

Macro Roundup Article

Headline: [The Japanese Bid for Foreign Bonds After the End of Yield Curve Control](#)

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Tweet: The end of yield control in Japan is expected to reduce the Bank of Japan's purchases of foreign debt, but “the best bet is that Japan will continue to be a modest net buyer of foreign bonds, as it was in 2023.” @EtraAlex @Brad_Setser

Summary: The Bank of Japan (BoJ) seems set to exit its negative interest rate policy (NIRP) this week and allow its target interest rate to rise to just above zero. It also may also take further gradual steps to allow the yield on 10-year Japanese government bonds (JGBs) to fluctuate more freely, continuing its two-year long process of backing away from yield curve control. Shifts in Japanese monetary policy – even if widely telegraphed – are of global interest. There are always fears that Japanese investors will lose interest in foreign paper. At the end of the day, the ongoing evolution in Japanese monetary policy settings isn't likely to change all that much. Both short-term and long-term Japanese rates will remain well below rates in the U.S. and Europe. Thus, the best bet is that Japan will continue to be a modest net buyer of foreign bonds, as it was in 2023.

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