Yen Slides to Weakest Since November on Wide Japan-US Yield Gap

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(Bloomberg) -- The yen slid to its weakest level this year as a persistently wide interest-rate gap with the US weighs on the Japanese currency.

Investors are now on guard for any sharp moves as traders return in Tokyo following a holiday in Japan on Friday. The currency depreciated past 145.07 and towards a zone that last year saw Japanese authorities intervene in the market. It was at 145.18 at 9:35 a.m. Tokyo time on Monday, the weakest since November.

The yen was under pressure last week, as a drop in Treasuries pushed up US yields. Benchmark 10-year Japanese government bond yields sit below 0.6%, versus more than 4% for similar maturity Treasuries.

While the BOJ adjusted its yield-curve control program on July 28 to make it more flexible — allowing 10-year rates room to move up toward 1% — this has failed to stem weakness in the currency. That's partly because the central bank has also indicated it won't tolerate a rapid move in yields, and bought JGBs to stem the climb.

The central bank has repeatedly said that its adjustments to YCC are not steps toward an exit from ultra-easy monetary policy. Japan is the only nation that maintains a negative interest rate, which continues to weigh on the yen.

The bout of pronounced weakness in the currency late last year drew Japanese authorities into the market on three occasions, in what were their first such interventions to support the yen since 1998. The first of the forays came as it tumbled toward 146.

The yen has slumped about 9.5% against the dollar this year, making it the worst performer among key developed-market currencies.