

Economy

Beijing boosts holdings of US Treasury debt

By Martin Crutsinger (China Daily)
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WASHINGTON - China has boosted its holdings of United States Treasury debt for the second straight month as total foreign holdings of US debt increased.

The development should help ease concerns that lagging foreign demand will force the US government to pay higher interest rates to finance its debt.

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China's holdings of US Treasury securities rose by \$5 billion to \$900.2 billion in April, the US Treasury Department said on Tuesday. Total foreign holdings rose by \$72.8 billion to \$3.96 trillion.

China is the largest foreign holder of Treasury securities. The monthly gains in March and April came after six consecutive months when China was either reducing its US holdings or keeping them constant. The stretch raised concerns that China might shift money away from Treasury securities.

The 1.9-percent rise in total holdings of US debt in April followed an even bigger 3.5-percent increase in March.

The sizable gains are being driven by fears that Greece and other European governments could default on their debt. On Monday, Moody's Investors Service slashed Greece's credit rating to junk status, the latest blow to the debt-ridden nation.

Fear of possible defaults has sparked a flight to safety, which has benefited US Treasury securities. Treasuries are considered the world's safest investment - the US government has never defaulted on its debt.

The US Treasury reported that net purchases of long-term securities, covering US government debt and the debt of US companies, increased by \$83 billion in April. It follows a record monthly gain of \$140.5 billion in March.

Higher interest in US bonds has helped push interest rates lower, a welcome development for the US government, which faces the task of financing record federal budget deficits. The federal deficit hit an all-time high of \$1.4 trillion last year. It is expected to remain above \$1 trillion this year and in 2011 as well.

Japan, the No 2 foreign holder of US Treasury securities, also increased its holdings in April. It boosted them by \$10.6 billion to \$795.5 billion.

Associated Press