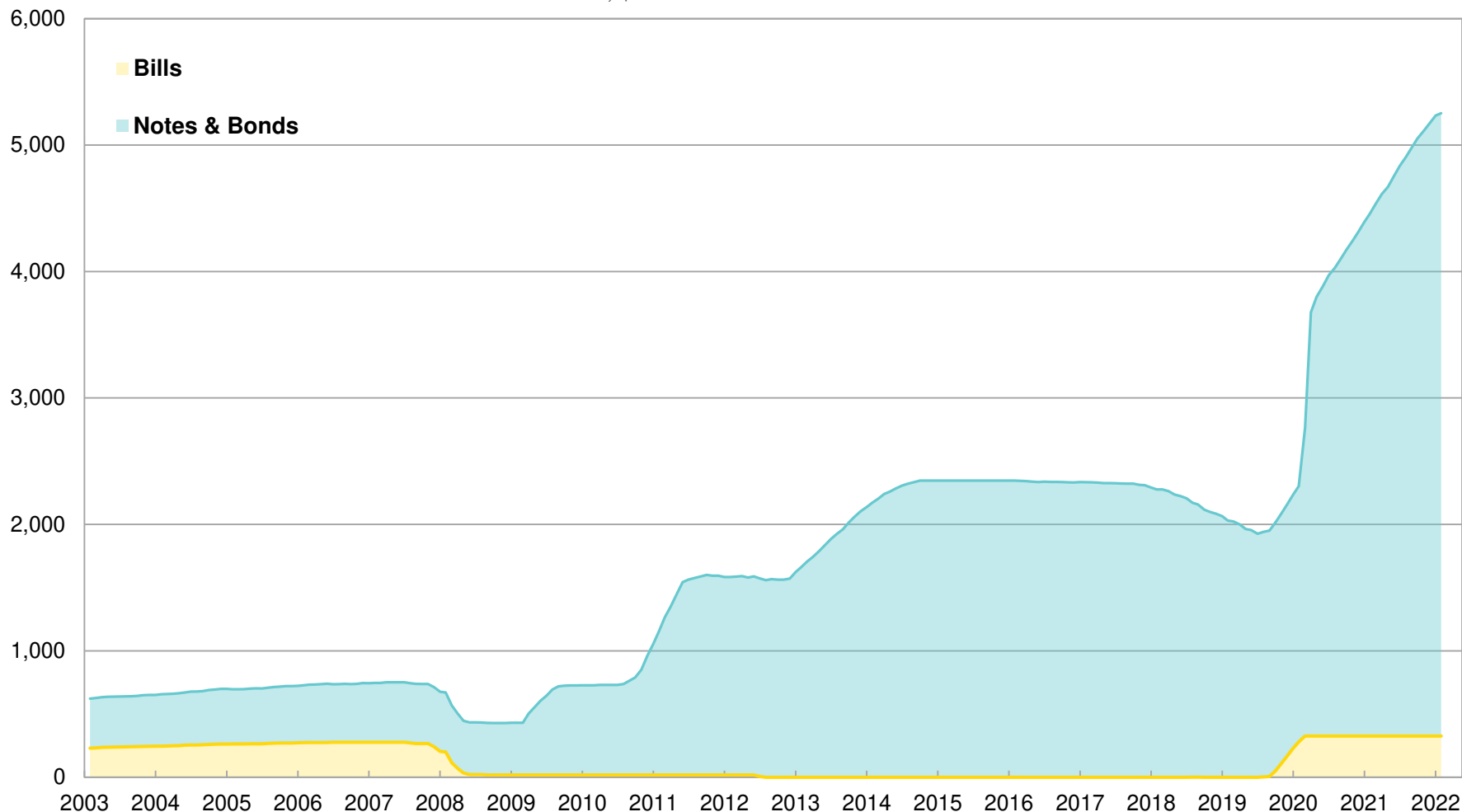
TOTAL FOREIGN HOLDINGS OF U.S. TREASURIES



Source: Bloomberg

➤ Fed Treasury holdings have risen all year, should plateau now, but unwind is expected to start as early as May

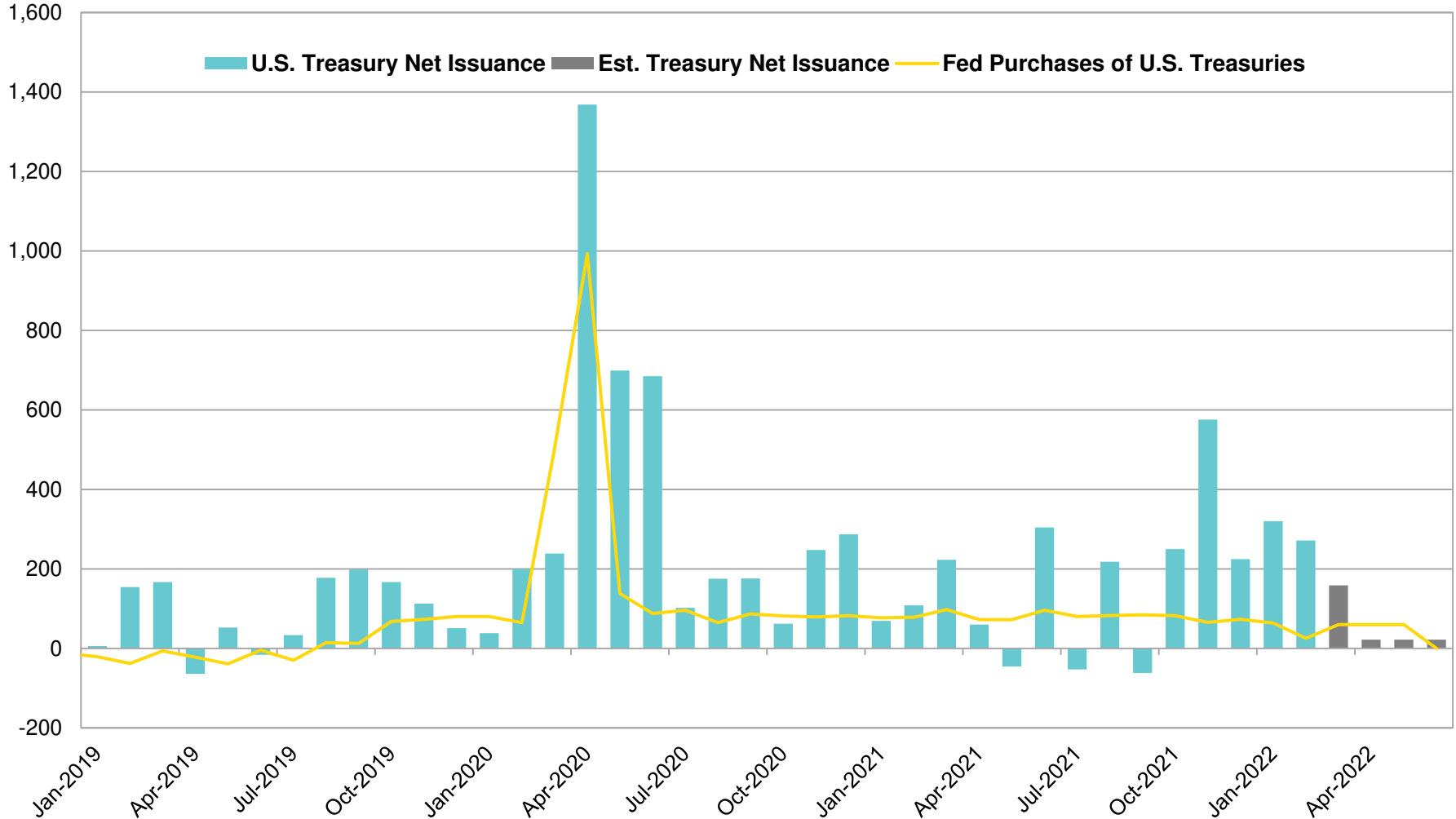
U.S. FEDERAL RESERVE SOMA ACCOUNT HOLDINGS, \$ BILLIONS



Source: Bloomberg

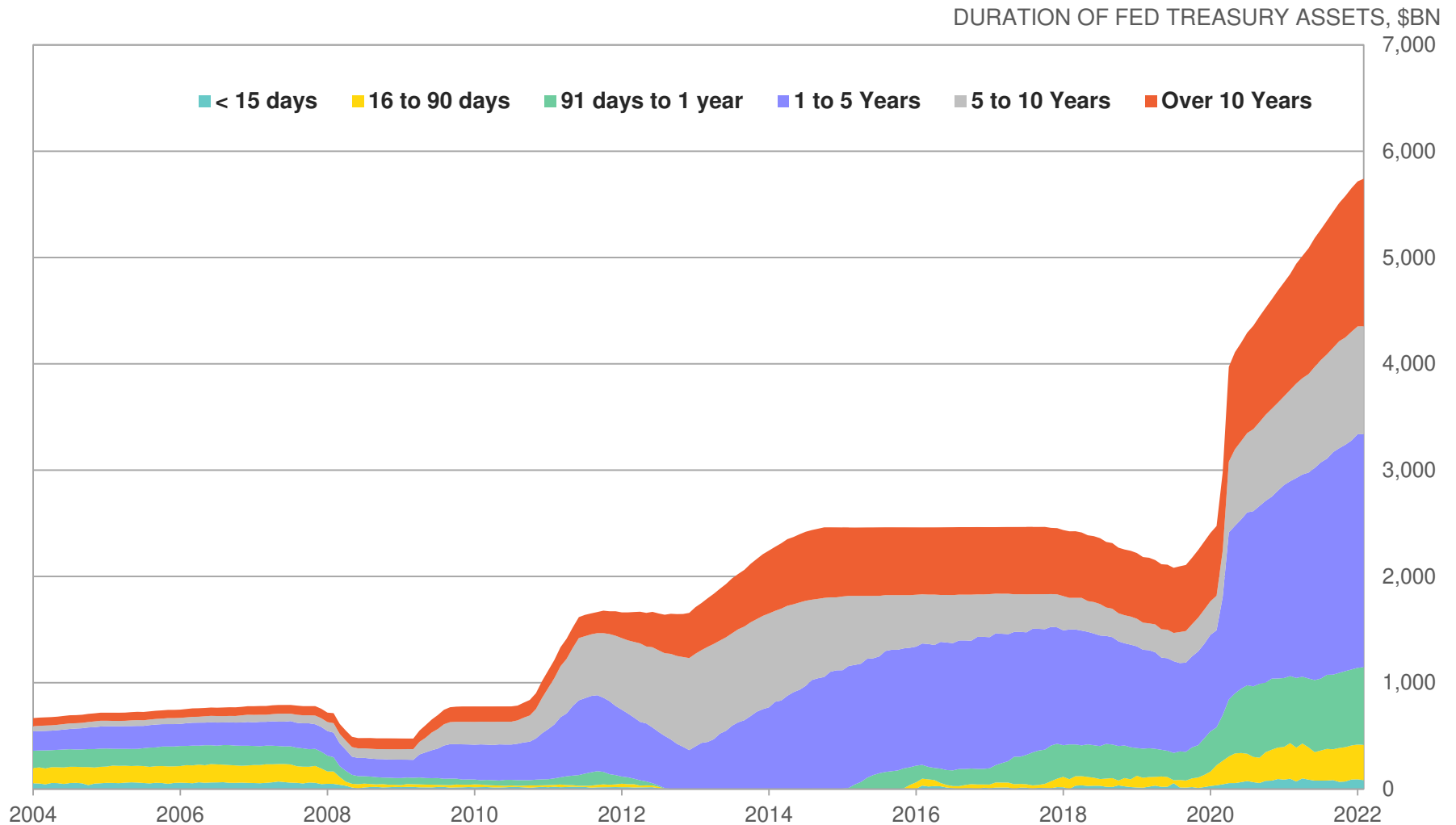
➤ Fed expected to complete tapering long after the pandemic stimulus programs sunset; Build Back Better to require \$1.75 trillion in funding

U.S. TREASURY NET ISSUANCE VS. FED PURCHASES OF U.S. TREASURIES



Source: Bloomberg, U.S. Department of the Treasury

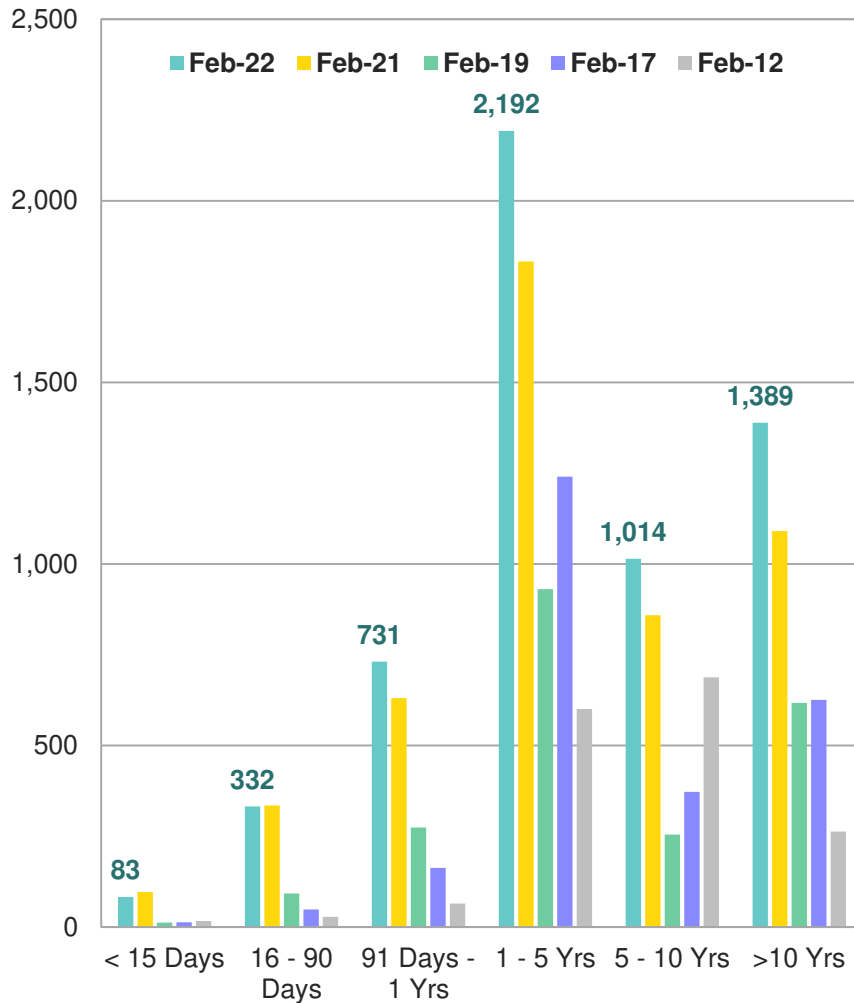
➤ Roughly 20% of the Fed's treasury assets mature within the next 12 months, amounting to >\$1 trillion



Source: Bloomberg

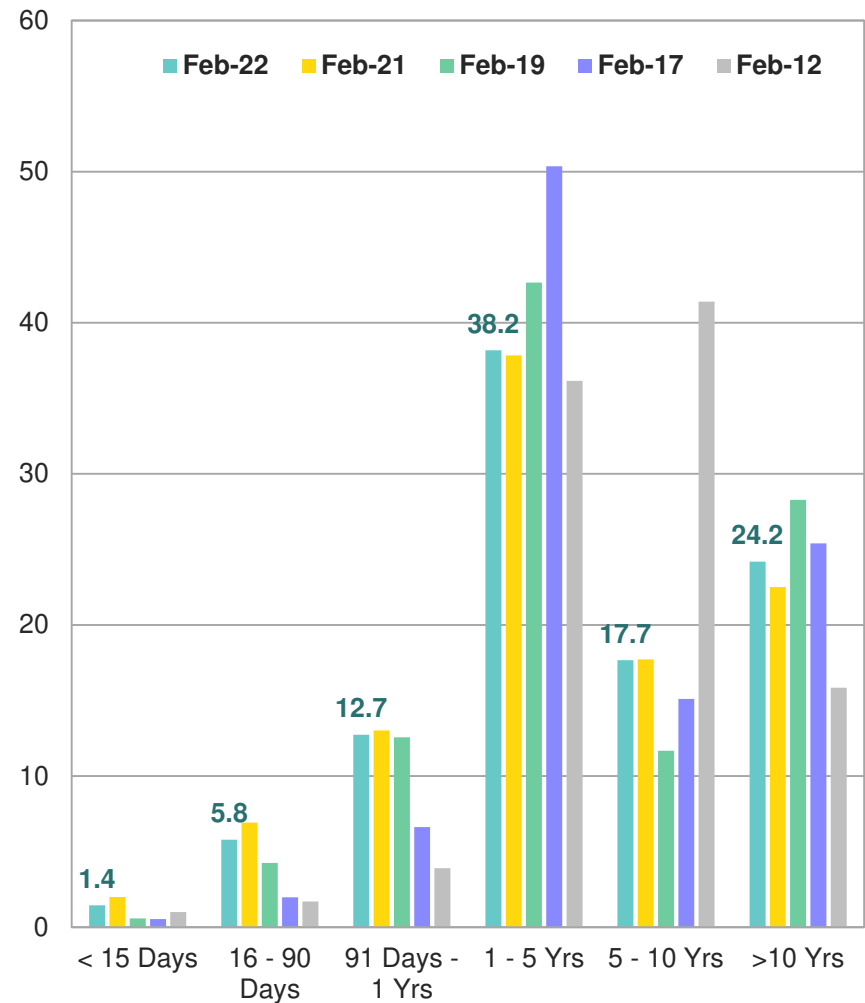
➤ Roughly 20% of the Fed's treasury assets mature within the next 12 months, amounting to >\$1 trillion

VALUE OF FED TREASURY ASSETS VS MATURITY, \$BN



Source: Bloomberg

% OF TOTAL FED TREASURY ASSETS VS MATURITY



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