

Yield Curve Control and JGB Markets

High-Level Reserve Management Conference
hosted by the Bank of México and the BIS

March 30, 2017

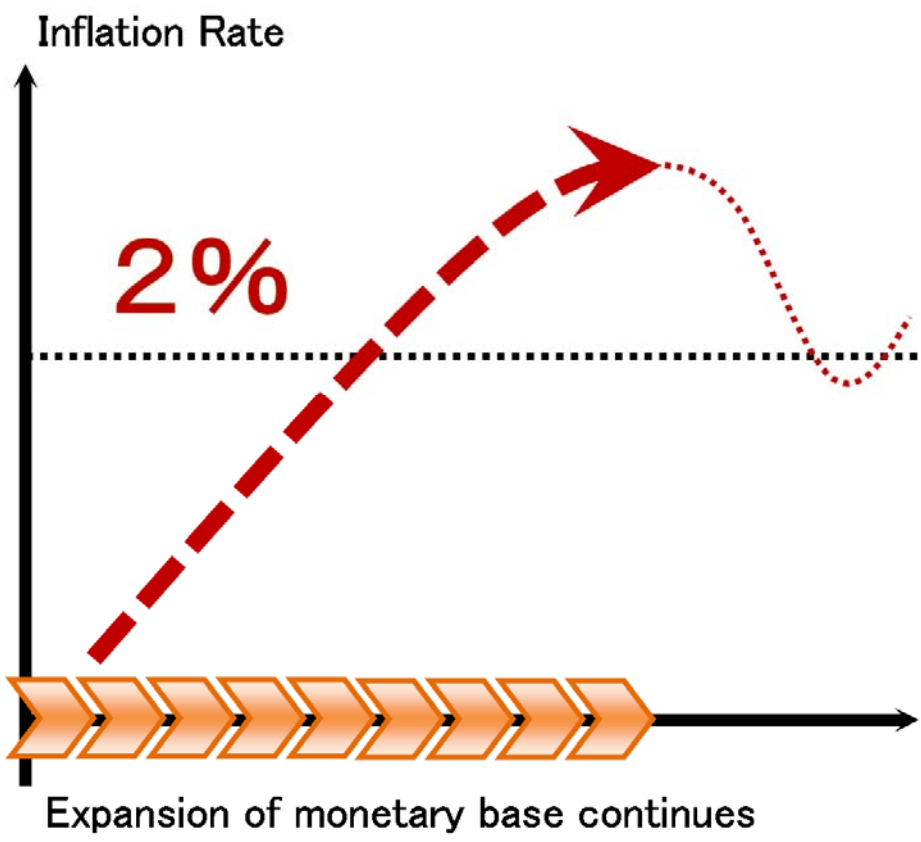
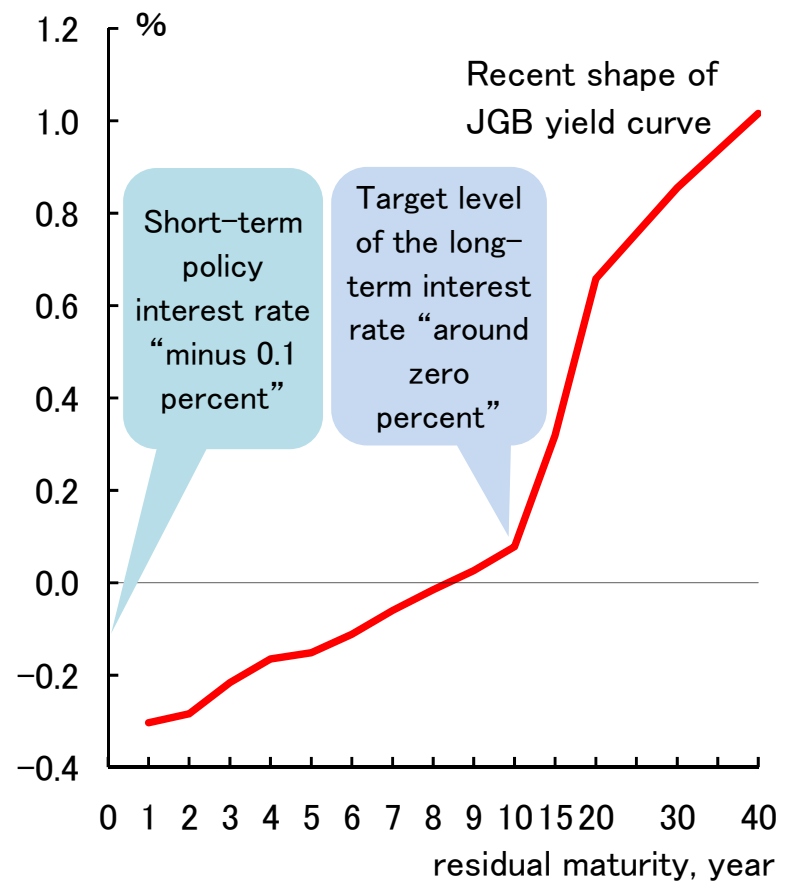
México City

Shigeto NAGAI

Bank of Japan

Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control

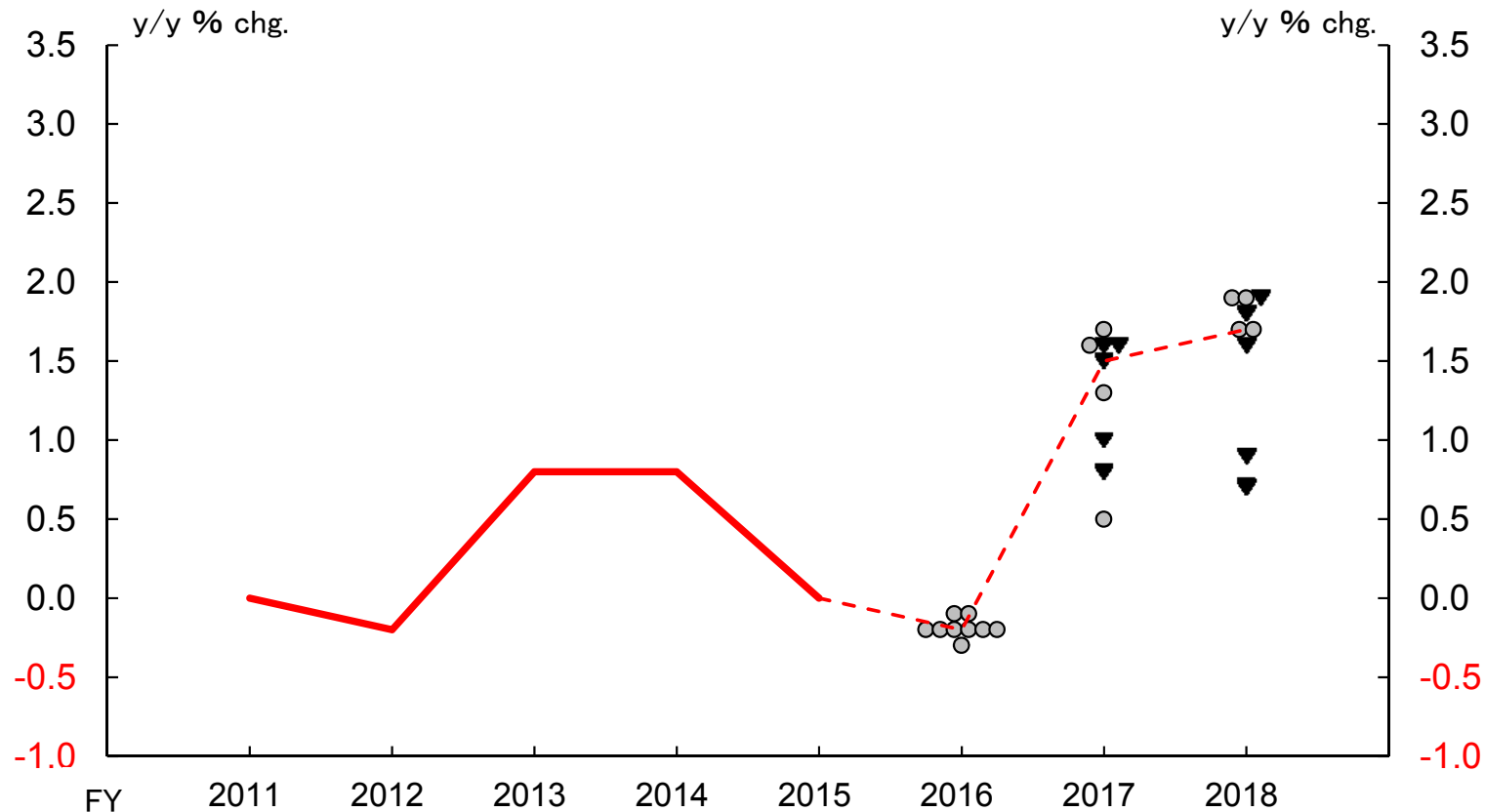
<Yield Curve Control> <Inflation-Overshooting Commitment>



Source: Bloomberg.

Policy Board Members' Forecasts and Risk Assessments

< CPI (All Items Less Fresh Food) >

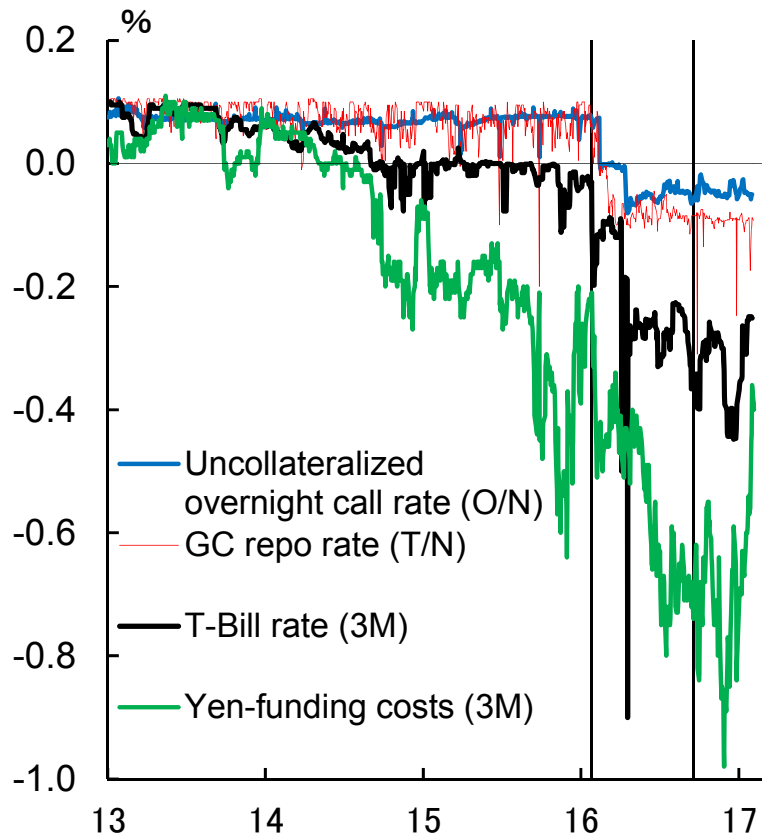


- Notes: 1. Solid lines show actual figures, while dotted lines show the medians of the Policy Board members' forecasts (point estimates).
 2. The locations of ●, ▲, and ▼ in the charts indicate the figures for each Policy Board member's forecasts to which he or she attaches the highest probability. The risk balance assessed by each Policy Board member is shown by the following shapes: ● indicates that a member assesses "upside and downside risks as being generally balanced," ▲ indicates that a member assesses "risks are skewed to the upside," and ▼ indicates that a member assesses "risks are skewed to the downside."
 3. Figures for the CPI exclude the direct effects of the consumption tax hikes.

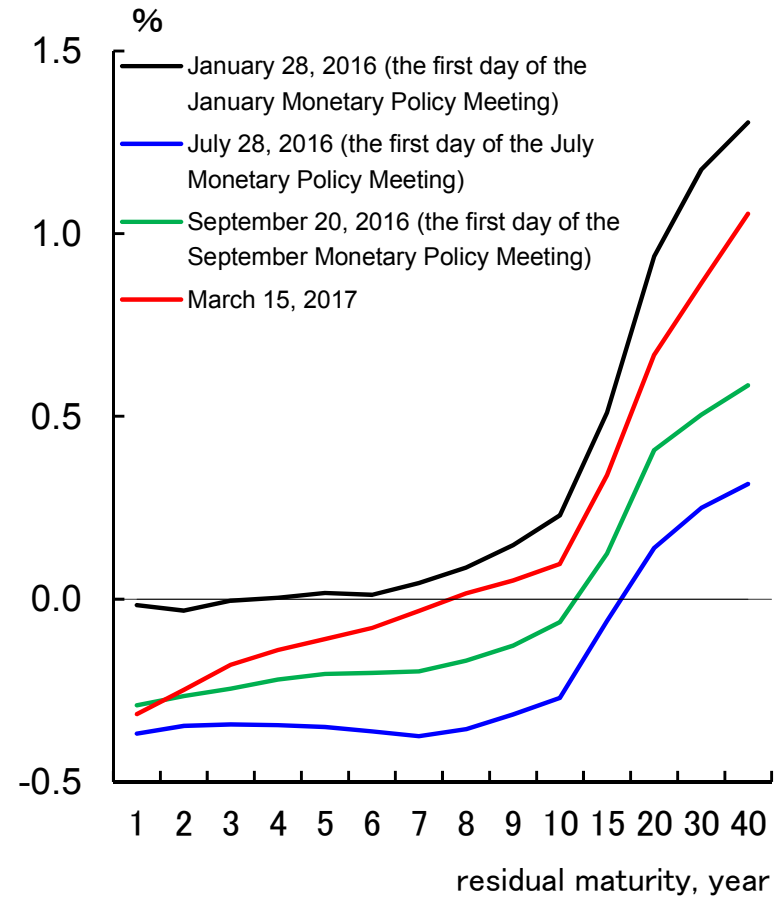
Source: Bank of Japan.

Fluctuations in Market Interest Rates

< Short-term Interest Rates >



< Yield Curve >



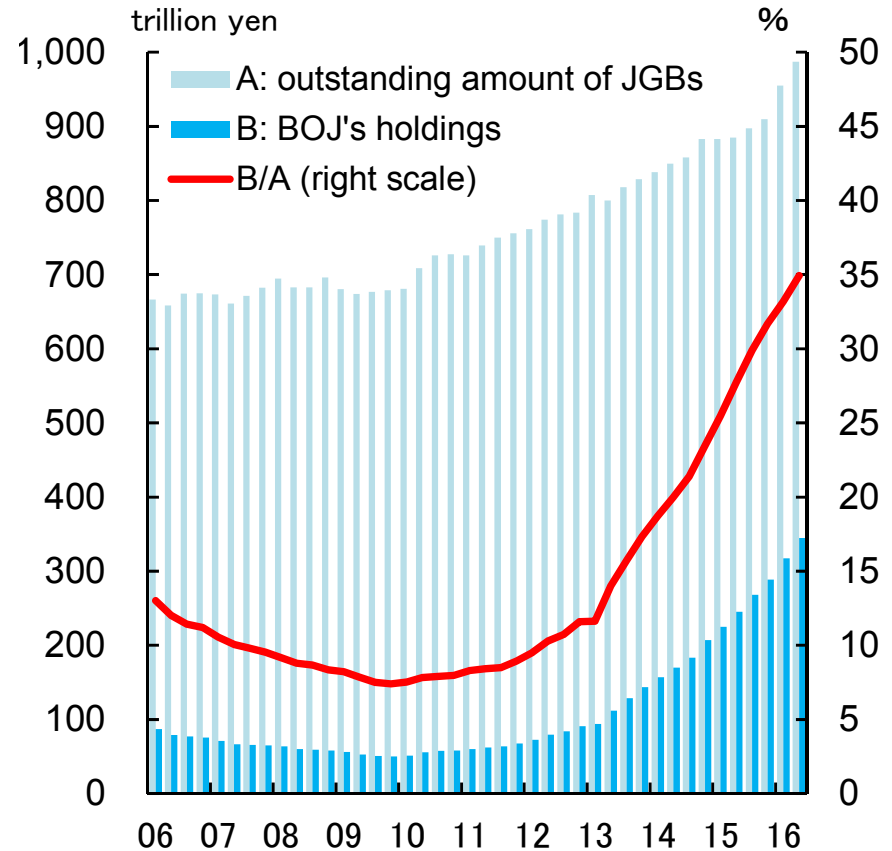
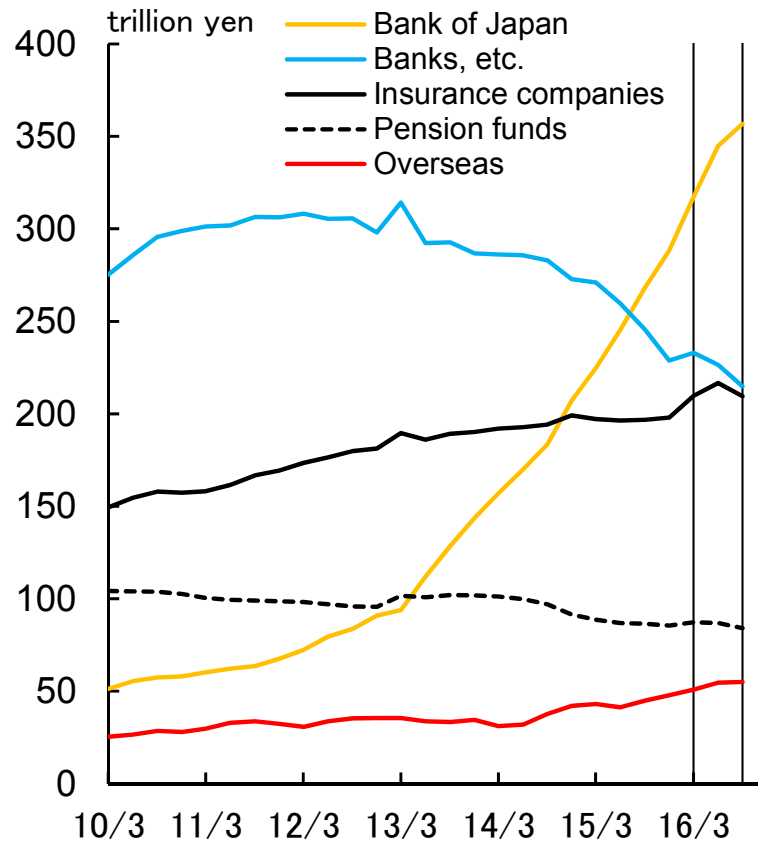
Note: In the following slide, the vertical lines in the charts indicate the introduction of Negative Interest Rate and the introduction of Yield Curve Control.

Sources: Bloomberg; JSDA.

Changes in JGB Holdings by Investor Type

< Outstanding Amount of JGBs >

< Share of BOJ's JGB Holdings >



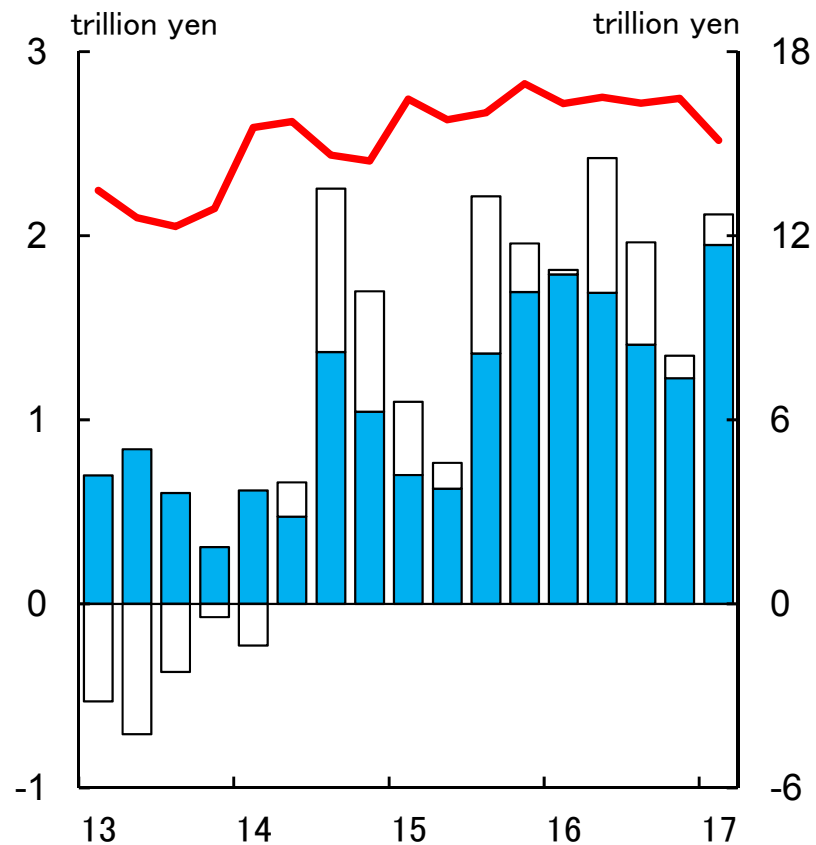
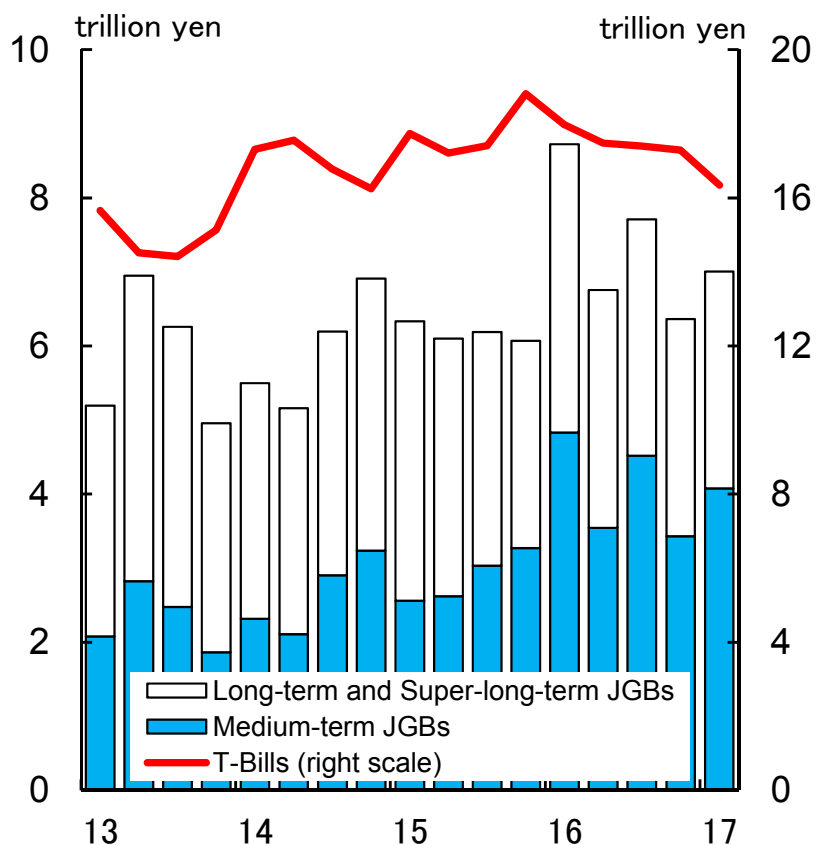
Note: JGBs exclude T-Bills.

Source: Bank of Japan.

Developments in Major Investors: Foreign Investors' Transaction Value of JGBs in the Secondary Market

<Gross Amount of Purchases>

<Net Amount of Purchases(Purchases - Sales)>

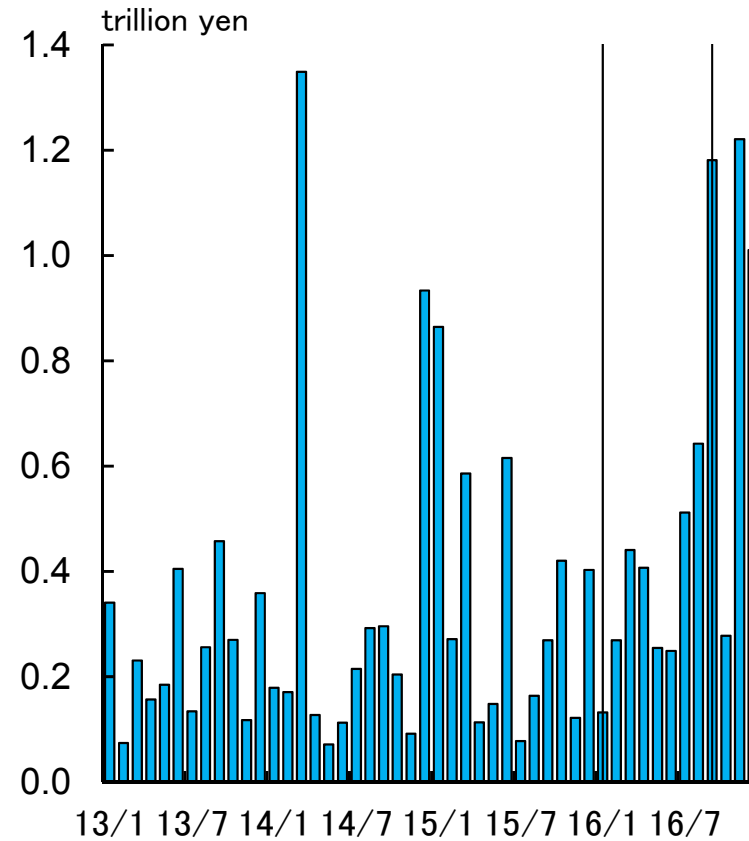
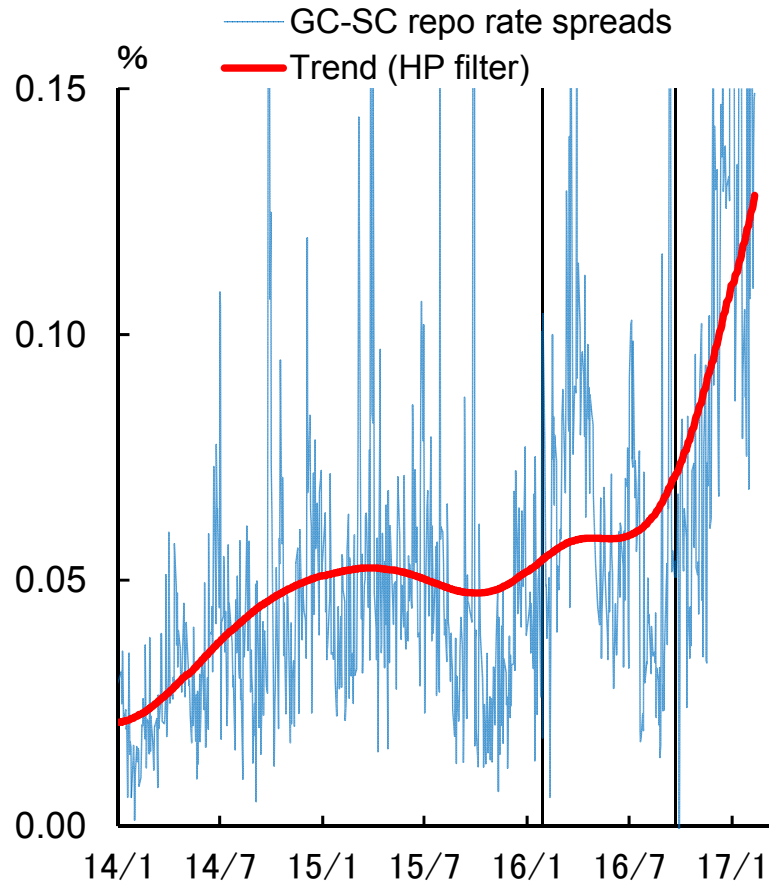


Source: JSDA.

“Scarcity” in Cash JGBs

< GC-SC Repo Rate Spreads >

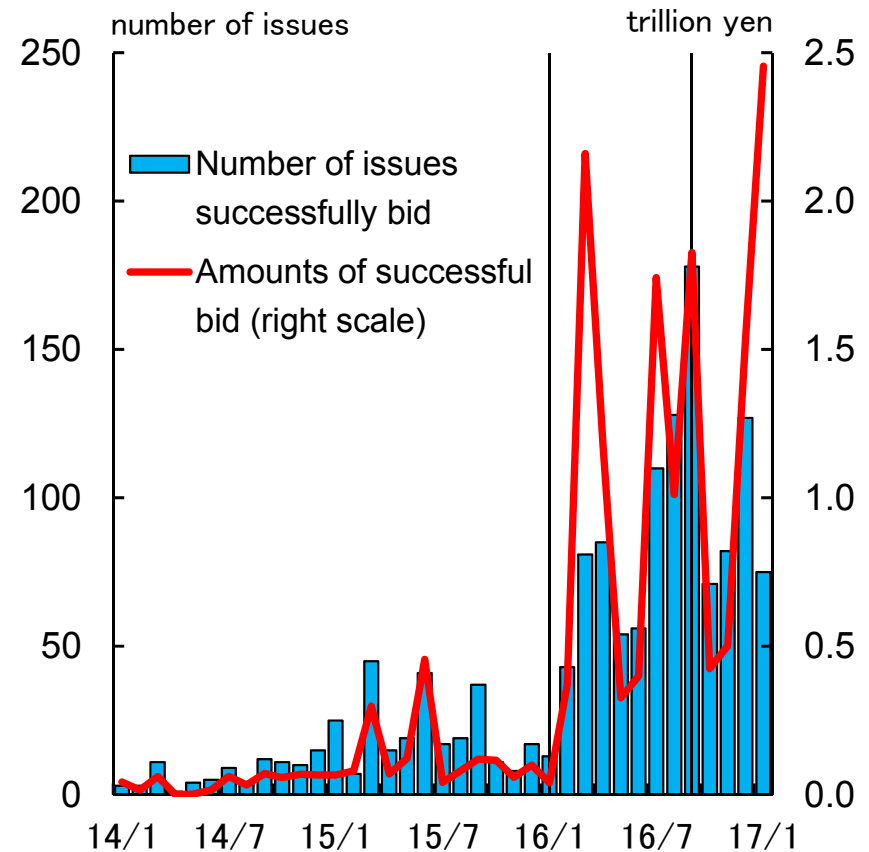
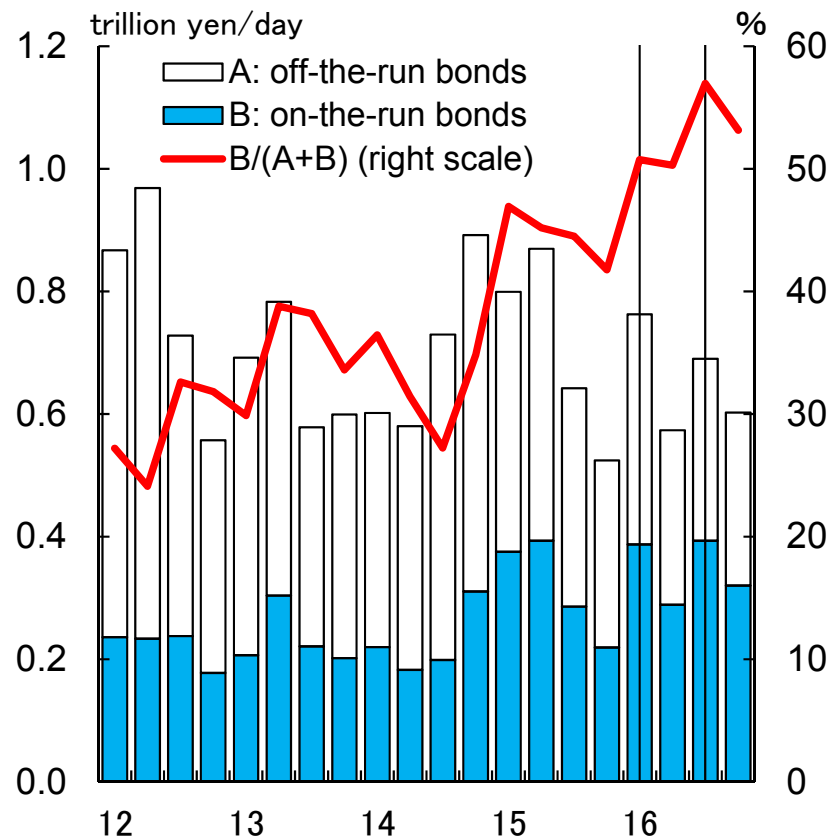
< Basic Figures on Fails (Total Face Value) >



Concentration of Transactions in On-the-run Bonds, Increased Use of the Securities Lending Facility Auctions

<Transaction Volume in Cash JGBs>

<Use of the Securities Lending Facility Auctions>

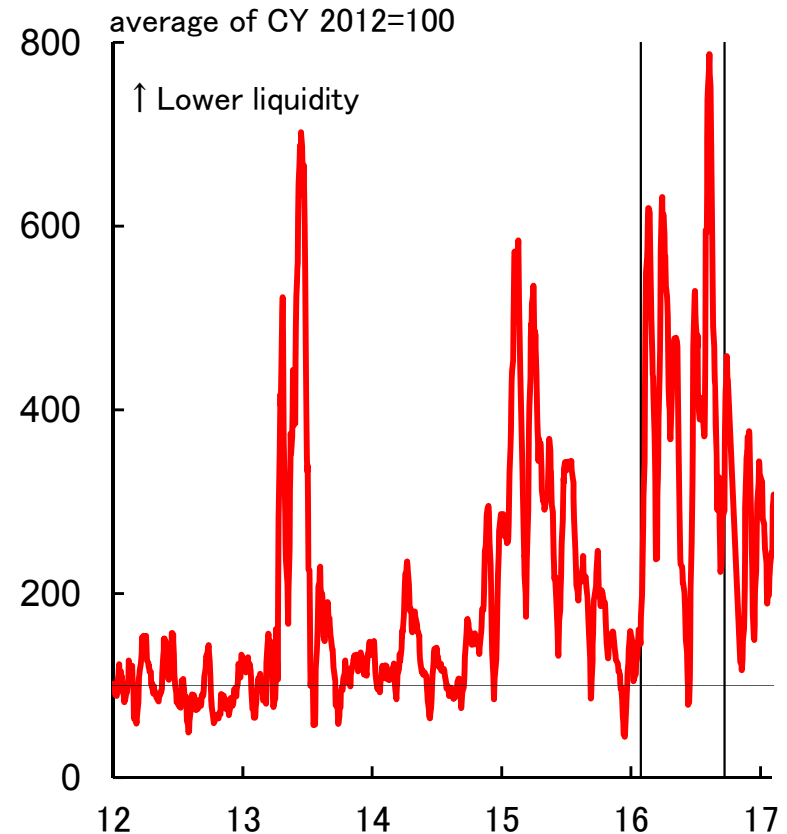
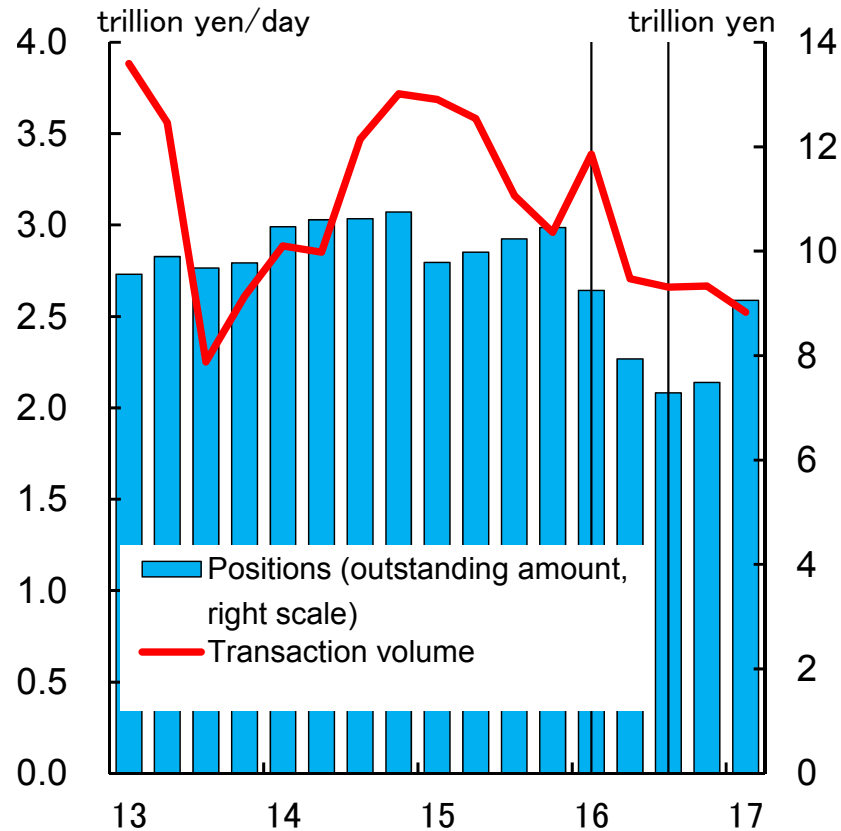


Sources: QUICK; Bank of Japan.

Decreased Use of Long-term JGB Futures

<Transaction Volume and Positions in Long-term JGB Futures>

<Price Impact on Long-term JGB Futures>



Note: Price impact can be calculated as the impact that a unit volume of transitions has on the price.



Thank you for your attention.

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and do not necessarily reflect those of the Bank.