

Article | 18 June 2025

RATES SPARK

Rates Spark: There WAS net selling in April, but far from dramatic

The US TIC data saw one large seller - Canada (wonder why). Otherwise, nothing dramatic. The FOMC left us with a bearish tint for Treasuries. We just can't shake 4.4% for the 10yr. The Bank of England is not likely to change rates this time, but recent data does confirm our view that markets should be more convinced of an August cut



Treasury International Capital data for April showed net selling of US assets by foreigners, but it was not a dramatic amount

Treasury International Capital (TIC) data for April show net selling of US assets by foreigners. It's -\$14bn for Total Net TIC flows (includes banking flows) and -\$7.8bn for Net Long-Term TIC flows, which is selling of US bonds and equities by foreigners. While this at first glance seems quite poor, bear in mind that months of net selling are not unusual. For example, we saw selling of -\$42bn in January Long-Term Flows.

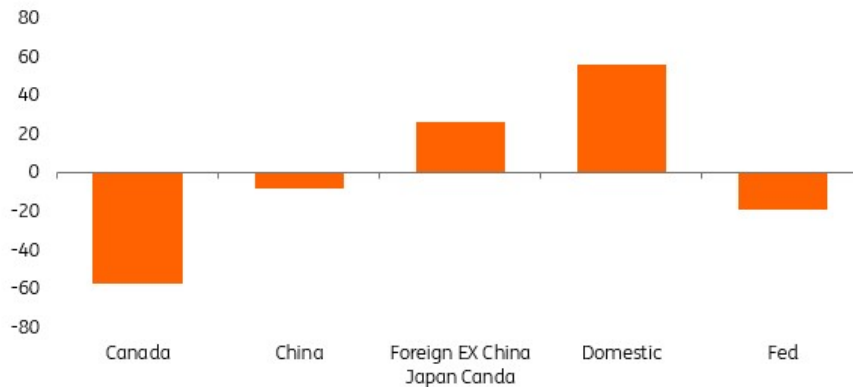
In terms of Treasury flows, foreigners ex China and Japan sold \$32bn, but this was heavily biased by -\$58bn of selling from Canada, which is an unusually large chunk of selling out of Canada. China (a seller in recent years) was a mild seller to the tune of \$8bn, while Japan (also seller in recent years) was a \$4bn net buyer.

Other net sellers of note included Hong Kong (-\$16bn), Singapore (-\$15bn) and India (-\$7bn).

And foreign official holders sold \$4bn. The major custodial centres remained net buyers, and the UK was the biggest net buyer (\$28bn).

Net changes in holdings of Treasuries for April

Expressed as dollars billions



Source: Macrobond, ING estimates

Overall, for players that were looking for a net selling outcome, they got it. And selling out of Canada is the most striking evidence of it (wonder why). But at the same time, the absolute level of net selling was not dramatic, and well within the normal bounds of the past number of years. These data are very volatile. For example on the total net flows, the average monthly inflow runs at \$82bn in the past 10 years. The standard deviation is \$126bn. So, the normal bounds of selling extends to -\$44bn. For April we saw -\$14bn, within that normal boundary.

We'll need to see May data before we can talk of extrapolating this forward, and the evidence since April in fact does not point in that direction. See more of the back story [here](#).

Market rates distill a mild bearish tint from Chair Powell's tone

The impact gap lower in market rates post the Fed announcement was not backed up by anything in particular. The dots were mixed versus what was expected by the market, but not dramatically deviant. The statement was not overly dovish. It was more balanced than the market was letting on. Clearly there is an intention to cut rates down the line, but we knew that ahead of time. At the same time, the inflation projections are higher than before.

The curve in consequence had snapped steeper, and before Chair Powell spoke, much of the initial push lower in the 10yr yield was reversed (to above 4.38%), while the 2yr also had with a tendency to edge back up again. The 10yr breakeven inflation rate also edged up (well clear of 2.3%), while the 10yr real yield broadly held steady to a tad higher (towards 2.05% area). The tone of the commentary was broadly in tune with an edge higher in market rates in net terms.

Effectively the Fed has acknowledged that the contemporaneous economy is doing reasonably well, with risks, and has batted the whole thing back to the macro data to come in the coming months.

A dovish market reaction to the Bank of England has a high probability

The BoE is widely anticipated to hold its key rate at 4.25% on Thursday with most seeing a 7-2 voting split within the MPC, i.e. two votes still in favour of a consecutive cut after lowering rates in May.

On balance the data has come in softer than expected since the last meeting - jobs, growth and now inflation figures just yesterday all raise the risk of a slightly more dovish tone at the meeting, perhaps even a 6-3 vote. But it is more likely that the Bank's forward guiding language will continue to state that further easing will be "gradual and careful".

The market currently discounts no chance for a rate cut this Thursday, but sees a cut at the August meeting as quite likely - with 18bp discounted the implied probability is around 75%. By September the cut is full priced with a further cut likely by year-end.

Our economist also holds the view that the [Bank will stick to a quarterly cutting schedule](#), seeing cuts in August and November, i.e. slightly ahead of the market's implied timing. He also sees the cutting deeper than the market to 3.25%, but this is something that will be guided by the data in coming months and quarters and not by anything that is said on Thursday. The high uncertainty around possible scenarios and of late the added geopolitical risks mean that markets will remain confined to their ranges for now.

Thursday's events and market view

Events in the Middle East will likely continue to dominate the headlines, though the added market impact has been limited with oil prices for instance remaining close to highs for now.

US markets will be closed for the Juneteenth holiday. The Bank of England will be the main even of the day with little else of note on the data calendars. There are a few European Central Bank officials scheduled to speak, including Lagarde, Villeroy, Nagel and de Guindos.

The primary market schedule is busier with auctions out of France and Spain. France taps short- to medium-term bonds alongside inflation linked securities - in total for up to €13.75bn. Spain taps 5y to 10y bonds for up to €6bn.

Author

Padhraic Garvey, CFA

Regional Head of Research, Americas

padhraic.garvey@ing.com

Benjamin Schroeder

Senior Rates Strategist

benjamin.schroeder@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.