

COMMENTARY

October 1, 2026

Mind on the Market

Chart of the Week

Estimated Ownership of US Treasury Securities (2021-2025)

End of Month	Total Debt* (\$T)	Foreign Holdings (\$T)	Foreign Holdings as a Share of Total Debt
Dec 2025	\$30.1	\$9.2	31%
Dec 2024	\$28.1	\$8.6	31%
Dec 2023	\$26.2	\$7.9	30%
Dec 2022	\$23.8	\$7.2	30%
Dec 2021	\$22.6	\$7.7	34%

Source: Board of Governors of the Federal Reserve System. *Total debt figure represents total U.S. publicly held debt. Data as of 3/19/2026.

De-dollarization is based on the idea that countries are reducing their US Treasury holdings and moving more of their reserves into other currencies or assets. While this theme is important to watch, the more relevant question for investors is not whether the dollar is about to lose its dominant role. That remains unlikely given the size, liquidity, and depth of US financial markets. Instead, the focus should be on how gradual reserve diversification may change the composition of Treasury demand. As the Chart of the Week shows, foreign holdings have grown in dollar terms but have not kept pace with the overall Treasury market, increasing the importance of other buyers. This could have implications for yields, volatility, and fixed-income markets more broadly.

Contact

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Weekly Highlights

Foreign ownership of US
Treasury debt

\$9.2T

Source: Board of Governors of the
Federal Reserve System. Data as
of 3/19/2026.

Private share of foreign
treasury holdings

58.1%

Source: US Department of the
Treasury, Treasury International
Capital Data and Major Foreign
Holders of Treasury Securities. Data
as of December 2025.

Projected US federal
deficit (FY2026)

\$1.9T

Source: Congressional Budget Office,
The Budget and Economic Outlook:
2026 to 2036. Data as of February
2026.

De-dollarization gets the headlines. Treasury demand tells the story.

Foreign central banks historically have been steady buyers of US Treasuries because the market offers a combination of scale and liquidity that few alternatives can match. That helps explain why the US dollar still represented 56.9% of global foreign exchange reserves in the third quarter of 2025, far ahead of any other currency.¹ A lower reserve share, however, does not automatically mean central banks are selling Treasuries. The more important development is that foreign official demand is no longer growing at the same pace as Treasury supply. As a result, other buyers need to step in to balance the market.

Treasury demand remains healthy, but the mix of buyers is changing. Foreign investors held about \$9.2 trillion of federal debt at the end of 2025, equal to 31% of publicly held debt (see the Chart of the Week). Within those foreign holdings, private investors accounted for 58.1%, compared with 41.9% held by official institutions.² A broader Treasury survey shows the same shift: the official share of foreign Treasury holdings fell from 59% in 2020 to 43% in 2025.³ Figure 2 shows that holdings for some major foreign investors, most notably China and Japan, have declined from earlier peaks. These changes do

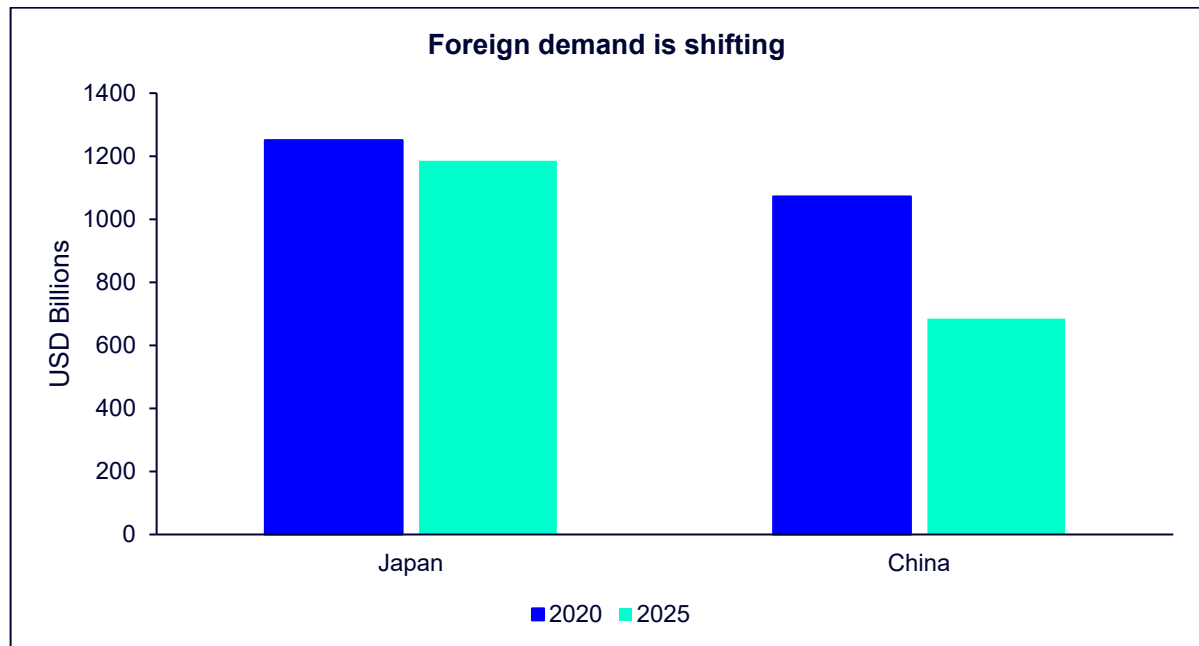
¹ International Monetary Fund, [IMF Data Brief: Currency Composition of Official Foreign Exchange Reserves—Third Quarter of 2025](#). Data as of 12/18/25.

² US Department of the Treasury, [Treasury International Capital Data and Major Foreign Holders of Treasury Securities](#). Data as of December 2025.

³ US Department of the Treasury, [Report on Foreign Portfolio Holdings of U.S. Securities at End-June 2025](#). Data as of 4/30/26.

not suggest that foreign demand has disappeared. Rather, both domestic and foreign private investors are becoming more important as the Treasury market grows.

Figure 2: Top Foreign Holders of US Treasury (2020 vs 2025)

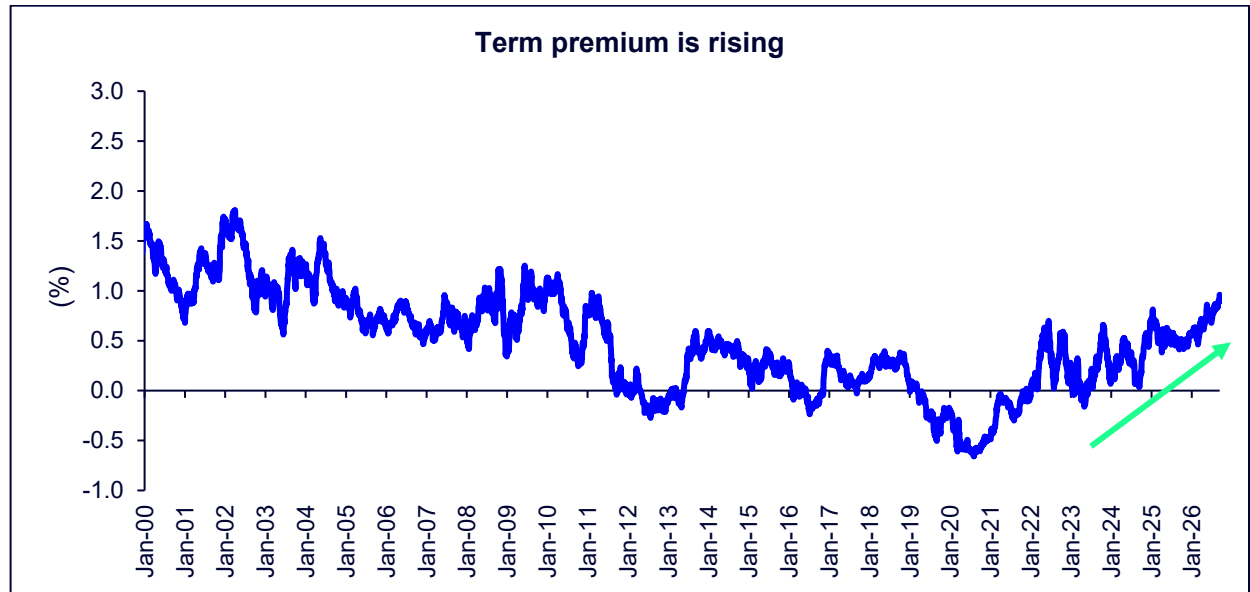


Source: Macrobond, Bloomberg. Data as of 12/31/2025.

The growing role of private investors matters because they tend to evaluate Treasuries through a different lens than central banks. Whereas reserve managers often hold Treasuries to preserve liquidity and maintain reserve assets, private investors are typically focused on relative value and expected returns. As a result, Treasuries increasingly compete with other investment opportunities for capital. Demand is therefore unlikely to disappear, but investors may require higher yields to absorb additional supply.

A more price-sensitive buyer base may contribute to greater Treasury market volatility and place upward pressure on the term premium, particularly when supply is rising or uncertainty around inflation and fiscal policy is elevated. As shown in Figure 3, the 10-year Treasury term premium, an estimate of the additional compensation investors require for holding a longer-term bond, has moved higher from the deeply negative levels. Changes in the estimated term premium have also become more volatile, a trend that could persist as a growing share of Treasury demand comes from investors who actively adjust their portfolios in response to changes in economic and market conditions.

Figure 3: Term Premium on a 10Y Zero Coupon Bond



Source: FRED. Data as of 9/11/2026.

This greater sensitivity to price becomes especially important when Treasury issuance is elevated. Recent movements in yield reflect more than expectations for inflation and Federal Reserve policy. Investors are also assessing the scale, timing, and maturity of debt issuance amid a challenging fiscal outlook. The Congressional Budget Office projects a \$1.9 trillion federal deficit in fiscal year 2026, equal to 5.8% of GDP, while debt owed to investors outside the federal government, including the Federal Reserve, is projected to rise from 101% of GDP in 2026 to 120% in 2036.⁴ In the near term, the US Treasury expects to borrow \$739 billion in the third quarter of 2026 and \$628 billion in the fourth quarter.⁵

Even with these pressures, demand for US Treasury debt is not at risk of disappearing. The market remains the world's deepest and most liquid government bond market, and Treasuries continue to play a central role in the global financial system. Their importance as collateral, combined with their safe-haven status during periods of uncertainty, helps support demand from a broad range of investors.

For fixed-income investors, the impact extends beyond the Treasury market. Treasury yields provide the base rate for corporate debt, municipal bonds, mortgages, and other forms of credit. Higher or more

⁴ Congressional Budget Office, [The Budget and Economic Outlook: 2026 to 2036](#). Data as of February 2026.

⁵ US Department of the Treasury, [Treasury Announces Marketable Borrowing Estimates](#). Data as of 8/3/26.

volatile yields can increase short-term price swings, particularly for longer-duration securities, and raise refinancing costs for borrowers. In mortgage markets, greater rate volatility can also change prepayment behavior and interest-rate sensitivity. Higher starting yields can improve income and longer-term return potential. This creates a clearer trade-off between higher income and greater mark-to-market volatility and places importance on duration management, liquidity, security selection, and disciplined portfolio construction.

The key risk is not the sudden end of dollar dominance, nor is it that Treasury buyers disappear. The more likely shift is to a Treasury market that relies increasingly on price-sensitive investors to absorb a growing supply of debt. In practical terms, the market may need to offer more yield to attract that demand. This could contribute to a higher term premium, greater volatility, and a stronger focus on fiscal conditions and auction dynamics. For institutional investors, the central issue is therefore not simply who owns Treasuries today, but how the changing buyer base may affect the price of duration across fixed-income markets.

Source: Board of Governors of the Federal Reserve System, US Department of the Treasury, *Treasury International Capital Data and Major Foreign Holders of Treasury Securities, Report on Foreign Portfolio Holdings of US Securities at End-June 2025*, and *Treasury Announces Marketable Borrowing Estimates*, International Monetary Fund (IMF), *Currency Composition of Official Foreign Exchange Reserves (COFER)*, Congressional Budget Office (CBO), *The Budget and Economic Outlook: 2026 to 2036*, Federal Reserve Bank of St. Louis (FRED), Bloomberg, Macrobond. Data as cited; September 2026 unless otherwise stated.

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* This figure is presented as of June 30, 2026 and includes ETF AUM of \$2,203.98 billion USD of which approximately \$156.81 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

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Generally, among asset classes, stocks are more volatile than bonds or short-term instruments. Government bonds and corporate bonds generally have more moderate short-term price fluctuations than stocks, but provide lower potential long-term returns. U.S. Treasury Bills maintain a stable value if held to maturity, but returns are generally only slightly above the inflation rate.

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