

# FINANCIAL TIMES

MARKETS INSIGHT

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## Who's fooling whom in haven asset hunt?

John Plender

### A global savings glut is confronting a shortage of safe holdings



A welcome benefit of the collapse in oil prices and of falling inflation more generally is that the return on cash in much of the world is now positive in real terms.

All the more paradoxical, then, that investors are cheerfully accepting negative yields on increasing amounts of sovereign debt. Well over \$3tn of government bonds is reckoned to have negative nominal interest rates. There was

no heist of this kind, with investors paying for the privilege of lending to governments, even in the Great Depression of the 1930s.

The nub of the story is that a global savings glut is confronting a shortage of safe assets. Credit quality generally diminished after the financial crisis, not least because so many triple A rated structured products turned out to be dross.

And the perceived pool of really safe assets — chiefly the bonds of governments that have their own currency and central bank — diminished at the outset of the eurozone sovereign debt crisis when investors twigged that in the absence of a power to print money individual eurozone countries were subject to default risk.

The definition of safety is admittedly fluid and the pool of safe assets changes according to market perception. Since Mario Draghi, president of the European Central Bank, pledged to do “whatever it takes” to keep the monetary union intact, much eurozone sovereign paper is now thought safe again, with the obvious exception of Greece.

Yet the supply of other safe assets has been dwindling. In the global government bond market demand exceeds supply, not least because of central bank buying. With the US budget deficit declining and the Treasury extending the maturity of IOUs, issuance of short-term Treasury paper has been cut back.

Repo balances have fallen at most

And if the definition of safe assets is extended to include

## FINANCIAL TIMES

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## Chinese take lead among foreign buyers of US homes

Jamil Anderlini in Beijing

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Chinese are now by far the biggest foreign buyers of US real estate in terms of units, dollar volume and price paid, according to a report from the National Association of Realtors, which tracks property purchases across the country.

In the 12 months to the end of March, Chinese buyers spent \$28.6bn on mostly residential property in the US, a 30 per cent increase from the previous year and more than two and a half times the amount spent by Canadians, the next biggest group of foreign buyers.

With the Chinese economy and real estate market slowing dramatically and a vociferous anti-corruption campaign in full swing at home, Chinese buyers have been scrambling in the past few years to buy real estate abroad.

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As a group they have become the biggest buyers of housing in many major western cities, including New York, London, Sydney, Vancouver, Toronto and Auckland.

Houses in English-speaking democracies with good education systems, excellent quality of life, strong rule of law and strong property rights are regarded by Chinese buyers as excellent stores of wealth.

In the year to the end of March, Chinese buyers spent more than three times the average American buyer, paying an average of \$831,800 per property, compared with the national average transaction price of

\$255,600.

For all international buyers, the average purchase price was \$499,600, although the next biggest buyers — from Canada, India, Mexico and the UK — all spent less than that on average.

Although Chinese buyers of American property overtook Canadian buyers in total transaction volume a year ago, they only overtook them in number of transactions in the latest 12-month period measured by the NAR report.

Buyers from China (including Taiwan and Hong Kong) accounted for 28 per cent of total sales of US real estate to foreign buyers and 16 per cent of the number of transactions, compared with Canada's 14 per cent of transactions.