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Macro Roundup Article

Headline: Yen at 160 and 10-Year JGBs Approaching 1.1%

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Tweet: Japanese demand for US Treasuries is declining as domestic assets become more attractive, with 10-year JGB rates approaching 1.1%. At $1.2T Japan is the biggest foreign holder of US Treasuries.

Summary: The Japanese yen has risen above 160 and 10-year JGB yields are approaching 1.1%. Japan is the biggest foreign holder of US Treasuries, holding $1.2 trillion. This is more than China's $770 billion. The three-month moving average of Japanese net purchases of US Treasuries is declining, suggesting that Japanese investors are repatriating money from abroad and taking money home to buy Japanese assets. A simple econometric model forecasting the USD/JPY exchange rate shows that based on the current interest differential between the US and Japan, the USD/JPY exchange rate should currently be 140. In other words, with Japanese yields rising relative to US yields, the yen should be appreciating, which is the opposite of what has happened.

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