



Article

The Financial Crisis and U.S. Cross-Border Financial Flows

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November 18, 2009

The financial crisis that began in the summer of 2007 caused notable changes in the composition of U.S. cross-border financial flows, especially in the fall of 2008, when the crisis intensified. This article documents three major channels through which financial flows and associated portfolio positions were affected: (1) “flight to safety” shifts away from riskier securities and toward investments in safe and liquid markets, particularly U.S. Treasury securities; (2) unusual flows through the banking system resulting from a shortage of dollar liquidity abroad and a breakdown in interbank markets; and (3) a pullback from cross-border positions during the crisis.

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