



Letter n°152

The capture of global savings by the United States.

“Successful investing is anticipating the anticipations of others.” Keynes.

The phenomenon is not new, but it is intensifying. In both the bond and equity markets, attention is increasingly focused on the United States. U.S. public debt is growing faster than elsewhere, IPOs are experiencing renewed momentum, and American technology companies are multiplying bond issuances, whether in U.S. dollars or other currencies, on international markets in order to attract global savings.

The U.S. savings rate, at 2.6% of household disposable income, has rarely been so low, while the U.S. current account deficit exceeds \$1 trillion. At the same time, the financing needs associated with servicing public debt and funding corporate investment are driving a growing reliance on international savings.

The Draghi Report highlighted the annual transfer of €400 billion in European savings to the United States. The same applies to Japan, whose investors likely hold more than \$1.2 trillion in U.S. Treasuries, and to China, which, although it has reduced its holdings, is still estimated to own around \$660 billion in Treasuries. Added to this are the amounts held by the Gulf states.

Let us therefore examine three points: the rapid increase in U.S. public debt, the return of IPOs, and the expansion of bond financing by major technology companies – each of which serves as a channel for attracting both American and international savings.

The rapid increase in U.S. public debt:

Federal debt has increased by \$17 trillion over the past 10 years. It now exceeds 100% of GDP, and today represents 60% of the total debt of G7 countries, compared with less than 40% twenty years ago. The United States is the only G7, and even G20, country to post an annual budget deficit exceeding 6% of GDP outside of recession periods. Over the past three years, the outstanding stock of Treasuries has grown by 8% per year.

Interest payments on the debt already amount to 3% of GDP. But this will increase, as public debt is expected to continue growing by \$2 trillion each year. Bond issuance over the next 12 months, including refinancing needs, is expected to reach \$10 trillion.

Today, one-quarter of the \$39 trillion in U.S. public debt is held by foreign investors: \$1.2 trillion by Japan and \$660 billion by China (down from \$1.3 trillion about a decade ago). The largest holders are European countries: the United Kingdom with \$920 billion, Belgium with \$450 billion, Luxembourg with \$430 billion, France with nearly \$400 billion, Switzerland with nearly \$300 billion, and Ireland.

Private investors continue to buy U.S. debt, but foreign central banks remain concerned. They have never held such a small share of U.S. public debt, just 13% of outstanding Treasuries, the lowest level in 30 years, and are instead purchasing more gold. Central banks are increasing gold purchases in an effort to reduce their dependence on the U.S. dollar. Gold now represents 27% of central bank reserves, compared with 42% for the dollar. Central banks currently hold 36,000 tonnes of gold, after purchasing 850 tonnes in 2025 and more than 1,000 tonnes annually between 2022 and 2024. Although some central banks, including those of Russia and Turkey, have recently had to sell gold to support weakening currencies, this movement is temporary and gold should recover.

The Fed, which held 26% of this public debt in 2022, has also reduced its share to 12%, and Kevin Warsh would like to continue along this path. However, this forms part of a broader reflection on the size of the central bank's balance sheet, which currently stands at \$6.6 trillion.

The lack of confidence in U.S. debt can be measured by tensions in the 10-year yield: 4.5%, compared with 3.7% for France, 2.9% for Germany, and 0.2% for Switzerland. It can also be seen in the narrowing spread between Treasuries and AAA-rated corporate bonds, which has averaged just 0.35% since 2024, compared with an average of 0.65% between 2010 and 2019. Recently, Microsoft even issued debt at a lower yield than Treasuries.

Fortunately for the United States, there are still few alternatives to holding its public debt. The total outstanding public debt of the nine countries rated AAA does not exceed \$7 trillion – less than one-fifth the size of the U.S. Treasury market.

Record IPOs:

If some reluctance is emerging regarding the holding of U.S. public debt, the same certainly cannot be said for the U.S. equity market.

SpaceX, on its first day of trading, raised \$75 billion and was valued at nearly \$2.2 trillion (\$2.5 trillion on the second day). The previous issuance record was held by Saudi Aramco, which raised \$29 billion at its IPO, equivalent to \$38 billion in today's dollars. The SpaceX offering exceeded the combined total raised by all companies that entered the U.S. stock market over the past two years. SpaceX's first-day valuation placed it sixth globally, and it is now closing in on Amazon. But what should one think of a company whose 2025 revenue was \$19 billion and whose net loss was close to \$5 billion? At a share price of 192, the valuation ratios are staggering – approximately 130 times 2025 revenue. The company, 46% owned by Elon Musk, certainly owns 10,000 satellites, but beyond that it is selling a dream: the conquest of Mars and, ultimately, the settlement of 1 million inhabitants there. According to the lead underwriters, notably Morgan Stanley, revenue could reach \$3.4 trillion by 2040, with operating profit of \$2.7 trillion. Many American retail investors have been captivated by this vision, but we prefer to remain cautious and therefore stay on the sidelines. Experience shows that the majority of IPOs quickly trade below their offering price. Given its limited free float, SpaceX will represent only 0.1% of the capitalisation of the S&P 500 and 0.5% of the Nasdaq Composite. This free float is expected to increase to 30% or even 50% in September when the lock-up provisions expire.

Following SpaceX will come the IPOs of OpenAI and Anthropic. The latter could be disrupted by the U.S. administration's ban on marketing its latest models outside the United States. OpenAI, Anthropic, and SpaceX will collectively raise \$200 billion, while at the same time Alphabet is carrying out an \$80 billion equity issuance to finance AI – its first share offering in 22 years as a listed company.

Alongside the SpaceX IPO, Wall Street is also witnessing a significant increase in venture capital investment in the space sector, with more than \$7 billion raised in 2025 according to PitchBook.

The end of share buybacks and the surge in bond issuance:

The major tech companies are engaged in a fierce competition for dominance in the global artificial intelligence market. The top four are expected to spend \$725 billion on AI this year, an increase of nearly 80% year-on-year – a figure which, as a percentage of GDP, exceeds what was devoted to the expansion of the railway network in the 1850s. These companies, long praised for their financial strength, have seen their free cash flow collapse from \$45 billion per quarter to just \$4 billion. With the exception of Nvidia, they have had to halt share buybacks and, above all, turn to debt financing.

Overall, if one considers Alphabet (\$32 billion in issuance), Meta (\$55 billion), Amazon, Microsoft, and Oracle, total bond issuance since the beginning of 2026 has reached \$160 billion, compared with \$108 billion for the whole of 2025 and \$17 billion in 2024. One-third of these issues are denominated in currencies other than the U.S. dollar in order to better capture international savings.

Thus, Alphabet has issued bonds in Japanese Yen (equivalent to \$3.6 billion), Euros (€3 billion across several tranches), Swiss Francs (CHF 3 billion), and £ (a 100-year £1 billion issuance).

Spreads are below those of “investment grade” bonds, except for Meta, which is slightly higher, and Oracle (\$43 billion in issuance since October), which trades at yields above those of speculative-grade bonds.

These capital increases and recourse to debt are expected to continue, because according to Goldman Sachs, the \$760 billion of investment planned this year represents only one-tenth of the total amounts that will need to be spent by 2031.

Conclusion: “*A wise caution is the best thing mortals have in the world.*” *Aristotle.*

Faced with such exuberance in the U.S. markets, let us retain Aristotle’s message of wisdom and conclude on 4 points:

- ***The misleading evolution of markets:*** since the beginning of 2025, emerging market equities have appreciated by nearly 70%, Europe and Japan by 45%, and the United States by only 25%. However, U.S. indices are breaking record after record, while European markets only surpassed their 2007 highs in April 2024, their March 2000 highs in early 2026, and the Japanese market only surpassed its January 1990 peak in July 2024.
- ***American pre-eminence:*** the capitalisation of U.S. markets, \$75 trillion (including \$33 trillion for the Nasdaq), is more than twice that of all European markets combined. Of the 16 companies in the world with market capitalisations above \$1 trillion, 13 are in the United States, 2 are in South Korea – Samsung and SK Hynix – and one is in Saudi Arabia, Saudi Aramco. ASML, Europe’s largest company by market capitalisation, is valued at €640 billion.
- ***The unmatched liquidity of the U.S. market:*** equity issuance is expected to exceed \$160 billion in 2026 alone, whereas between 2016 and 2025 it totalled \$470 billion according to Renaissance Capital. On a daily basis, trading volumes reach between \$500 and \$700 billion, demonstrating the market’s depth and absorption capacity.
- ***The apparent overvaluation of the market must be put into perspective:*** while the S&P 500’s P/E ratio stands at 21x versus a 10-year average of 19x, and the overall yield of the S&P 500 is 3.6%, nearly 1 percentage point below 10-year Treasury yields, first-quarter profits for the top 7 companies increased by 63%, while those of the remaining 493 S&P companies rose by 17%. Market gains are highly concentrated in tech stocks. In May, only 25% of stocks outperformed the index, compared with 59% at the beginning of 2026. The S&P 500 is up 10.5% this year, but only 2.5% excluding AI-related stocks.

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