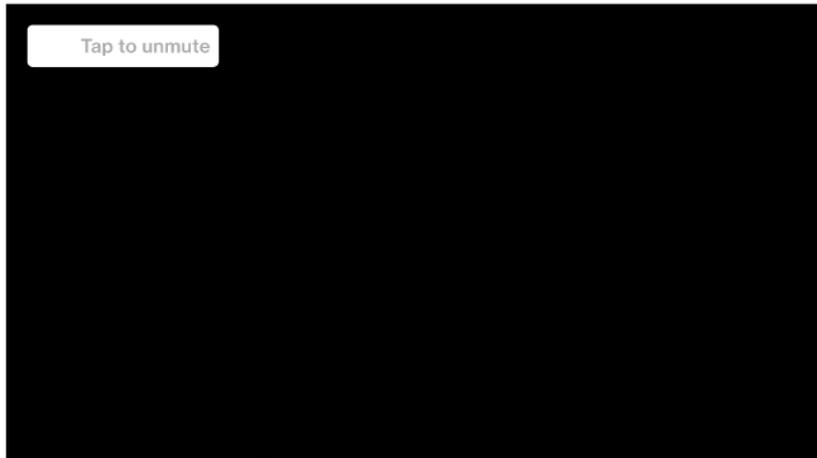


China's Years-Long Retreat From US Treasuries Flags Bigger Risks



WATCH: Chinese regulators have advised financial institutions to rein in their holdings of US Treasuries, citing concerns over concentration risks and market volatility, according to people familiar with the matter. Bloomberg's Minmin Low reports. *Source: Bloomberg*

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Takeaways by Bloomberg AI

- China has quietly halved its holdings of Treasuries since 2013, and investors appear to have decided the latest headlines fit that trend.
- The US debt market has continued to function smoothly, with bid-ask spreads minimal, volatility at its lowest in years, and auctions going smoothly.
- Foreign holdings of Treasuries hit a record \$9.4 trillion in November, and overseas investors now hold about 31% of the total US debt.

The slump in Treasuries after China's latest call to curb its holdings was fleeting, but it put a spotlight on Beijing's decade-long shift from US debt and rekindled fears about a broader, global retreat.

A look at the data on China's Treasury holdings suggests why traders were so quick to move on from the report that Beijing had urged Chinese banks to limit their Treasury purchases. Once the largest foreign lender to the US government, China has quietly halved its holdings of Treasuries since 2013 – and investors appear to have decided the latest headlines fit that trend.

The danger now is whether President Donald Trump's unpredictable policies alienate US allies further, and encourage traditional lenders like Europe and Japan to follow in China's footsteps.

Chinese Holdings of Treasuries Drop to Lowest Since 2008



Source: Bloomberg, US Department of the Treasury

So far, a surge in foreign demand suggests the long-term shift by America's biggest geopolitical rival is more the exception than the rule.

Except for brief episodes of stress, the US debt market has continued to function smoothly: bid-ask spreads are minimal, volatility is at its lowest in years and auctions have gone smoothly.

On Monday, bonds initially dropped, sending the 30-year yield up five basis points. But by Tuesday, yields were falling again as investors returned their focus to a key jobs report and the potential for more interest-rate cuts from the Federal Reserve.

"They have been slowly bringing down Treasury holdings and going into other asset classes," said Bob Michele, chief investment officer and global head of fixed income at JPMorgan Asset Management, who's headed for Australia for a slew of meetings with bond investors. "Right now, all I'm seeing is interest in US bonds."

US Treasuries were steady on Wednesday, with the 10-year yield down one basis point at 4.13%.

For China, regulators have grown worried that large holdings of US government debt may expose banks to sharp swings. Officials advised financial institutions to limit purchases and instructed those with high exposure to pare down their positions, Bloomberg reported, citing people familiar with the matter.

China's record \$1.2 trillion trade surplus is driving the buying spree. Instead of bringing the export earnings onshore, companies and banks have increased their purchases of overseas assets to capture higher returns.

Such large exposure to dollar assets would give pause to Chinese policymakers as the US and China have been locked in heightened geopolitical tensions, according to Stephen Jen, co-founder of London-based Eurizon SLJ Capital.

"The whole idea of lending to the government of your primary adversary should no longer be welcomed in Beijing," he said.

Read more: [China's \\$1.2 Trillion Windfall Quietly Seeps Into Global Markets](#)

Greenland Jitters

China's latest warning comes weeks after Trump's threat of acquiring Greenland rattled markets anew in January.

That month, AkademikerPension, a \$25 billion Danish pension fund, announced it was exiting the \$100 million it had held in US Treasuries, while Dutch fund Stichting Pensioenfondsen ABP said it had reduced its holdings of Treasuries by about €10 billion to €19 billion in the six months through September.

What Bloomberg Strategists Say...

China's holdings of US Treasuries have been declining for more than a decade without causing a bear market in bonds or the dollar.

Outside Europe, India's holdings have dropped to a five-year low as the nation pushed to support its currency and diversify reserves. Brazil's long-term Treasuries holdings have also declined.

“The broader trend is clear,” said Damien Loh, chief investment officer at Ericsenz Capital in Singapore. “Non-US entities, both sovereign and corporate, are moving to reduce their overweight positions in US assets, particularly Treasuries.”

While foreign holdings of Treasuries hit a record \$9.4 trillion in November, the share of the total debt is smaller – reflecting that their purchases haven't kept up with the growth in US government borrowing. Overseas investors now hold about 31% of the total, compared to roughly 50% at the beginning of 2015.

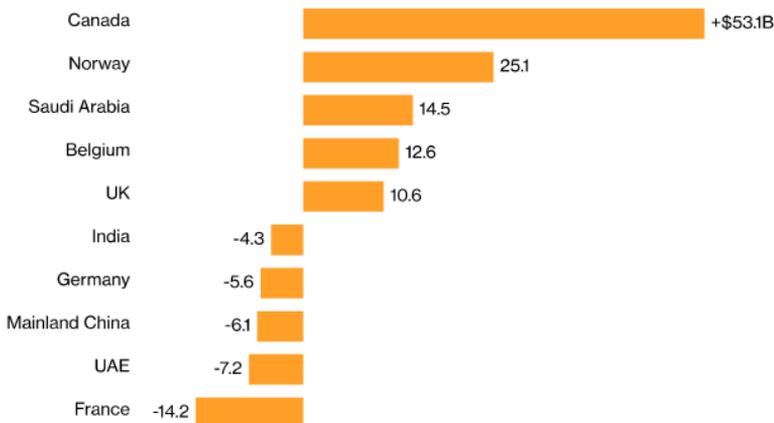
Still, the moves in the world's largest debt market are a long way from adding up to a buyers' strike.

As long as the US runs a trade deficit and sends dollars overseas, foreign countries must find a home for those dollar revenues, with Treasuries remaining one of the main destinations, said Jim O'Neill, the former chairman of Goldman Sachs Asset Management.

“It is a red herring,” said O'Neill about foreign investors dumping US debt en masse. “The US bond market is very large. If China or Japan reduces their holdings, someone else will buy them.”

Increases in Norwegian, Canadian, and Saudi Stockpiles of US Government Bonds Offset China's Decline

Largest increases and decreases in US Treasury securities held by private and official entities, October to November 2025



Source: US Treasury

What's more, the actual decline in China's holdings may be smaller than official figures suggest.

Brad Setser, a senior fellow at the Council on Foreign Relations, estimates that China's "true" holdings of US Treasuries exceed \$1 trillion, far above the \$683 billion reported by the US Treasury.

That's because Beijing may have obscured its footprint by shifting assets to custodians in Europe. Belgium – whose holdings are considered to include some of those Chinese accounts – has seen its Treasury ownership quadruple since the end of 2017 to \$481 billion.

Eswar Prasad, a senior professor of trade policy at Cornell University and former head of the IMF's China division, sees it as a situation in which the People's Bank of China has few other options.

“The PBOC is largely stuck with the dollar because of a dearth of safe and liquid assets denominated in other currencies,” he said. “It is highly unlikely that China has diversified away from US Treasury securities to the extent suggested by official data.”

(Updates prices.)