Comments on: “The Aggregate Demand for Treasury Debt” by Krishnamurthy & Vissing-Jorgensen

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November 18, 2011
Adding the Latest Observations to Figures 1A and 1B ...

Corporate Bond Spread and Government Debt


Note: Dashed lines represent 2008-2011 values
Same Story If We Exclude Fed Holdings

Corporate Bond Spread and Government Debt without Fed Holdings


Note: Dashed lines represent 2008-2011 values
Adding the Latest Observations to Figures 2A and 2B

Money and Government Debt


Note: Dashed lines represent 2008-2011 values
Excluding Fed Holdings Doesn’t Resolve the Structural Shift

Money and Government Debt without Fed Holdings

Money and Government Debt without Fed Holdings


Note: Dashed lines represent 2008-2011 values
Are all Treasury Securities “Money”?

TIPS as a % of Total Treasury Securities Outstanding

Percent

The US Treasury Securities Market ($Bil)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2011 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Outstanding</td>
<td>9528</td>
</tr>
<tr>
<td>Holdings, by Sector:</td>
<td></td>
</tr>
<tr>
<td>Foreign</td>
<td>4438</td>
</tr>
<tr>
<td>Federal Reserve</td>
<td>1620</td>
</tr>
<tr>
<td>Insurance / Pension</td>
<td>1092</td>
</tr>
<tr>
<td>Household</td>
<td>650</td>
</tr>
<tr>
<td>S&amp;L Government</td>
<td>484</td>
</tr>
<tr>
<td>Mutual Funds / ETF’s</td>
<td>369</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>342</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>261</td>
</tr>
<tr>
<td>Dealers</td>
<td>62</td>
</tr>
<tr>
<td>All Other</td>
<td>210</td>
</tr>
</tbody>
</table>

Source: U.S. Treasury Dept

Source: Federal Reserve Flow of Funds
Foreign Investors Play an Important Role in the Treasury Market

Foreign Ownership Share of Outstanding Treasuries

Ownership of Treasuries, by Maturity

Source: Federal Reserve Flow of Funds (includes Fed holdings)

Note: Data as of June 2010. Excludes Fed holdings.
Source: Morgan Stanley calculations based on US Treasury TICS data.
Taking a Look at Debt Management on a Consolidated Basis

Average Maturity of All Marketable Treasury Debt Outstanding and the Fed’s Holdings

Average Maturity of Privately-Held Treasury Debt

Note: Gray points represent 2011 & 2012 estimates
Source: US Treasury Dept, Federal Reserve Bank of New York, and Morgan Stanley calculations

Note: Gray points represent 2011 and 2012 estimates
Source: US Treasury Dept and Morgan Stanley calculations
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