

First Annual Roundtable on Treasury Markets and Debt Management

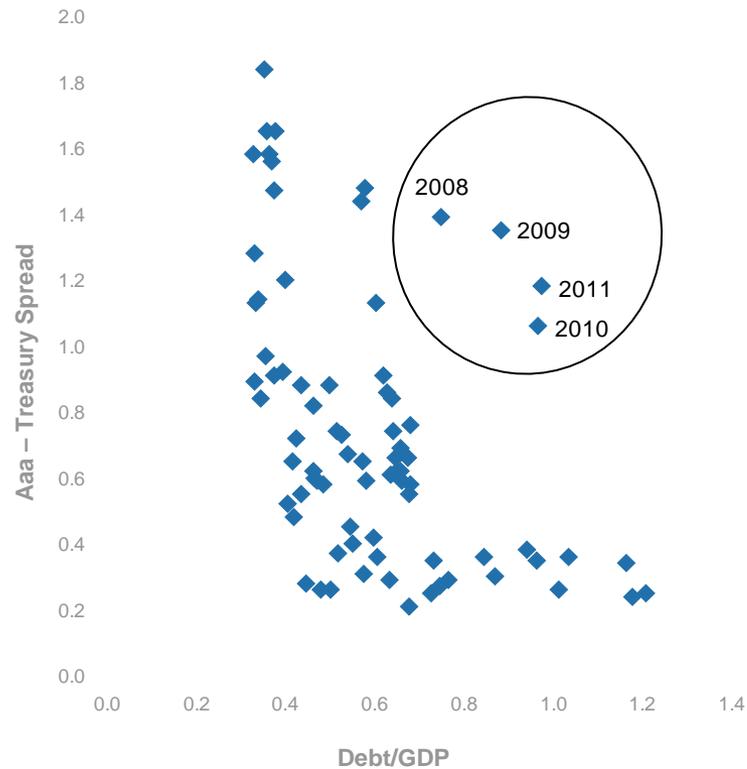
Comments on: “The Aggregate Demand for Treasury Debt” by Krishnamurthy & Vissing-Jorgensen

David Greenlaw, Chief U.S. Fixed Income Economist

November 18, 2011

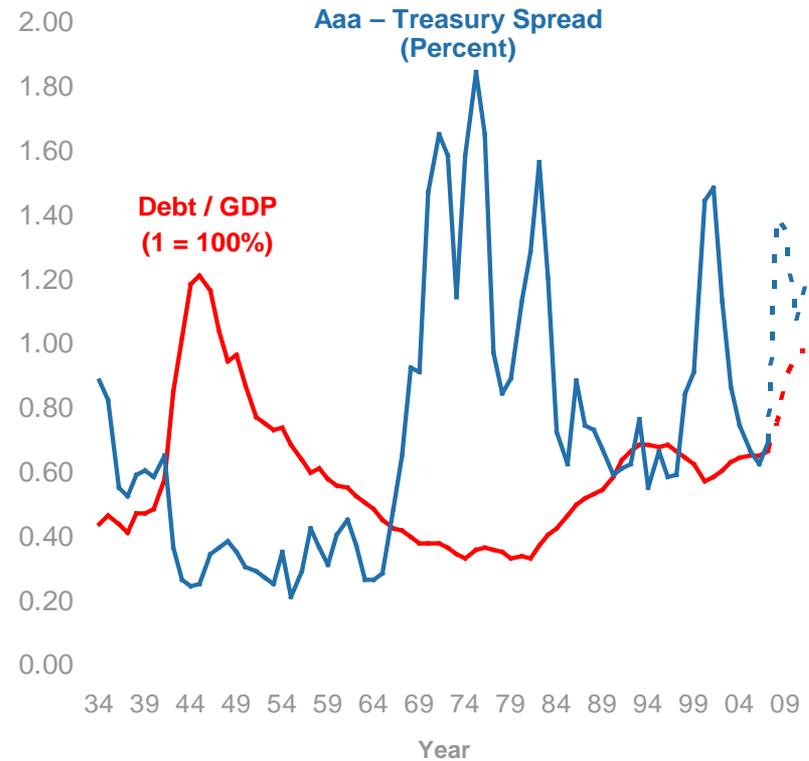
Adding the Latest Observations to Figures 1A and 1B ...

Corporate Bond Spread and Government Debt



Source: Federal Reserve, US Treasury, Historical Statistics of the United States, Bureau of Economic Analysis, Morgan Stanley Research

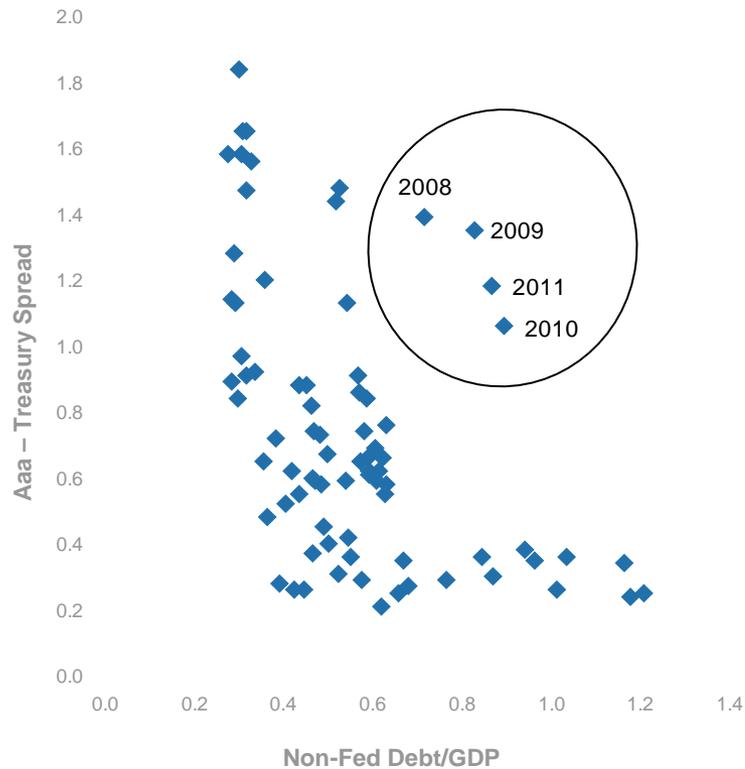
Corporate Bond Spread and Government Debt



Note: Dashed lines represent 2008-2011 values
 Source: Federal Reserve, US Treasury, Historical Statistics of the United States, Bureau of Economic Analysis, Morgan Stanley Research

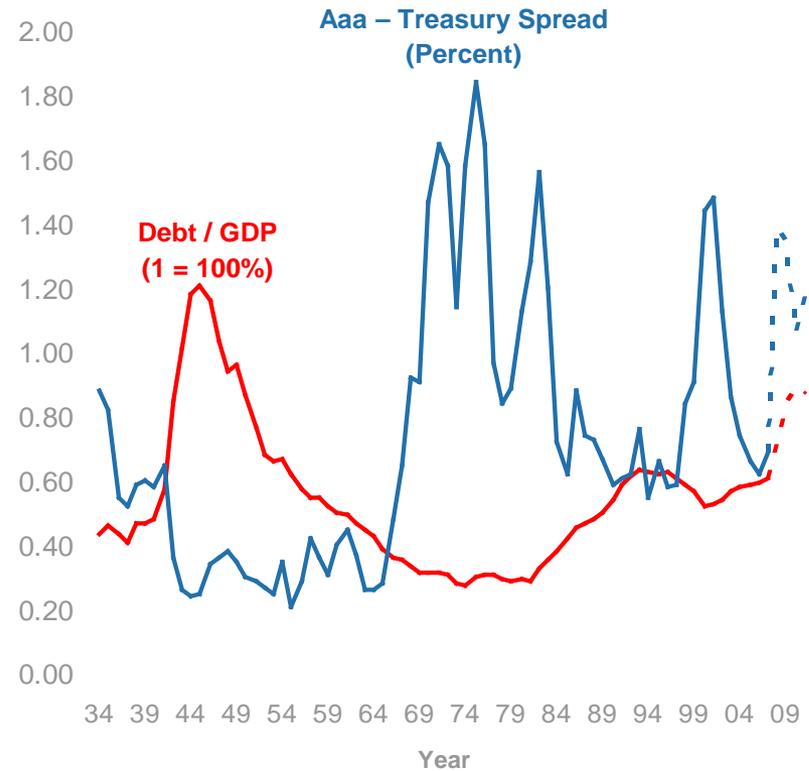
Same Story If We Exclude Fed Holdings

Corporate Bond Spread and Government Debt without Fed Holdings



Source: Federal Reserve, US Treasury, Historical Statistics of the United States, Bureau of Economic Analysis, Morgan Stanley Research

Corporate Bond Spread and Government Debt without Fed Holdings

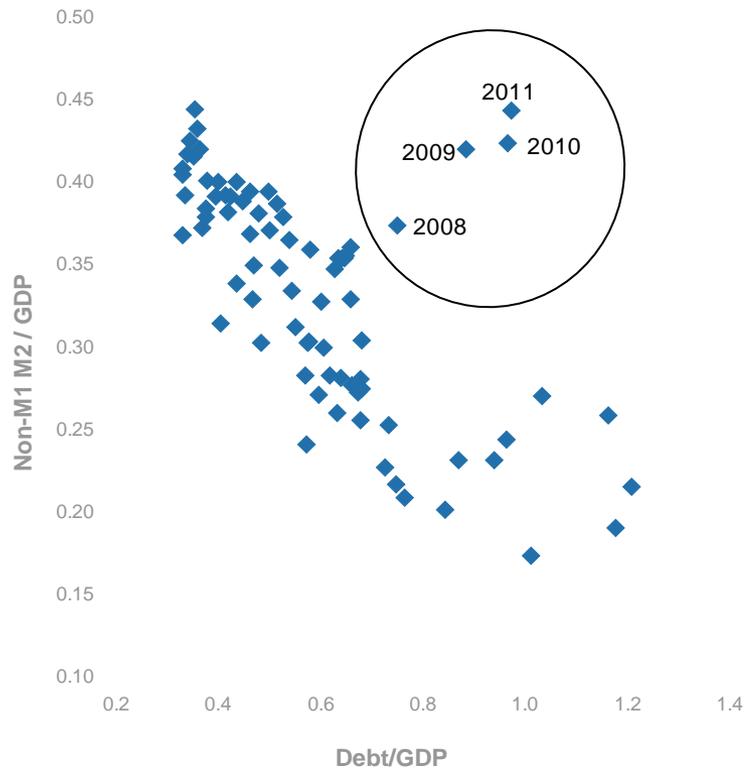


Note: Dashed lines represent 2008-2011 values

Source: Federal Reserve, US Treasury, Historical Statistics of the United States, Bureau of Economic Analysis, Morgan Stanley Research

Adding the Latest Observations to Figures 2A and 2B

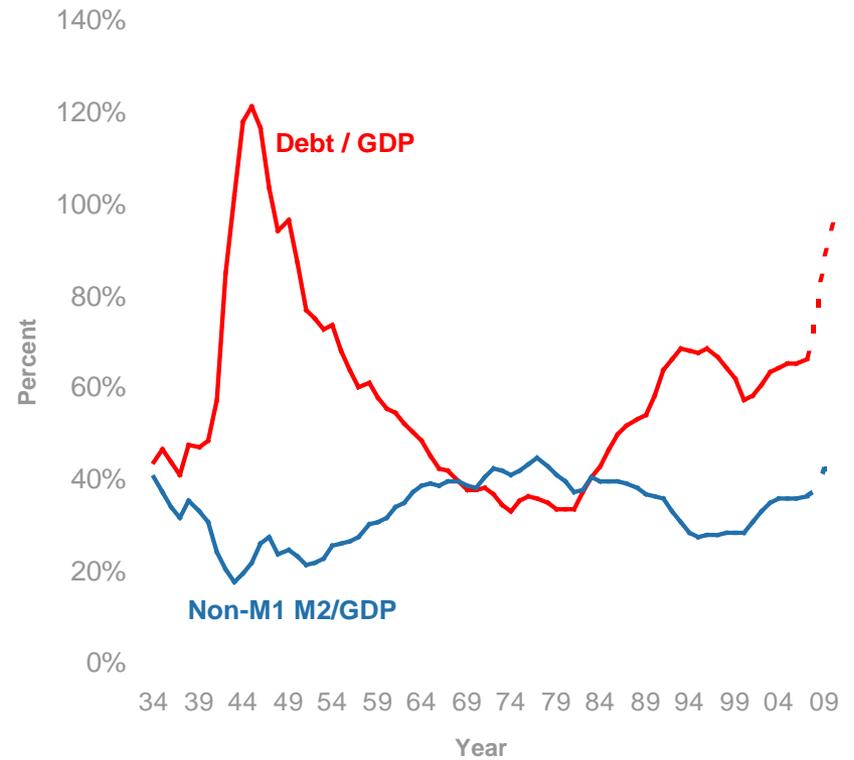
Money and Government Debt



Source: Federal Reserve, US Treasury, Historical Statistics of the United States, Bureau of Economic Analysis, Morgan Stanley Research

Money and Government Debt

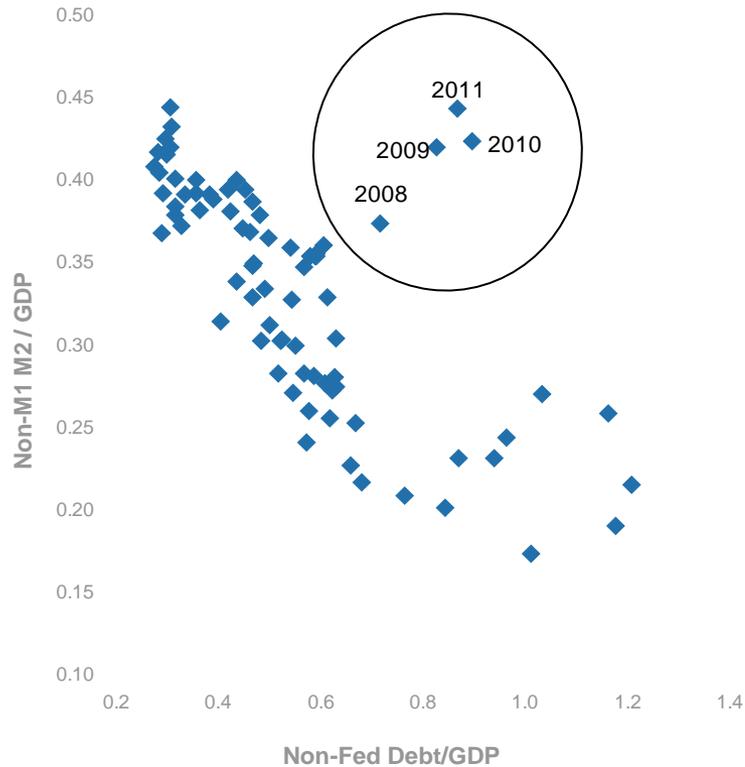
Percent



Note: Dashed lines represent 2008-2011 values
 Source: Federal Reserve, US Treasury, Historical Statistics of the United States, Bureau of Economic Analysis, Morgan Stanley Research

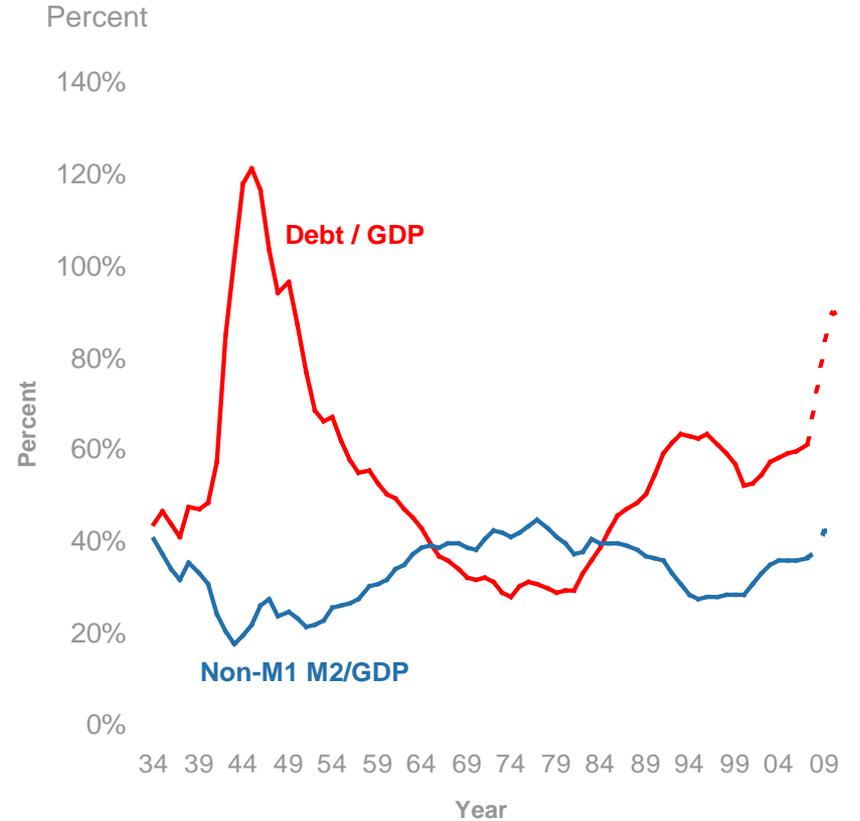
Excluding Fed Holdings Doesn't Resolve the Structural Shift

Money and Government Debt without Fed Holdings



Source: Federal Reserve, US Treasury, Historical Statistics of the United States, Bureau of Economic Analysis, Morgan Stanley Research

Money and Government Debt without Fed Holdings



Note: Dashed lines represent 2008-2011 values
 Source: Federal Reserve, US Treasury, Historical Statistics of the United States, Bureau of Economic Analysis, Morgan Stanley Research

Are all Treasury Securities “Money”?

TIPS as a % of Total Treasury Securities Outstanding

Percent



Source: U.S. Treasury Dept

The US Treasury Securities Market (\$Bil)

2011 Q2

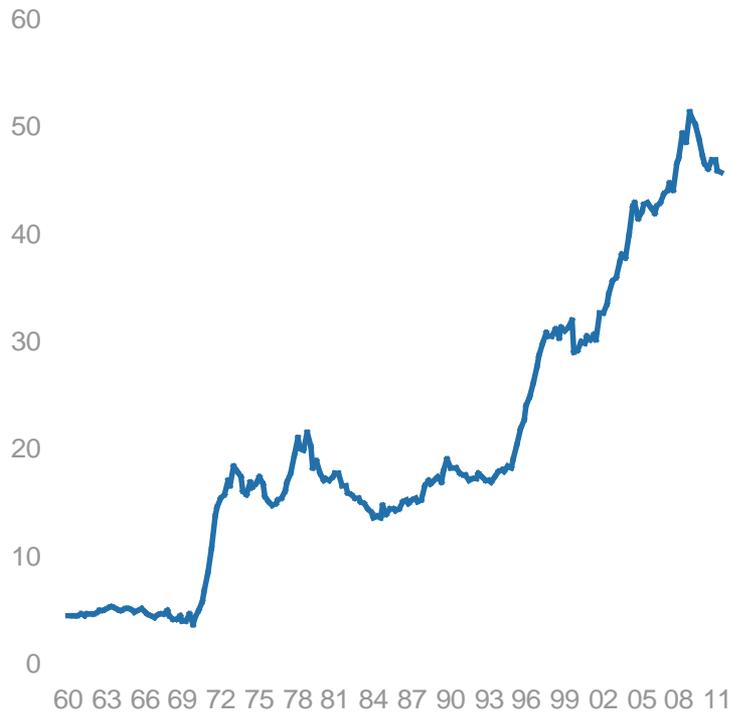
Amount Outstanding	9528
Holdings, by Sector:	
Foreign	4438
Federal Reserve	1620
Insurance / Pension	1092
Household	650
S&L Government	484
Mutual Funds / ETF's	369
Money Market Funds	342
Commercial Banks	261
Dealers	62
All Other	210

Source: Federal Reserve Flow of Funds

Foreign Investors Play an Important Role in the Treasury Market

Foreign Ownership Share of Outstanding Treasuries

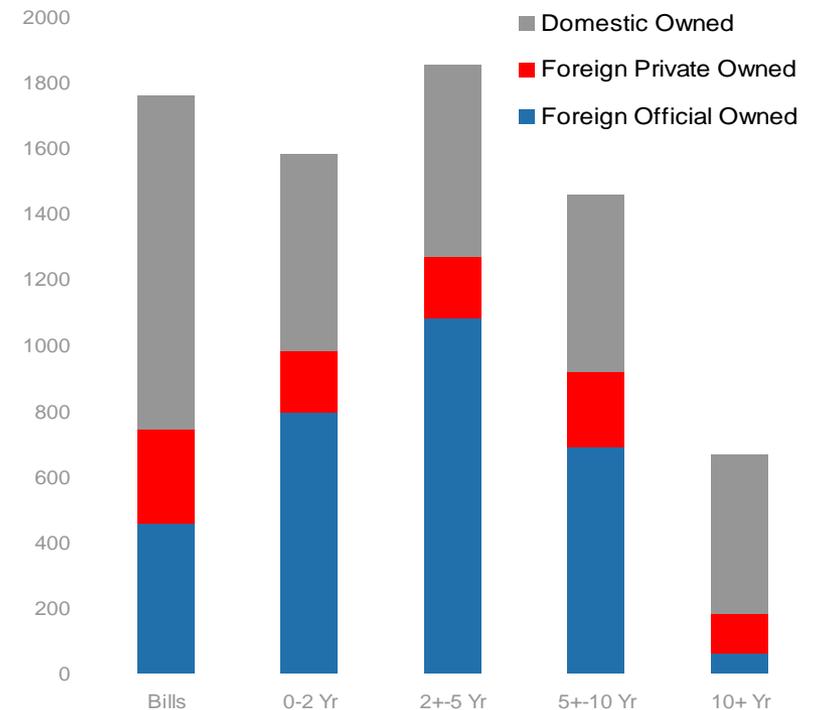
Percent



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

Ownership of Treasuries, by Maturity

Billions of Dollars

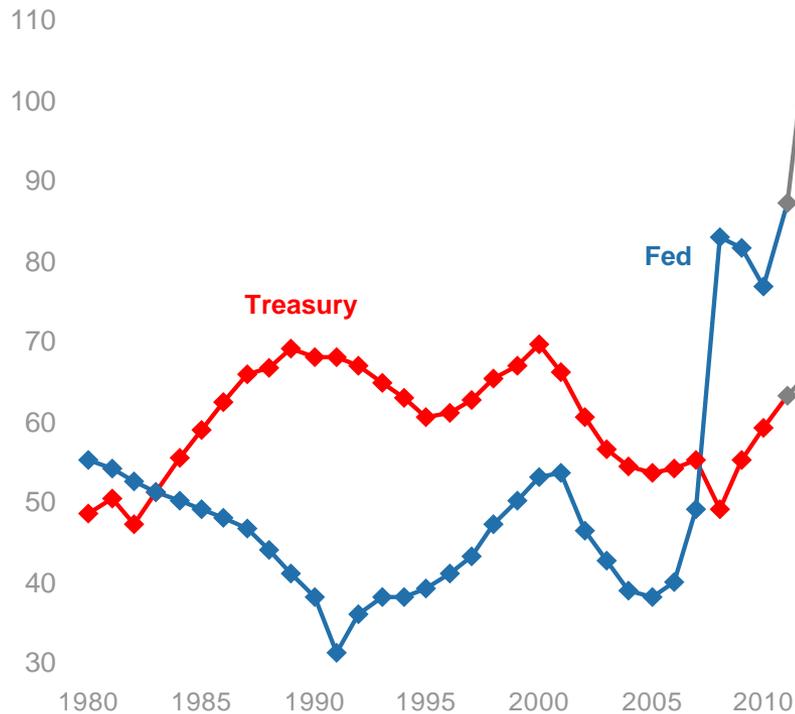


Note: Data as of June 2010. Excludes Fed holdings.
Source: Morgan Stanley calculations based on US Treasury TICS data.

Taking a Look at Debt Management on a Consolidated Basis

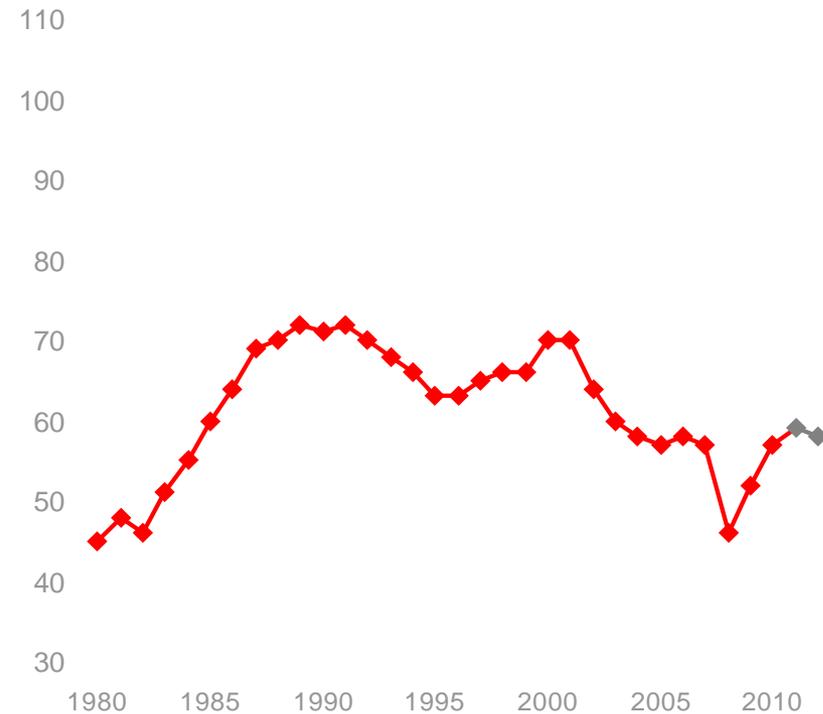
Average Maturity of All Marketable Treasury Debt Outstanding and the Fed's Holdings

Months



Average Maturity of Privately-Held Treasury Debt

Months



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

Disclosure section

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