

## Macro Roundup Article

**Headline:** [There's No Place Like Home](#)

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**Summary:** Years of negative policy rates enticed Japanese households, pension plans, state-owned banks and the Bank of Japan itself to create what Deutsche Bank estimates as a \$20 trillion carry trade in which “Japan Inc” funds itself via low-cost bank deposits and invests in overseas assets and domestic assets of longer duration. A lot of macro hedge funds piled on to do the same, funding in Yen. When the Fed began to hike in 2022, the Japanese carry trade accelerated, pushing the Yen to its weakest level since 1986. Rising core inflation and wage negotiation outcomes finally prodded the Bank of Japan to raise rates just as the Fed is projected to begin easing, driving up the Yen sharply. The recent Yen rally of 14% is among the largest seen over the last 40 years. Note how it only took a BoJ hike of 25 basis points (!) to trigger this, which is indicative of how large the unmeasurable Yen carry trade might actually be. While the Yen is now closer to fair value based on interest rate differentials, JP Morgan FX traders believe that there could be more carry trade unwinds ahead.

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