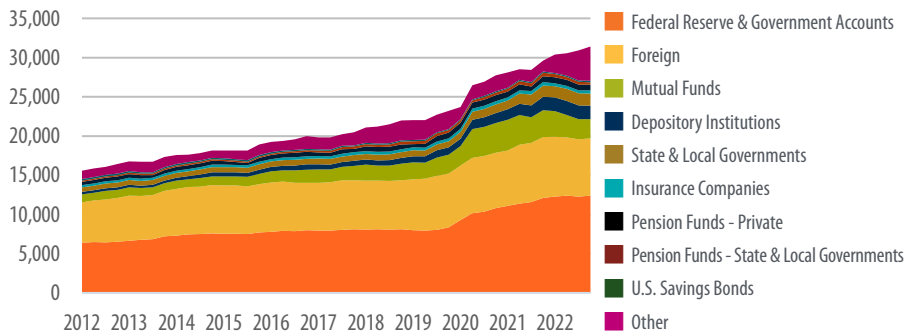


In this week's edition of "Three on Thursday," we take a deeper look into the complexities surrounding U.S. federal debt ownership. As of the end of October, total U.S. federal debt outstanding reached a staggering \$33.7 trillion, marking a notable calendar year-to-date growth of 7.3%. While news headlines fervently highlight this substantial expansion, an interesting question remains: who holds all this debt? Many believe it's foreign countries, but is that the case? And what is intragovernmental debt? To provide a more comprehensive understanding, we have included three informative charts below.

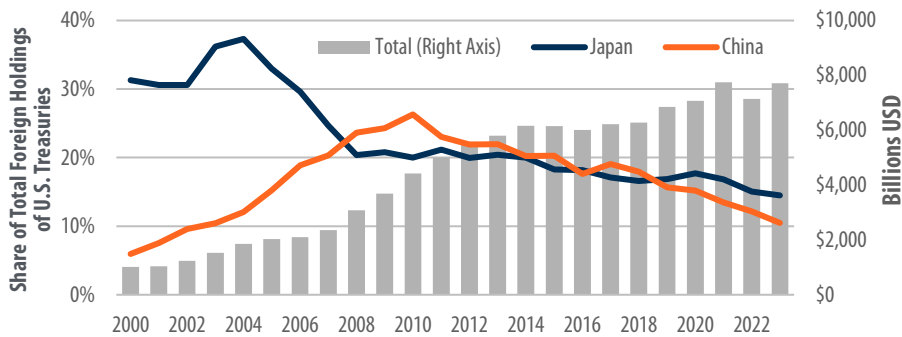
### U.S. Treasury Security Holders by Type



Source: Treasury Department, First Trust Advisors. Quarterly data from 2012-2022.

The primary holder of U.S. Federal debt is, surprising to many, the U.S. federal government itself, accounting for approximately 40% of the total outstanding debt. Following closely are various other domestic entities, collectively constituting slightly over 35% of the overall debt holdings. These entities encompass mutual funds, depository institutions, state and local governments, pension funds, insurance companies, among others. Lastly, foreign holders of U.S. debt make up just over 24% of the total, comprising the diverse range of entities engaged in holding U.S. debt.

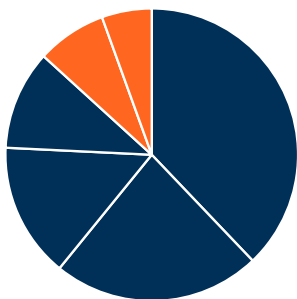
### Foreign Ownership of U.S. Treasuries



Source: Treasury Department, First Trust Advisors. Annual data from 2000-2022, 2023 data point as of 10/2023.

As of August 2023, foreign holdings of U.S. debt, encompassing both governments and private investors, have reached \$7.7 trillion, nearing record highs. This comes at a time when the two largest foreign holders of US treasuries, Japan and China, have been net sellers leading many to infer the U.S. is facing a shortage of debt buyers. Yet, over the past year overall foreign holdings of US debt have climbed by \$214.3 billion even though China and Japan's holdings shrunk by \$213 billion, meaning excluding these two countries foreign holdings of US treasuries grew by an even stronger \$427.3 billion.

### Intragovernmental Holdings of U.S. Treasuries



| Trust Funds                                  |             |
|--|-------------|
| Social Security                              | \$2,625,457 |
| Military Retirement Fund                     | \$1,592,586 |
| Civil Service Retirement and Disability Fund | \$1,032,871 |
| Other Trust Funds                            | \$761,831   |
| Federal Funds                                |             |
| Other Federal Funds                          | \$534,849   |
| Uniformed Services Retiree Health Care Fund  | \$382,571   |

Source: Treasury Department, First Trust Advisors. Data as of 10/2023.

Total federal debt outstanding sits at \$33.7 trillion but only \$26.3 trillion of that is held by the public. The other \$6.8 trillion is intragovernmental debt which is debt that one part of the government owes to another. This debt does not include federal debt held by the Federal Reserve. This situation arises because certain agencies, the most substantial being the Social Security Trust (37% of intergovernmental debt holdings), have generated more tax revenue than they immediately required. Rather than retaining the surplus, these agencies invest in Treasuries, essentially transferring their excess revenue to the Treasury General Account. In the future, these agencies will redeem their Treasury notes as necessary to access funds.

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.