

Perpetual knowledge bank series: US treasuries

By Perpetual Asset Management

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The US Treasury is a key US government department in charge of managing all Federal finances. While it is responsible for enforcing a wide variety of US finance and tax laws, it is also the government department responsible for issuing all Treasury bonds, notes, and bills. These bonds are considered to be among the safest and most liquid securities worldwide in what is a

\$US23.7 trillion (\$36.5 trillion) US Treasuries market. It is worth noting that the US Treasury and the Federal Reserve are separate entities, with the latter's primary responsibility being to keep the economy stable by managing the supply of money in circulation.

US government debt has traditionally been very attractive to everyone from US commercial banks, fund managers and life insurers to global pension providers, foreign governments and central banks. While the Fed Reserve became the largest holder of US Treasury assets globally during the Covid pandemic, Japan has historically been the biggest foreign buyer of US treasuries. As of May 2022, Japan held US Treasury securities totalling about \$1.21 trillion. Typically, Japanese buying has favoured intermediate sectors of the Treasury curve from five- to 10-year notes, while life insurers and pension funds have focused on 30-year bonds.

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