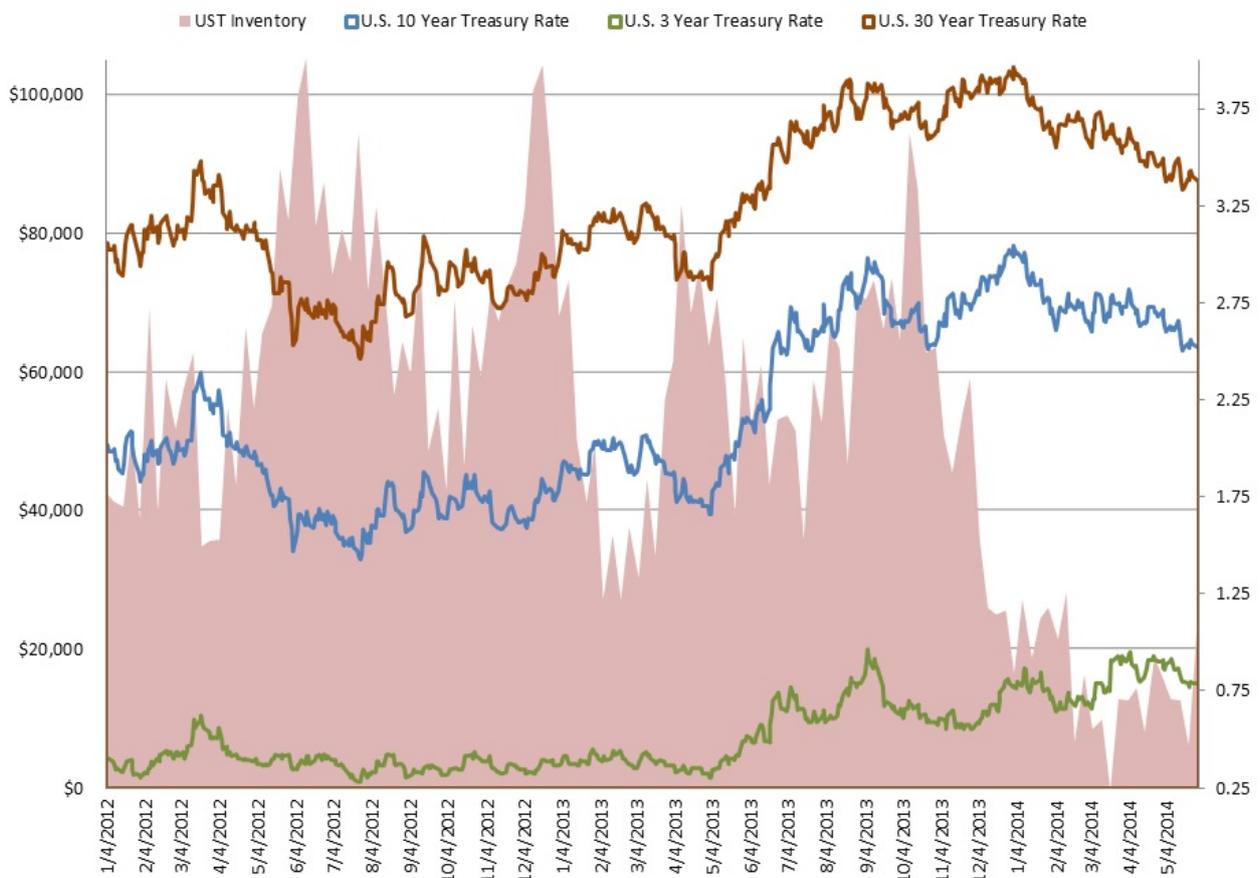


# Who has all the US Treasuries? Not the Dealers.

June 15, 2014

Those of us tracking the broader fixed income market have become quite familiar with [the chart showing dealer inventories of corporate bonds](#) falling through the floor, but this chart of bank US Treasury holdings totally blew me away.



Source: US Federal Reserve, Greenwich Associates

The pink area is the US Treasury holdings of the primary dealers, and the blue the 10 year Treasury rate. Some of the dips in the chart have logical explanations. When the Fed began to taper in early 2013 inventories dropped, for example. But reasoning behind the latest bottoming out of primary dealer US Treasury holdings that began in the fall of 2013 is much less clear. The drop started as the market was preparing for Janet Yellen to take over the Fed - although that's likely correlation rather than causation.

Rates were rising at that time which is a much more likely expectation, but rates have since dropped back down while inventories have continued their decline which makes that theory less likely.

Looking at the holdings a little more closely you can see that banks are mostly shedding the middle part of the curve and hanging onto short term and longer term bonds which does look a bit more like long term positioning, but it can't be that simple. That brings us to the cost of capital. Holding US Treasuries used to be like holding cash, but it is not that simple anymore. Don't forget US debt is not viewed as risk free by everyone anymore. And with major banks talking agency model as a big part of their go-forward fixed income strategy, the need to hold inventory becomes less and less important. The bigger question - is this cyclical or structural change? Honestly - I just don't know.

It is too hard to tease out economic influence from regulatory influence, as we've never had a time of such massive change on both fronts at the same time. That said if you examine bank US Treasury holdings between 2004 and 2009 they are net negative for the majority of that period - so are we just going back to "normal"? Whatever the reason, this chart tells me times are changing. US Treasuries are one of - if not the - most liquid markets in the world, and major banks are holding only \$5 billion dollars of the \$14 trillion dollars outstanding. New liquidity providers? New liquidity platforms? A reversion back to pre-crisis norms? Only time will tell.

Theories? Questions? Comments? Comment below, [tweet me](#) or [e-mail me](#).

---

[www.greenwich.com](http://www.greenwich.com) | [ContactUs@greenwich.com](mailto:ContactUs@greenwich.com)

Coalition Greenwich, a division of CRISIL, an S&P Global Company, is a leading global provider of strategic benchmarking, analytics and insights to the financial services industry.

We specialize in providing unique, high-value and actionable information to help our clients improve their business performance.

Our suite of analytics and insights encompass all key performance metrics and drivers: market share, revenue performance, client relationship share and quality, operational excellence, return on equity, behavioral drivers, and industry evolution.

## About CRISIL

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better. It is majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics, and data to the capital and commodity markets worldwide.

CRISIL is India's foremost provider of ratings, data, research, analytics, and solutions with a strong record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights and efficient solutions to over 100,000 customers through businesses that operate from India, the U.S., the U.K., Argentina, Poland, China, Hong Kong, and

Singapore.

For more information, visit [www.crisil.com](http://www.crisil.com)

## Disclaimer and Copyright

This Document is prepared by Crisil Coalition Greenwich, which is a part of Crisil Ltd, a company of S&P Global. All rights reserved. This Document may contain analysis of commercial data relating to revenues, productivity and headcount of financial services organisations (together with any other commercial information set out in the Document). The Document may also include statements, estimates and projections with respect to the anticipated future performance of certain companies and as to the market for those companies' products and services.

The Document does not constitute (or purport to constitute) an accurate or complete representation of past or future activities of the businesses or companies considered in it but rather is designed to only highlight the trends. This Document is not (and does not purport to be) a comprehensive Document on the financial state of any business or company. The Document represents the views of Crisil Coalition Greenwich as on the date of the Document and Crisil Coalition Greenwich has no obligation to update or change it in the light of new or additional information or changed circumstances after submission of the Document.

This Document is not (and does not purport to be) a credit assessment or investment advice and should not form basis of any lending, investment or credit decision. This Document does not constitute nor form part of an offer or invitation to subscribe for, underwrite or purchase securities in any company. Nor should this Document, or any part of it, form the basis to be relied upon in any way in connection with any contract relating to any securities. The Document is not an investment analysis or research and is not subject to regulatory or legal obligations on the production of, or content of, investment analysis or research.

The data contained in the Document is based upon a particular bank's scope, which reflects a bank's data submission, business structure, and sales revenue Reporting methodology. As a result, any data contained in the Document may not be directly comparable to data presented to another bank. For franchise benchmarking, Crisil Coalition Greenwich has implemented equal ranking logic on aggregate results i.e., when sales revenues are within 5% of at least one competitor ahead, a tie is shown and designated by = (where actual ranks are shown). Entity level data has no equal ranking logic implemented and therefore, on occasion, the differences between rank bands can be very close mathematically.

The data in this Document may reflect the views reported to Crisil Coalition Greenwich by the research participants. Interviewees may be asked about their use of and demand for financial products and services and about investment practices in relevant financial markets. Crisil Coalition Greenwich compiles the data received, conducts statistical analysis and reviews for presentation purposes to produce the final results.

THE DOCUMENT IS COMPILED FROM SOURCES CRISIL COALITION GREENWICH BELIEVES TO BE RELIABLE. CRISIL COALITION GREENWICH DISCLAIMS ALL REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, WITH RESPECT TO THIS DOCUMENT, INCLUDING AS TO THE VALIDITY, ACCURACY, REASONABLENESS OR COMPLETENESS OF THE INFORMATION, STATEMENTS, ASSESSMENTS, ESTIMATES AND PROJECTIONS, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE ARISING OUT OF THE USE OF ALL OR ANY OF THIS DOCUMENT. CRISIL COALITION GREENWICH ACCEPTS NO LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND ARISING OUT OF THE USE OF ALL

OR ANY OF THIS DOCUMENT.

Crisil Coalition Greenwich is a part of Crisil Ltd., an S&P Global company. ©2026 Crisil Ltd. All rights reserved.