

US Treasuries Likely To Underperform

As the US increasingly moves closer to becoming a net exporter, by intent and also since the PBoC and BoJ are reducing vendor financing in the form of purchasing US treasuries, the US current account may move into surplus against China and Japan. This would mean a shortage of USD to recycle which would mean a further withdrawal of demand for US treasuries. If the PBoC and BoJ fail to support a treasury auction long rates could spike.

The current movement of trade flows and capital have us moving in that direction.