**Carry Trade That Blew Up Markets Is Attracting Hedge Funds Again**

* Yen shorts have risen around 30 to 40% in past week, ATFX says
* Any hint of BOJ keeping rates on hold may embolden yen sellers

Japan’s currency has weakened more than 5% against the dollar since Aug. 5, when a cocktail of hawkish Japan monetary policy moves, jitters around US earnings and a feeble jobs report catapulted the yen to a seven-month high.當鷹派的日本貨幣政策移動,US獲利的抖動和虛弱的工作報告使日元達到7個月新高

“There has been a notable move back” into carry trades after US retail sales data [beat estimates](https://www.bloomberg.com/news/articles/2024-08-15/us-retail-sales-pick-up-by-more-than-forecast-in-broad-advance)明顯回到套利交易在US零售數據高於預期, said Antony Foster, head of Group-of-10 spot trading at Nomura in London. Multiple accounts have sold yen to buy the Australian dollar and sterling, he said.

ATFX Global Markets has seen around a 30% to 40% rise in yen shorts in the past week, with a big chunk of the bets driven by hedge funds and high net worth investor clients. 與一大塊被風險投資和高净資產的投資者的賭注

“People have pretty short memories,” William Vaughan, associate portfolio manager at Brandywine Global Investment Management, said of the carry trade and investors who ply them. “There’s so many momentum traders in that sort of space.” 有很多有動力的交易者在這種地方

One of the key questions for investors still sitting on the carry-trade sidelines is whether the Bank of Japan will hike interest rates again this year. BOJ Deputy Governor Shinichi Uchida has already [indicated](https://www.bloomberg.com/news/articles/2024-08-07/yen-extends-losses-against-dollar-as-market-volatility-continues) that policymakers won’t raise rates further if financial markets are unstable.

If the BOJ holds fire, then the allure of re-entering the trade is poised to grow. 如果BOJ不動作,重新進入的交易將上升

Traders may get further clarity on the trade this week with BOJ Governor Kazuo Ueda due to [speak](https://www.bloomberg.com/news/articles/2024-08-13/boj-s-ueda-set-to-explain-july-rate-hike-decision-on-aug-23) before parliament 國會 on Aug. 23. 交易者可能獲得更加清晰交易在這星期隨著BOJ長在國會的演講8月23前 They may also be emboldened if Federal Reserve Chair Jerome Powell, in his Jackson Hole speech due the same day, pushes back against bets by some traders that the US central bank will ease monetary policy by a half percentage point in September. 他們可能會更加大膽如果美聯儲JP不打退一些交易員的賭注,US中央銀行可能減緩貨幣政策藉由0.5半分點的降息在9月

The yen has slid to around 149 per dollar since touching 141.70 on Aug. 5, but investors still remain cautious about selling the Japanese currency given its sudden surge earlier this month.

“The big over-hang short yen position has been wiped out, but this market is extremely fragile,” says Foster at Nomura.

A graph showing the growth of the stock market

Description automatically generated

The fragility was evident in the latest Commodity Futures Trading Commission [data](https://www.bloomberg.com/news/articles/2024-08-09/bets-against-yen-crater-as-volatility-scares-crowded-carry-trade), which showed speculative traders pulling back sharply on bearish yen bets during the week to Aug. 6.

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Even if comments from Ueda and Powell pave the way for investors to buy dollars for yen though, that doesn’t mean they will all rush to do so.

M&G Investment Management, which has pared some bullish positions on the yen, says that while the currency is undervalued, it might remain so for a while yet.

Japan’s currency “is really cheap, but we’re not foolish enough to think that it is going to ping back down to fair value anytime soon,” said Jim Leaviss, one of Britain’s most well-known bond investors and head of fixed income at M&G.

For Nick Twidale from ATFX, there’s already evidence that investors are reloading yen shorts as part of their strategy to buy higher-yielding assets. “The carry trade is still very relevant,” said the chief analyst in Sydney.