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Sommario/riassunto	This paper develops a theory of international currency portfolios that holds in general equilibrium, and that is therefore not subject to the criticisms directed at the portfolio balance literature of the 1980s. It shows that, under plausible assumptions about fiscal policy, the relationship between the rates of return of different currency bonds is not correctly described by an arbitrage relationship but instead also depends on outstanding bond stocks. Other findings are: (1) There is a monotonically increasing relationship between domestic interest rates and the portfolio share of domestic currency denominated assets. This relationship is steep at low levels of government debt, and almost flat at high levels of government debt. (2) Optimal private sector foreign currency positions are negative, and their size is decreasing in exchange rate volatility. Under volatile exchange rates large negative aggregate net foreign asset positions can only be rationalized by assuming large public sector borrowing from foreign governments. (3) For a baseline economy with zero net foreign assets, open market sales of domestic government debt lead to valuation gains (losses) when the country as a whole has a short (long) position in foreign currency. (4) A fiscal theory of exchange rate determination is compatible with general equilibrium in a two-country world. (5) Equilibria are determinate when

both fiscal and monetary policy are passive.