Japanese Experience of Non-Conventional Monetary Policy and Market Impact

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## Outline of Government Bonds Purchases by the Bank of Japan

- **Amount outstanding of JGB holdings** (91 trillion yen (March, 2013))
  - Annual increase: about 50 trillion yen

- **Average remaining maturity of the Bank’s JGB purchases**
  - Slightly less than 3 years -> about 7 years (6-8 years)

### Amounts to be Purchased
- Approximately 7+ trillion yen per month

### Frequency of Purchases
- Approximately 8-10 times (business days) per month

### Bonds to be Purchased
- Japanese government bonds with coupons (2-year bonds, 5-year bonds, 10-year bonds, 20-year bonds, 30-year bonds, 40-year bonds, floating-rate bonds, and inflation-indexed bonds)

### Amounts to be Purchased from Specific Brackets Classified by Bond Type and Residual Maturity

<table>
<thead>
<tr>
<th>Residual Maturity</th>
<th>Bonds with coupons (excluding floating-rate bonds and inflation-indexed bonds)</th>
<th>Floating-rate bonds</th>
<th>Inflation-indexed bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[Percent of issuance amount]</td>
<td>0.14/month (bimonthly)</td>
<td>0.02/month (bimonthly)</td>
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<tr>
<td></td>
<td>Amounts to be purchased (tril. yen)</td>
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<tr>
<td>-1y</td>
<td>0.22/month</td>
<td></td>
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<tr>
<td>1-5y</td>
<td>3.0-4.2/month</td>
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<td>5-10y</td>
<td>2.7-3.6/month</td>
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<tr>
<td>10y</td>
<td>1.0-1.5/month</td>
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**Issuance Amount of the JGB for FY2013 (tril. yen)**
- 2y: 34.8 (2.9/month)
- 5y: 32.4 (2.7/month)
- 10y: 28.8 (2.4/month), 14.4 (1.2/month), 6.8 (0.5-0.6/month)
- 20y: Additional Off-the-Run Issue 5-15y: 5-15y 15-29y
- 30y: 3.6 (0.3/month)
- 40y: 1.6 (0.4 × 4)

(Source) Bank of Japan, 2013
10-year Bond Yields in Major Countries

(Source) Bloomberg

U.S.            2.18%
U.K.            2.17%
Germany        1.60%
Japan          0.89%

Apr 4th, 2013

June 11th, 2013

(Source) Bloomberg
JGB Yield Curves

(Source) Bloomberg
30-day Historical Volatility

(Source) Bloomberg

Apr 4th, 2013
Investment Activities of Main Japanese Investors

- **Super long-term bonds**
- **Long-term bonds**
- **Medium-term bonds**
- **T-bills**

**Note.** Turnover figures represent transaction totals (excluding Gensaki transactions) by members (securities companies) or special members (registered financial institutions conducting dealing duties, etc.) of Japan Securities Dealers Association. Figures are calculated on a nominal basis.
Policy Measures by the BOJ & the MOF

The Bank of Japan

- Close and more frequent communication with market participants
- Flexible market purchase operations
- More flexibility for Securities Lending Facility (SLF)

The Ministry of Finance

- Consideration of additional issuance of Off-the-Run JGBs in case of liquidity shortage
- Modification of maturity composition in the annual issuance plan if necessary