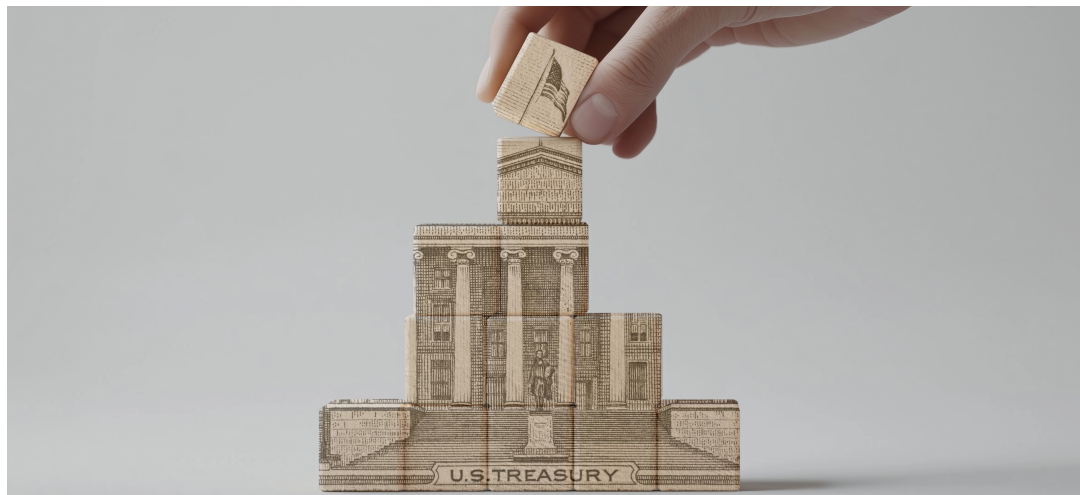


Treasury Market Potential for Foreign Exits

Bill Campbell, Portfolio Manager, Global Sovereign Debt | January 2026



Danish pension fund AkademikerPension's decision to exit U.S. Treasuries by the end of January garnered some market attention. Perhaps like most news headlines, AkademikerPension's announcement will fade into the background in a matter of days, but it shouldn't. Although AkademikerPension's \$100 million in Treasuries at the end of 2025 amounted to about 0.0003% of the \$30 trillion Treasury market, I am concerned this could presage similar disinvestment across the international institutional investor community. With China, the third-largest foreign holder of U.S. debt, committed to slashing those holdings, the U.S. government and Treasury market can ill afford a wave of other large sellers.

Anders Schelde, chief investment officer at AkademikerPension, Tuesday told Bloomberg News that "the U.S. is basically not a good credit, and long term, the U.S. government finances are not sustainable." At DoubleLine, we have warned about the unsustainable trajectory of the U.S. government with the attendant risks for longer-dated Treasuries and the U.S. dollar.¹ A large share of foreign savings rides in the U.S. – \$61.5 trillion as of the third quarter of 2025. (Figure 1) This foreign commitment to U.S. assets rests on investor perception of the U.S. as a safe, predictable market and country. Under President Donald Trump, U.S. policy has moved to a more transactional nature, with tariffs leveraged to negotiate trade deals. This has caught the attention of investors and unnerved some. Investors already are growing concerned about political and fiscal risk in developed market sovereign debt, as I warned in December and which became evident in the selloff of Japanese government bonds on Tuesday.² Trade and geopolitical disputes can add catalysts for investors to act on these fundamental concerns.

U.S. Investment Position

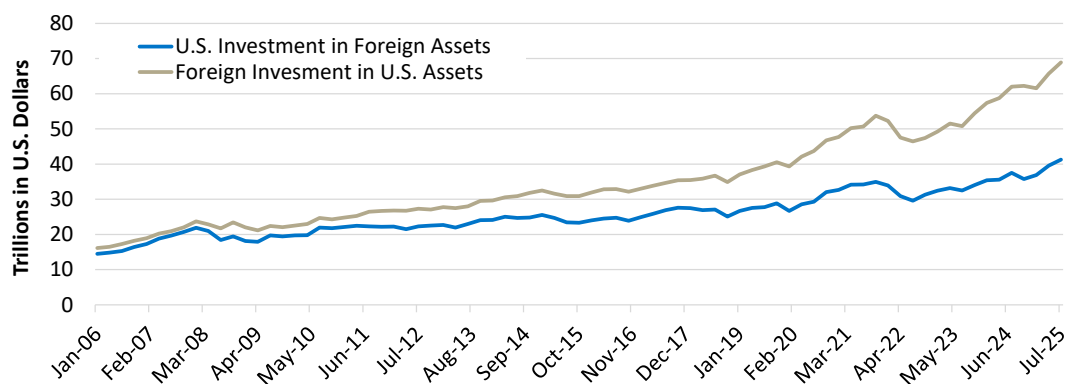


Figure 1

Source: Bureau of Economic Analysis. January 1, 2006 through July 1, 2025.

China has become one of the world's biggest holders of Treasuries as the country for the past several decades has recycled much of its trade surplus with the United States into U.S. financial assets. In both its first and second terms, the Trump administration has taken aim at the trading relationship with China, specifically seeking to reduce America's trade deficit. Since Trump's Jan. 20, 2025, return to the White House, Washington has been successful in reducing Chinese exports into the U.S. This has not come at a total loss to China, though, as China has been able to increase exports to other parts of Asia and very substantially to Europe. (Figure 2)

China Exports to the U.S. vs. Exports to Europe

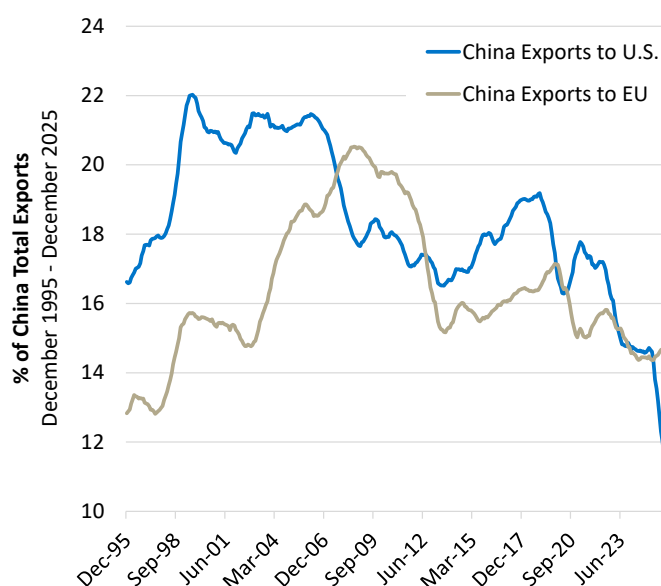


Figure 2

Source: DoubleLine, Bloomberg, as of December 31, 2025

Not only has China reduced its trade linkages with the U.S., it also has been reducing its holdings of Treasury bonds. (Figure 3) To be fair, this did not begin under Trump 2.0. China has been methodically reducing its Treasury holdings since the U.S., U.K. and European Union (EU) sanctioned Russia, effectively confiscating the Central Bank of the Russian Federation foreign currency reserves in dollars, British pounds and euros.³

China Holdings of U.S. Treasuries



Figure 3

Source: DoubleLine, Bloomberg, as of December 31, 2025

Fortunately for the United States, the federal government has continued to find willing buyers for its debt. (Figure 4) The U.K., EU and Japan have made sizable increases in their Treasury holdings over the past couple of years, a period overlapping the first year of the second Trump administration and its America First trade policies. The amount of these purchases has more than offset the reduction in China's holdings, anchoring demand in Treasury auctions over the past year despite the large U.S. budget deficit.

Treasury Holdings: Japan, U.K., France, Germany, Belgium

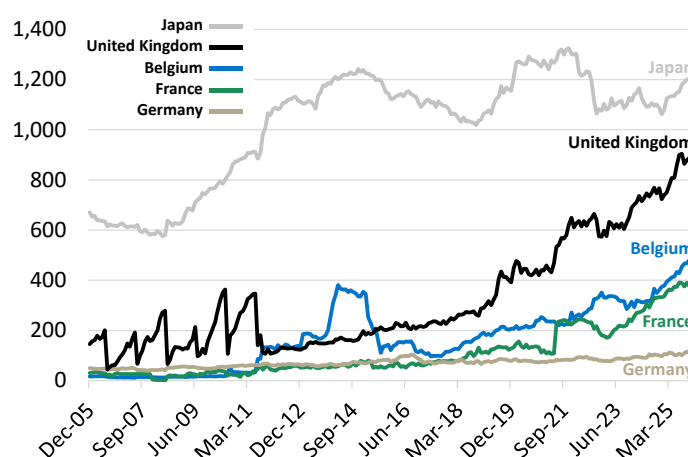


Figure 4

Source: DoubleLine, Bloomberg, as of December 31, 2025

* Note: Belgium has Euroclear, which is a custodian for both EU investors as well as other investors, in the US and elsewhere around the globe. Despite U.S. holdings being in Euroclear, it still serves as a proxy for global Treasury holdings.

Last year, markets took a degree of comfort from the U.K., Japan and various EU nations reaching bilateral trade deals with the U.S. On Jan. 18, President Trump sent another shockwave through the international trade order when he posted on Truth Social the potential for additional tariffs on Denmark and seven other European countries until “a Deal is reached for the Complete and Total purchase of Greenland,” which is a self-governing autonomous territory within Denmark. Although Trump on Jan. 21 reversed the tariff threat, this episode has raised the risk that investors and corporations alike now view the trading relationship with the U.S. as more volatile than dependable if Washington is apt to return to tariffs as a negotiating tool for every disagreement that arises. Readers might recall on April 3, 2025, in response to Trump’s newly announced 20% tariffs on European imports into the U.S., French President Emmanuel Macron called on French and European businesses to suspend investment activity in the U.S. The rallying cry largely landed on deaf ears, and trade negotiators on both sides of the Atlantic came to terms. Today, the sentiment in Europe seems to me considerably grimmer.

The reaction of the Danish pension fund might have been in the works before Trump’s threat of tariffs over Greenland. Nonetheless, there is a risk others could follow AkademikerPension’s example. If investors, corporations and sovereign governments continue to sour on the U.S., the large stock of foreign savings here could be repatriated and reinvested elsewhere. In addition, independent of political sentiments stirred in countries on the receiving end of Washington’s hard ball, if central banks see their respective countries’ trade decline with America, they might make the decision to rotate parts of their FX reserves away from the dollar by selling Treasuries and reallocating to local government bonds of other nations. In fact, this rotation has already been under way. The risk is that it escalates.

U.S. Dollar as a Percentage of Total Foreign Reserve Holdings

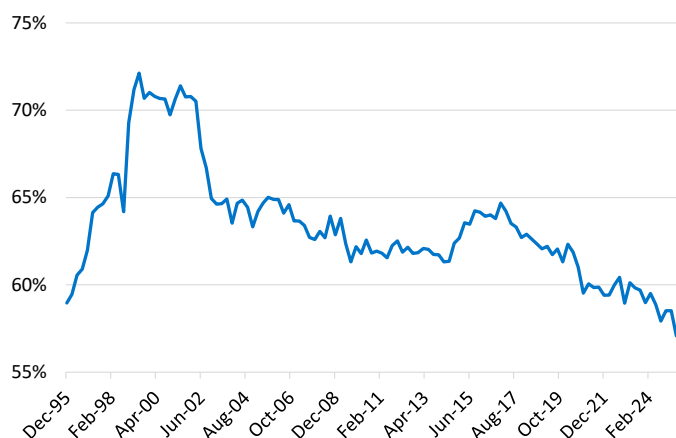


Figure 5

Source: Bloomberg International Monetary Fund, DoubleLine
December 31, 1995 through September 30, 2025

At DoubleLine, we remain cautious on the long end of the Treasury yield curve, either by underweighting the long-end positions, putting on steepener trades or both.⁴ In addition, the investment team continues to see risks to the dollar over the medium term. Last year, the firm started allocating more to non-U.S. fixed-income positions and will continue to look to add to them going forward. Answers to the age-old questions of “when” these trades will play out or “what” will be the specific catalyst are elusive. However, recent news such as AkademikerPension’s announced Treasury exit and a buyers’ strike in Japanese government bonds due to domestic fiscal concerns suggest that the answers might not be far away. ■



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Mr. Campbell joined DoubleLine in 2013. He oversees the firm's Global Sovereign Debt team and serves as a Portfolio Manager of the DoubleLine Emerging Markets Local Currency and Global Bond strategies. He is a permanent member of the Fixed Income Asset Allocation Committee. Prior to DoubleLine, Mr. Campbell worked for Peridigm Global Investors as a Global Fixed Income Research Analyst and Portfolio Manager. Prior to that, he was with Nuveen Investment Management Co., first as a Quantitative Analyst in the Risk Management and Portfolio Construction Group then as a Vice President in the Taxable Fixed Income Group. Mr. Campbell also worked at John Hancock Financial as an Investment Analyst. He holds a B.S. in Business Economics and International Business, as well as a B.A. in English, from Pennsylvania State University. Mr. Campbell holds an M.A. in Mathematics, with a focus on Mathematical Finance, from Boston University.

About DoubleLine

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Endnotes

- ¹ For a few of DoubleLine's past warnings on the fiscal trajectory of the U.S. government, see Ryan Kimmel, "[Debt Spiral Watch: A Scenario Survey as Washington Drifts Toward a Reckoning](#)," July 2024, and Jeffrey Gundlach, "America's debt cannot keep stacking up," *The Economist*, Dec. 13, 2024
- ² Bill Campbell, "[Winds of Change: DM Safe Haven No Longer to Be Taken for Granted](#)," December 2025
- ³ Bill Campbell, "[G-7 Sanctions Accelerate China-Russia Axis](#)," March 2022. "[T]he world has seen how quickly the West was able to freeze Russia's G-7 assets. Some countries might look to diversify away from G-7 holdings in favor of assets beyond the long arm of G-7 law."
- ⁴ Bill Campbell, "[Yield Curve Steepening in the Near Term, Risk of Higher Term Premium Further Out](#)," October 2025

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