EDWARD CONARD

TOP TEN The New York Times BESTSELLER

Macro Roundup Article

Headline: Little Impact of YCC Exit on US Rates

Article Link: https://apolloacademy.com/little-impact-of-ycc-exit-on-us-rates/

Author(s)	Torsten Sløk
Publication	Apollo
Publication Date	August 29, 2023

Tweet: Torsten Slok @apolloglobal argues that reduced Japanese demand for Treasuries is a minor factor in rising long-term interest rates.

Summary: One way to better understand the impact of BoJ YCC exit on Japanese demand for US Treasuries is to look at how much of the recent increase in US long-term interest rates has happened during Tokyo trading hours. Since the BoJ YCC exit surprise in late July, the move higher in 10s has occurred almost entirely during New York trading hours. This suggests that US rates are not driven higher by Japanese investors during Tokyo trading hours. Hence, BoJ YCC exit doesn't seem to be the reason long rates have increased over the past month. Instead, likely drivers of US rates over the past month are the US sovereign downgrade, fewer dollars for China to recycle in a falling exports environment, Fed QT, the significant budget deficit, the large stock of T-bills, and the Treasury's intention to increase coupon auction sizes.

Related Articles: Raising Anchor and China Isn't Selling Treasuries and American Gothic

Primary Topic: Financial Markets

Topics: Financial Markets, Fiscal Deficits, Fiscal Policy, GDP, Op-Ed/Blog Post

Permalink: https://www.edwardconard.com/macro-roundup/torsten-slok-apolloglobal-argues-that-reduced-japanese-demand-for-treasuries-is-a-minor-factor-in-rising-long-term-interest-rates?view=detail

Featured Image Link: https://www.edwardconard.com/wp-content/uploads/2023/08/Trading-Hours-.png