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(taken from Econimica Website)

If The Fed Sells Treasury's...Who Will Be Buying? Answer: "Other" (Seriously)!
From 1776 through 2007, the US issued just over $9 trillion in US Treasury debt to pay for stuff which "we" wanted but "we" were unwilling to tax ourselves to pay for. The buyers during that period are depicted in the first column of the chart below. During that time, the majority buyer of that debt was the Intra-Governmental Surplus funds (primarily Social Security) as depicted by the green area in the first column below. These funds were mandated to buy "governmental accounting series" non-marketable debt. The remainder of the issuance and holdings were fairly evenly split between foreigners and domestic buyers (primarily institutional buying) with a minor portion of primarily short term Notes and Bills held by the Federal Reserve.

From 2008-->2014, the US Treasury nearly issued as much debt as it had in the previous 230+ years. But the proportions bought and held by these creditors significantly changed (depicted by middle column in the chart below). Intra-Governmental surplus funds were dwindling so the buyer of nearly half of all Treasury debt up to that point took a back seat, buying only 8% of the new issuance. No surprise, it was the Federal Reserve and Foreigners that bought 2/3rds of the issuance, maintaining a strong bid. The Fed sold all it's short term bills and notes and went large and long. And foreigners apparently just couldn't get enough.

But since QE ended in late 2014, the make-up of the new buyers / holders of US Treasury debt is totally different (depicted in the right column of the chart below). Obviously, the Fed Reserve has purchased nothing (on a net new basis...of course they have been buying to replace bonds rolling off, but no net new buying) and since the Fed ceased buying, Foreigners (net) have sworn off US Treasury debt and sold $200+ billion. So the only buyers for the continuing issuance and the portion not rolled over by foreigners is the domestic public (with an assist by the dwindling Intra-Governmental surplus).

On a % basis of who bought / held the debt over different periods? The chart below highlights how completely different the current period is with the domestic public buying 87%, IG buying 25%, and foreigners net selling.

Well, this should beg the question, who among the domestic public is buying all those still near record low yielding Treasury's? Great question, and according to the latest Treasury Bulletin we have our answer, "Other Investors" (with an assist from mutual funds) are the primary buyers (chart below). Banks bought a little, private parties less, and insurers even less. State/local funds sure aren't being used to buy US Treasury's...and US savings bonds are a thing of the past. Interestingly, the "other" category has nearly doubled since September of 2014 from less than a trillion to $1.8 trillion. So the Treasury market is supported by "other investors" which unfortunately the Treasury Bulletin provides no more detail about plus mutual funds. And all this while stock and real estate markets are flush with cash, leveraging indices to record highs despite the trillion plus being pulled away from these sectors to buy Treasury's??? All makes sense to me and I'm sure there's no reason to look further (and I'm pretty sure nobody will)!

And just to play this out, where exactly has that Intra-Governmental surplus (that has made up a quarter of Treasury demand since QE ended) come from? Clearly not from America's #1 creditor, the aging boomer and their dwindling Social Security surplus. They are on the verge of turning from a source of credit to deficit (chart below).
Shocker, "Other" is the primary buyer within the Intra-Governmental Surplus, again coming from the Treasury and highlighted in an older post HERE.

I'm not exactly expecting rates to rise anytime soon despite CBO claims that rates are inevitably going up as deficits sky rocket. Just consider, when the largest Treasury holder (IG) began to slow it's accumulation in '08 coincident with subsequent record '08-->'12 Treasury issuance, foreigners and the Fed took over and rates went down. As China and the BRICS ceased net buying Treasury debt in July 2011 (and never returned), the BLICS appeared and rates went down (Detailed HERE). As the Fed ceased QE1 and all economists knew rates must rise...rates shocked 100% of economists and fell by a third. As the Fed tapered and ceased QEIII and foreigners likewise ceased buying Treasury's from '14 onward, "other" took over and rates hardly budged!?! Not exactly the hallmarks of a "free market".

So no, by hook or by crook, I don't think Treasury rates will be rising anytime soon and are far more likely to fall significantly...despite the Federal Reserve claiming it will start systematically selling off it's trillions in Treasury's...concurrent with foreigners selling...and simultaneous with fast rising Treasury issuance...all while Social Security turns from a surplus to deficit!?! I don't think the Federal Government nor the Federal Reserve are about to let a "so called free-market" determine the yields paid on America's debt.