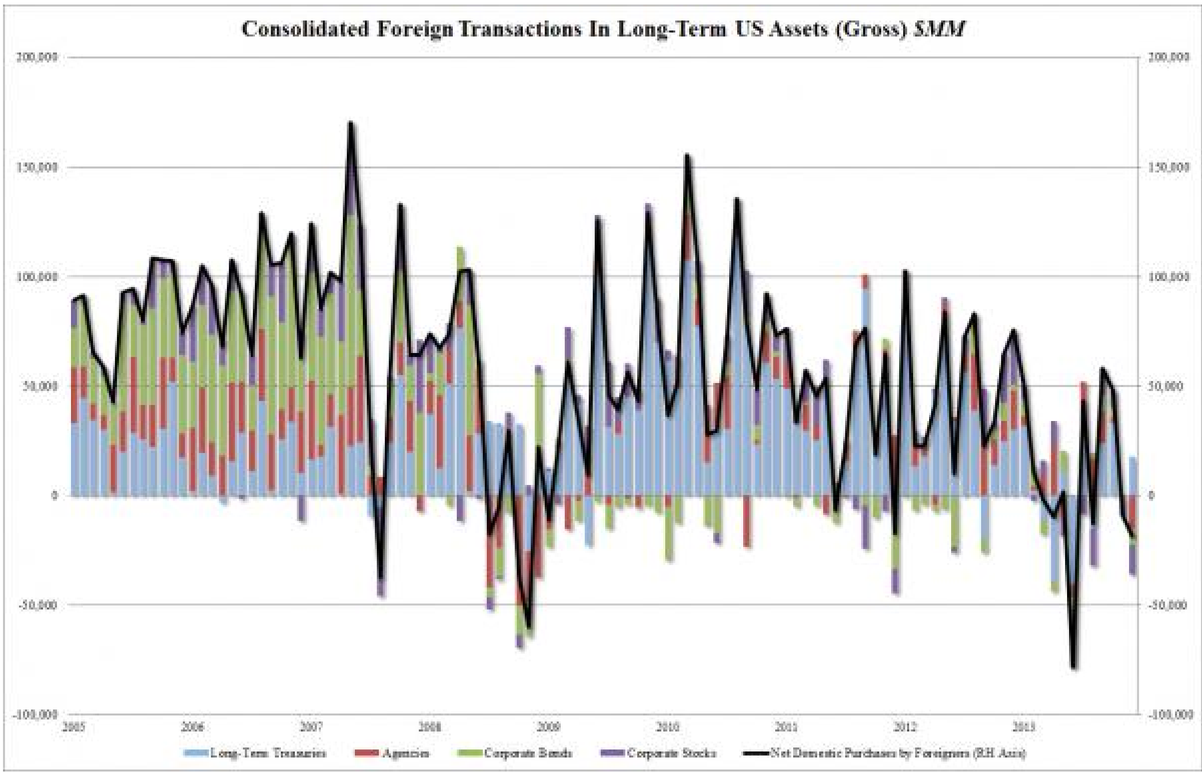
Scary Chart Of The Day: Average Foreign Purchases Of US Securities Take Out Lehman Low

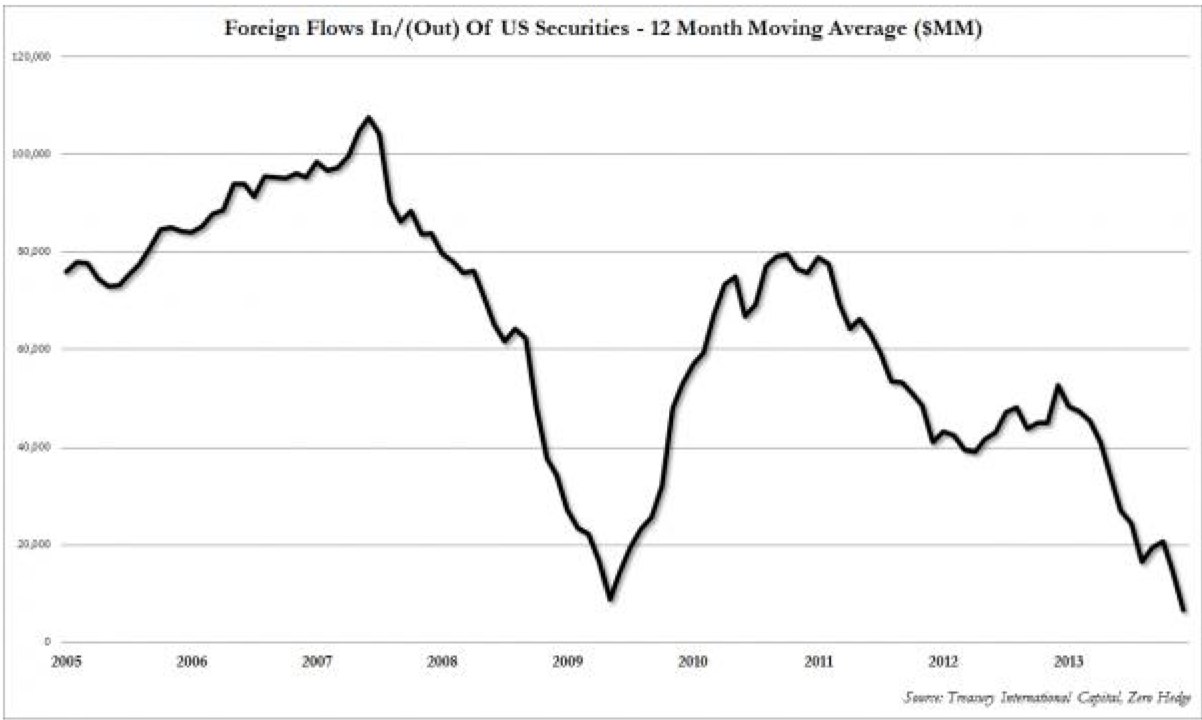
As we reported earlier today [10], for whatever reason China sold the second biggest amount of US Treasurys in December. However, that was only part of the story. In fact, as we also noted, while the two largest US foreign creditors were net sellers, total foreign bond holdings actually rose in the last month of 2013 and as the chart below confirms, when it comes to Long-Term Treasury paper, foreigners were actually buyers of some $18 billion in Treasurys. It is everything else that they sold in the month when the S&P hit its all time high: specifically, foreigners were net sellers of Agency securities ($15.4 billion), Corporate Bonds ($7.5 billion) and Corporate Equities ($13.7 billion) something which hardly fits with the narrative of the record stock market high generating confidence in even more buying down the line.



[11]

In the chart above it is the black line – *gross purchases of US long-term securities* – that is the most troubling, as its trend is hardly anyone’s friend.

So what happens when one smooths out the line to normalize for monthly fluctuations? This:



[12]

The chart is very disturbing: it shows that as the S&P rises higher and higher (on ever declining volumes), foreigners are buying fewer and fewer US securities. **In fact, on a 12 Month Moving Average basis, foreigners bought less long-term US securities than they did when Lehman crashed!**

Luckily we live in a New Normal when price is no longer determined by simple supply and demand (and certainly not from retail investors who have long since given up on the fraudulent, broken US capital “markets”) but Fed jawboning of a record $2.5 trillion in bank excess reserves, corporate buybacks and HFT algos spurring momentum ignition and buying because others are buying.

And so we have come full circle, because while, understandably, nobody had any appetite for US securities around the Lehman crash when until the Fed stepped in and singlehandedly took over the US capital markets it was unclear if there even would be a US capital markets, now that five years later the S&P has risen to a level nearly three times the March 2009 lows thanks entirely to the Fed’s $4.1 trillion balance sheet backstop, the interest in US securities is… lower than it was in the days just after Lehman!

Source: TIC [13] [13]

http://www.zerohedge.com/print/485076