Will a US Treasury sell off work?

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I was asked this question on the blog yesterday:

Would a mass sell off of US Treasuries by EU and others put pressure back on Trump and his Congress?

Since it is doing the social media rounds, I gave this question some thought and responded as follows (with some editorial improvements on reposting):

Yes, it could, but the chain of effects is indirect and politically messy.

A mass sell-off of US Treasuries by foreign holders would, all else equal, push Treasury prices down and yields up. That would tend to:

* Increase US government interest costs, especially on new issuance.
* tighten US financial conditions, meaning higher rates across the mortgage and corporate debt markets, and
* Unsettle risk markets.

All of that would create political pressure on any administration, including Trump's. However, there are big caveats.

First, Treasuries are the world's core safe asset. In a true panic, many investors often run towards Treasuries, not away from them. So coordinated foreign selling could be partly offset by domestic and global private buying.

Second, the Federal Reserve can stabilise yields through purchases, using measures such as QE, if it chooses. The US, as the issuer of the dollar, cannot be funding-constrained by dollar-relatedissues.

Third, foreign holders selling Treasuries are also harming themselves: they either crystallise losses or they must find an alternative reserve asset of comparable scale and liquidity, and there is none at the same depth at present.

So, foreign sales could signal diplomatic and financial disapproval and cause disruption, but they are not a reliable weapon that would force Congress to change course. It would create pressure mostly via higher rates, market volatility and a weaker dollar, but the US has unusually strong tools to absorb that pressure, meaning the measure might not work.

I do not buy this argument as a result.