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Rich Russians Snap up U.S. Treasuries

As the Central Bank moves away from the dollar, Russians with cash are swooping in.

By Bloomberg

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The Russian Central Bank has been reducing its holdings of dollars in its reserves. **Igor Ivanko / Moskva News Agency**

Russian President Vladimir Putin's moves to ditch dollar assets in the face of deepening tensions with the U.S. don't seem to be making much of an impression on the nation's rich.

While the Russian central bank has cut its Treasury holdings to a 12-year low since 2018, Citigroup's wealthy clients in Moscow have been shifting money into U.S. debt.

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"Previously, there was no demand for American government bonds at all, but now we see

people want to buy them in various forms," said Mikhail Znamenskiy, head of the investment products and financial consulting department. "Rich clients clearly are moving away from risk."

The portfolio of an average client with at least 60 million rubles ($930,000) now has 22% allocated to developed-market fixed income, up from about 10% a year ago, according to the bank's local unit. The bank has well over 500 such clients in Russia, it said, without specifying exact numbers.

The shift shows that the Kremlin's move to de-dollarize the Russian economy and lower its vulnerability to U.S. sanctions isn't being mirrored in private accounts. By ignoring geopolitics, Citibank's clients avoided a sell-off in risky assets this year and mopped up returns from a rally in treasuries.

Znamenskiy said there's also appetite among Citibank's wealthy clients for developed-market high-yield bonds with 3-5 year maturities, and for U.S. equities, including in the healthcare, robotics and artificial intelligence sectors.

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