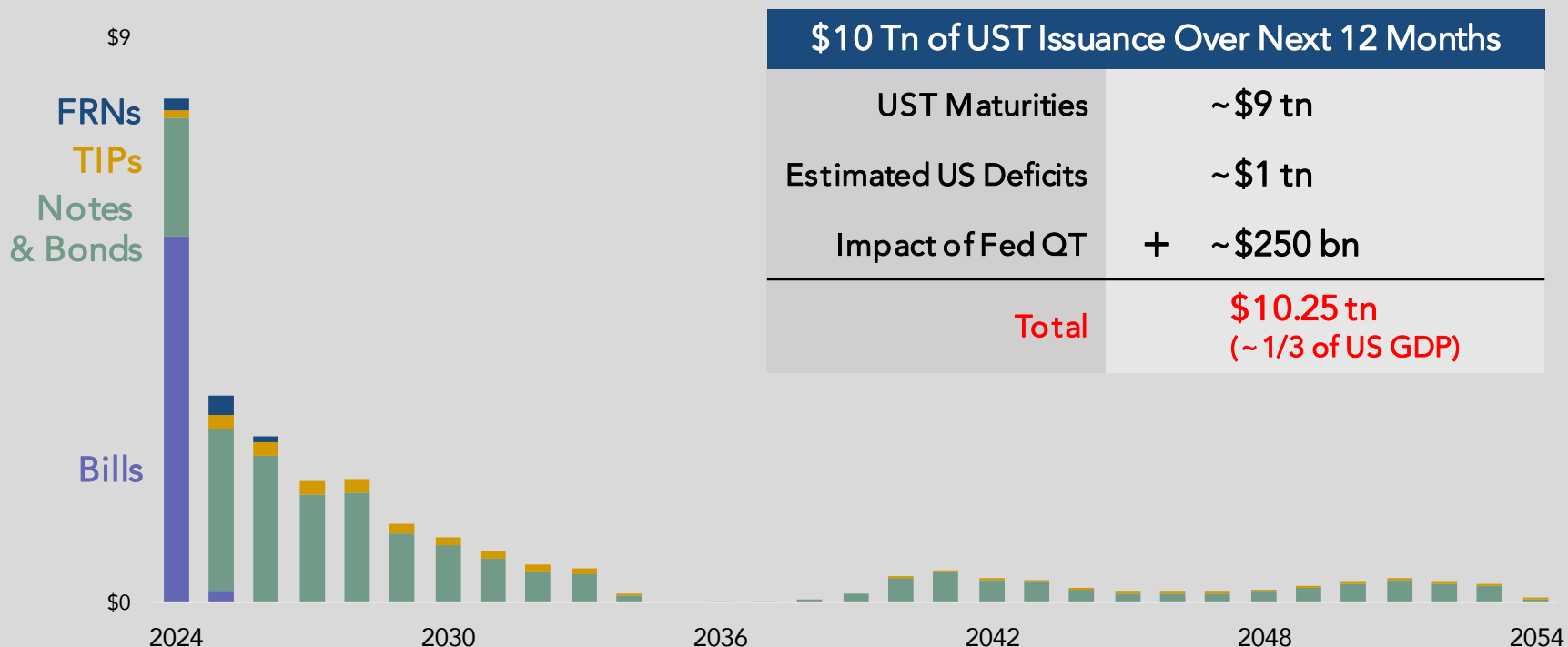


Chart of the Day



With nearly \$9 trillion of maturities and more than \$1 trillion of deficits to finance in the year ahead, the US Treasury will have to issue approximately \$10 trillion of securities (1/3 of GDP) during a period of economic and policy transition. At the same time, the investor profile for USTs has shifted markedly in recent years. Domestic buyers now account for approximately 70% of UST purchases. Among foreign buyers, private sector purchases currently outpace public sector demand by a wide margin.

US government debt by maturity, USD tn



What to Watch in the Months Ahead?

Despite elevated debt and deficits, a US Government sovereign debt crisis is highly unlikely anytime soon. Nonetheless, with nearly \$10 trillion of US Treasury financing needs over the next 12 months alone, a number of important dynamics should be watched closely.

- Performance of US Treasury auctions
- Increased US rate volatility
- Generally low liquidity in UST markets
- Impact of the Fed's QT tapering policy
- Rising term premia
- Adverse rating agency actions (warnings, downgrades)



Source: (1) MUFG, "QT Taper Train Has Left the Station (cuts next)", "Walking a Tightrope: We're locking on macro divergences" (George Goncalves). Bloomberg. Data as of April 24, 2024. Impact of Fed QT implies \$25 bn UST roll-off through 2024 and \$12.5 bn UST roll-off starting in 2025.

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"Macro stability isn't everything, but without it, you have nothing."