

JAPANESE GOVERNMENT BONDS

Monthly Newsletter of the Ministry of Finance, Japan

November 2019

Our fundamental goal of debt management policy is to achieve stable and smooth financing for our national accounts and to minimize medium-to-long term financing costs.

SUMMARY

What's New: The Advisory Council on Government Debt Management p. 2

- ✓ The 51st meeting of the Advisory Council on Government Debt Management was held on October 25, 2019. The agenda was as follows:

(Agenda)

1. Current Status and the Outlook of Japanese Government Bond Market Conditions
2. Update on Debt Management Policies

Monthly Topic: The Bank of Japan's *TANKAN* (September 2019 Survey) p.5

- ✓ On October 1, the Bank of Japan (BOJ) released the *TANKAN* ("Short-Term Economic Survey of Enterprises in Japan"), quarterly survey of more than 9,000 enterprises.

IR Office: IR activities in October p. 6

- ✓ IR tours to Asia and US

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The Ministry of Finance

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The 51st meeting of the Advisory Council on Government Debt Management

The 51st meeting of the Advisory Council on Government Debt Management was held on October 25, 2019. The agenda was as follows:

(Agenda)

1. Current Status and the Outlook of Japanese Government Bond (JGB) Market Conditions
2. Update on Debt Management Policies

Mr. Inaida Yosuke, Nomura Securities, explained the item 1 on the agenda, and the MOF explained the item 2. Here, we highlight the key discussions in the meeting. For the other parts, please refer to the links below.

● **Current Status and the Outlook of JGB Market Conditions**

➤ Views expressed by the members (summarized by the Financial Bureau)

- From the prudence point of view, we need to recognize that the holding ratio of super-long-term bond has increased to some extent among the small and medium-sized financial institutions.
- Market functioning only remains in the super-long-term tenor for domestic investors. Particularly, under this kind of extremely low yield circumstance, the viewpoint of how we can utilize the super-long-term zone, while positioning it as the area with market functioning still alive, is very important.
- On the other hand, with regard to short- to medium-term zone under negative yield, market functioning still remains for foreign investors since JGBs for such tenors are relatively cheap for them.
- Economic conditions have drastically changed from the previous year. We need to consider how we are going to handle market functioning, which is getting lower. Although it could be somewhat acceptable if it was a temporary event, we are entering the phase where we need to discuss more about policy measures considering the prolonged low market functioning.
- The most liquid product in the JGB market is the long-term bond futures transaction, which mainly represents the 7-year JGBs in the cash bond market. Market participants can hedge the 10-year JGBs using the futures transaction, but it is much difficult to hedge 20-year and 30-year JGBs since the tenor gap between the cash bond and futures contract will be wide in those tenors.
- It is important to maintain the market functioning in the JGB market and the Interest Rate market. This is because they have such function as built-in stabilizer with macroeconomic characteristics and features leading to fiscal discipline. For instance, utilizing technologies and innovations to evoke market functioning or trading motivation is one idea.

- **Update on Debt Management Policies**

- Summary of the Financial Bureau's presentation

(Basic stance)

- It is necessary to continue the bond issuance in line with the market demands for the smooth and secure issuance of JGBs and minimization of medium- to long-term fundraising costs. However, since the issuance of JGBs is expected to be far beyond 100 trillion yen continuously, we think targeting the stable issuance ascertaining medium- to long-term trend in demand, rather than conducting opportunistic issuance, will result in cost minimization and smooth issuance.

(Investor trends)

- The global regulations for life insurance companies are under discussion, aiming to be enforced at 2025. On the other hand, discussion on the Japanese domestic regulation has just started since a panel of experts has been established under Financial Services Agency in June 2019. Demand for JGBs is expected to change depending on the detail of the regulations and the timing of the enforcement, or before and after life insurance companies' counter measures on the regulation are taken. Therefore, it is necessary to decide the issuance plan considering such movements.

(JGB liquidity situation)

- Trading volume and turnover ratio in the JGB market has somewhat improved from last year. According to the bond market survey, improvement on market functioning of the JGB market is trading water, also affected by the current interest rate situation. Meanwhile, GC-SC spread and the bid amount of Securities Lending Facility have been showing a calm trend from this year, which indicates that the liquidity, such as the imbalance of supply and demand among each issue, has largely improved.
- Liquidity Enhancement Auctions are conducted to improve the imbalance of supply and demand among each issue. Bid amount of the auction had increased when the government decided to issue more JGBs after the global financial crisis and when the Bank of Japan started the Quantitative and Qualitative Monetary Easing. More recently, the total issuance amount of JGBs in flow basis has taken a downward turn and the amount purchased by the Bank of Japan has been decreasing. We have been reducing the issuance amount for the new issuance. However, it may be necessary to discuss the amount of the Liquidity Enhancement Auctions when considering the JGB issuance plan.
- Since the estimated outlook of the issuance amount of Refunding Bonds calculated in 2013 resulted in the issuance more than 30 trillion yen in 10 years, we have aimed to extend the average maturity of JGBs in flow basis in order to control the growing amount of Refunding Bonds. As a result, the recent estimation shows that the amount of Refunding Bonds will remain flat, and the advantage of the average maturity extension we observed in the past has been softening. In the meeting of the Advisory Council on Government Debt Management 3 years ago, we had a discussion suggesting the government to decide the annual issuance plan more flexibly considering the medium- to long-term investors' demand by changing the target from the extension of the average maturity of JGBs in flow basis.

- We have been utilizing the front-loading Refunding Bonds, which has led to the reduction of the calendar-based issuance amount of JGBs for the recent 2 years. In spite of such attempt, the front-loading issuance for the last fiscal year has resulted in an increase. The front-loading issuance may also increase in this fiscal year depending on the market condition while the excess income from the calendar-based JGB issuance under the negative yielded condition is estimated to be larger than expected in the trillion yen order, and the issued JGBs with funds not in use have marked 1.5 trillion yen as of June 2019.
 - As a recent measure to handle such issue, we have increased the estimated amount of the excess income arising from Non-Price Competitive Auction II and the calendar-based JGB issuance from the initial planning stage reflecting the performance. In addition, we think it is necessary to further discuss modifying the issuance plan during the fiscal year depending on the gap between the plan and the result, or redesigning the mechanism which leads to such gap. In Germany, the United Kingdom and France, they formulate annual Government Bond issuance plans before the fiscal year, and modify them during the fiscal year.
- Views expressed by the members (summarized by Financial Bureau)
- It is necessary to optimize the amount of the front-loading issuance in medium- to long-term. It would be better to optimize the outstanding amount of the front-loading Refunding Bonds after making the market predictability clear by incorporating to the initial plan the amount of Non-Price Competitive Auction II reflecting the result, somewhat more drawdown of the front-loading Refunding Bonds, and so on.
 - Regarding the enforcement of the Insurance Capital Standard in 2025 and domestic economic value-based solvency regulation, demand for 30-year and 40-year JGBs is expected to remain in order to fill the duration gap efficiently. On the other hand, the foreign market has more investment opportunity and is more attractive. Therefore, investment activity to gain return in such markets is expected to continue. I think demand for super-long-term will still exist with the unfilled duration gap left after 2025, since it is difficult to imagine life insurance companies investing only in JGBs just because of the regulation perspective.
 - According to the estimation, there is around 10 trillion yen gap between the issuance plan of FY2020 and FY2021. In terms of the basic policies ensuring predictable, smooth and secure issuance of JGBs, it is necessary to level off the JGB issuance amount by utilizing the front-loading Refunding Bonds. For such secure absorption of JGBs in the market, it is important to reduce the amount of the front-loading issuance gradually, considering a long time horizon.

MONTHLY TOPIC

The Bank of Japan's *TANKAN* (September 2019 Survey)

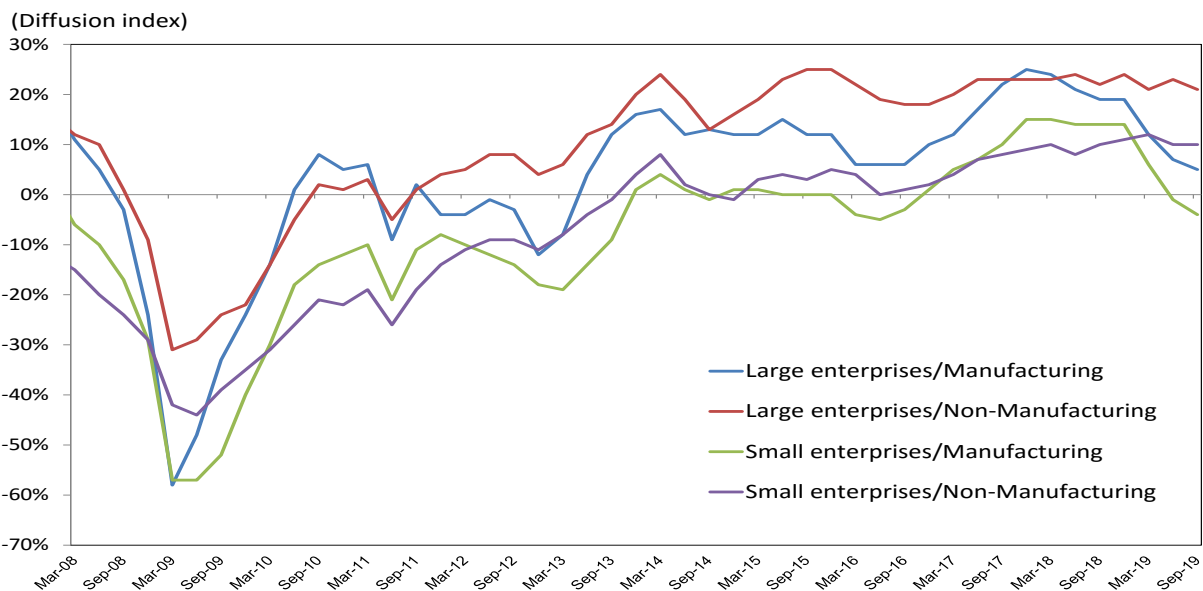
On October 1, the Bank of Japan (BOJ) released the *TANKAN* ("Short-Term Economic Survey of Enterprises in Japan"), quarterly survey of more than 9,000 enterprises. The points are as follows:

- The index for all enterprises declines from 10 to 8 in September, mainly due to the decline in Manufacturing sector, while Non-manufacturing sector keeping the same level.
- On the other hand, December forecast figures show declines especially in Non-manufacturing sector.

(Diffusion index of "Favorable" minus "Unfavorable", % points)

| | June. 2019 | Sept. 2019 | Change between June and Sept. | Dec. 2019 (Forecast) | Change between Sept. and Dec. |
|----------------------------|------------|------------|-------------------------------|----------------------|-------------------------------|
| [Large Enterprises] | | | | | |
| Manufacturing | 7 | 5 | -2 | 2 | -3 |
| Non-manufacturing | 23 | 21 | -2 | 15 | -6 |
| [Medium-sized Enterprises] | | | | | |
| Manufacturing | 5 | 2 | -3 | -1 | -3 |
| Non-manufacturing | 18 | 18 | 0 | 9 | -9 |
| [Small Enterprises] | | | | | |
| Manufacturing | -1 | -4 | -3 | -9 | -5 |
| Non-manufacturing | 10 | 10 | 0 | 1 | -9 |
| [All Enterprises] | | | | | |
| Manufacturing | 3 | -1 | -4 | -4 | -3 |
| Non-manufacturing | 14 | 14 | 0 | 6 | -8 |
| All industries | 10 | 8 | -2 | 2 | -6 |

(Source) Bank of Japan "Tankan"
For more information, see
<http://www.boj.or.jp/en/statistics/tk/index.htm/>



(Source) Bank of Japan "Tankan"

- From the end of September to the beginning of October, **Mr. Kubota**, Deputy Director-General of the Financial Bureau, **Mr. Naruse**, Deputy Director of the Debt Management Policy Division, and **Mr. Suzuki**, Section Chief of Overseas JGB Investor Relations, visited Singapore and Mumbai to have meetings with foreign investors. During the meetings, we mainly described Japan's economic situation including the promotion of structural reforms and our debt management policy. Then, we also exchanged views on recent market conditions. Supported by their deep understanding of the Japanese markets and economy, the meetings were much fruitful, and we also learned a lot from the discussions. We appreciate their warm welcome and look forward to seeing them again.
- In the second week of October, **Mr. Ohata**, Director for Debt Management and JGB Investor Relations, and **Mr. Kajikawa**, Researcher, visited Boston, New York and Los Angeles to have meetings with foreign investors. We made a brief presentation on the recent developments in Japanese economy and our stance on the debt management policy, and exchanged views with the investors and heard their current and potential investment stances on JGBs. We received not only questions but also their opinions from investors' point of view, which lead to stimulating discussions. We appreciate the opportunity and hope to meet them again.



If you have any questions regarding the contents of this newsletter, please do not hesitate to contact us at: JGB-IR@mof.go.jp

Auction Results (Bonds)

(Until 31 October 2019)

| Auction Date | Type of Security | Issue Number | Maturity Date | Nominal Coupon | Amounts of Competitive Bids (billion yen) | Amounts of Bids Accepted (billion yen) | Yield at the Lowest Accepted Price | Yield at the Average Price | Amounts of Non-Competitive Bids Tendered /Accepted (billion yen) | Amounts of Bids Accepted at the Non-price-competitive Auction I (billion yen) | Amounts of Bids Accepted at the Non-price-competitive Auction II (billion yen) |
|--------------|---------------------------------|--------------|---------------|----------------|---|--|------------------------------------|----------------------------|--|---|--|
| 8/1/2019 | 10-year | 355 | 6/20/2029 | 0.1% | 6,436.5 | 1,711.1 | ▲0.150% | ▲0.152% | 0.266 | 387.7 | 0.0 |
| 8/6/2019 | 30-year | 63 | 6/20/2049 | 0.4% | 2,017.5 | 576.6 | 0.299% | 0.292% | - | 122.7 | 0.0 |
| 8/8/2019 | 10-year Inflation-Indexed Bonds | 24 | 3/10/2029 | 0.1% | 1,534.7 | 399.6 | ▲0.329% | - | - | - | 14.7 |
| 8/15/2019 | 5-year | 140 | 6/20/2024 | 0.1% | 7,318.9 | 1,564.9 | ▲0.310% | ▲0.314% | - | 333.6 | 283.2 |
| 8/20/2019 | 20-year | 169 | 6/20/2039 | 0.3% | 2,767.4 | 726.6 | 0.114% | 0.110% | - | 172.4 | 119.7 |
| 8/29/2019 | 2-year | 404 | 9/1/2021 | 0.1% | 8,832.8 | 1,634.5 | ▲0.309% | ▲0.311% | - | 365.1 | 123.0 |
| 9/3/2019 | 10-year | 355 | 6/20/2029 | 0.1% | 6,161.1 | 1,713.0 | ▲0.264% | ▲0.265% | 0.280 | 385.7 | 313.4 |
| 9/5/2019 | 30-year | 63 | 6/20/2049 | 0.4% | 1,975.9 | 572.8 | 0.144% | 0.140% | - | 126.3 | 98.5 |
| 9/11/2019 | 5-year | 140 | 6/20/2024 | 0.1% | 5,629.0 | 1,558.8 | ▲0.302% | ▲0.308% | - | 340.7 | 0.0 |
| 9/18/2019 | 20-year | 169 | 6/20/2039 | 0.3% | 2,565.4 | 738.0 | 0.210% | 0.205% | - | 161.7 | 49.6 |
| 9/25/2019 | 40-year | 12 | 3/20/2059 | 0.5% | 1,075.8 | 399.9 | 0.435% | - | - | - | 55.7 |
| 9/27/2019 | 2-year | 405 | 10/1/2021 | 0.1% | 6,199.5 | 1,654.1 | ▲0.327% | ▲0.333% | - | 345.3 | 0.0 |
| 10/1/2019 | 10-year | 356 | 9/20/2029 | 0.1% | 5,980.8 | 1,746.7 | ▲0.130% | ▲0.158% | 0.265 | 353.0 | 0.0 |
| 10/10/2019 | 30-year | 64 | 9/20/2049 | 0.4% | 2,240.3 | 578.6 | 0.385% | 0.382% | - | 120.4 | 96.1 |
| 10/17/2019 | 5-year | 141 | 9/20/2024 | 0.1% | 5,836.3 | 1,579.6 | ▲0.274% | ▲0.280% | - | 319.6 | 0.0 |
| 10/24/2019 | 20-year | 170 | 9/20/2039 | 0.3% | 2,871.7 | 735.2 | 0.249% | 0.245% | - | 164.1 | 0.0 |
| 10/29/2019 | 2-year | 406 | 11/1/2021 | 0.1% | 7,881.4 | 1,638.2 | ▲0.208% | ▲0.208% | - | 361.2 | 299.0 |

Auction Results (Treasury Discount Bills)

(Until 31 October 2019)

| Auction Date | Type of Security | Issue Number | Maturity Date | Amounts of Competitive Bids (billion yen) | Amounts of Bids Accepted (billion yen) | Yield at the Lowest Accepted Price | Yield at the Average Price | Amounts of Bids Accepted at the Non-price-competitive Auction I (billion yen) |
|--------------|------------------|--------------|---------------|---|--|------------------------------------|----------------------------|---|
| 8/2/2019 | 3-month | 848 | 11/5/2019 | 11,631.30 | 3,494.85 | ▲0.1070% | ▲0.1154% | 775.10 |
| 8/8/2019 | 6-month | 849 | 2/10/2020 | 8,904.60 | 1,885.87 | ▲0.1873% | ▲0.1934% | 414.10 |
| 8/9/2019 | 3-month | 850 | 11/11/2019 | 12,650.22 | 3,514.26 | ▲0.0932% | ▲0.0989% | 765.70 |
| 8/16/2019 | 3-month | 851 | 11/18/2019 | 13,403.69 | 3,509.74 | ▲0.1162% | ▲0.1222% | 790.20 |
| 8/19/2019 | 1-year | 852 | 8/20/2020 | 8,229.10 | 1,556.19 | ▲0.2228% | ▲0.2367% | 343.80 |
| 8/23/2019 | 3-month | 853 | 11/25/2019 | 12,718.00 | 3,481.26 | ▲0.1383% | ▲0.1463% | 778.70 |
| 8/30/2019 | 3-month | 854 | 12/2/2019 | 11,143.30 | 3,504.47 | ▲0.1623% | ▲0.1731% | 775.50 |
| 9/6/2019 | 3-month | 855 | 12/9/2019 | 10,513.20 | 3,509.73 | ▲0.1563% | ▲0.1619% | 790.20 |
| 9/9/2019 | 6-month | 856 | 3/10/2020 | 8,143.10 | 1,878.59 | ▲0.2643% | ▲0.2883% | 421.40 |
| 9/13/2019 | 3-month | 857 | 12/16/2019 | 9,027.80 | 3,493.90 | ▲0.1236% | ▲0.1431% | 786.10 |
| 9/18/2019 | 1-year | 858 | 9/23/2020 | 7,960.40 | 1,578.98 | ▲0.2171% | ▲0.2200% | 321.00 |
| 9/20/2019 | 3-month | 859 | 12/23/2019 | 13,621.10 | 3,487.15 | ▲0.1378% | ▲0.1483% | 782.80 |
| 9/27/2019 | 3-month | 860 | 1/8/2020 | 16,487.75 | 3,485.47 | ▲0.2553% | ▲0.2709% | 784.50 |
| 10/4/2019 | 3-month | 861 | 1/14/2020 | 13,024.40 | 3,498.18 | ▲0.3333% | ▲0.3657% | 771.80 |
| 10/9/2019 | 6-month | 862 | 4/10/2020 | 8,617.70 | 1,895.75 | ▲0.2708% | ▲0.2967% | 404.20 |
| 10/11/2019 | 3-month | 863 | 1/20/2020 | 11,894.30 | 3,563.57 | ▲0.2801% | ▲0.3049% | 766.40 |
| 10/17/2019 | 1-year | 864 | 10/20/2020 | 6,687.60 | 1,561.37 | ▲0.1876% | ▲0.1936% | 338.60 |
| 10/18/2019 | 3-month | 865 | 1/27/2020 | 10,176.60 | 3,495.88 | ▲0.1991% | ▲0.2385% | 774.10 |
| 10/25/2019 | 3-month | 866 | 2/3/2020 | 10,180.90 | 3,485.48 | ▲0.1712% | ▲0.1943% | 784.50 |

Auction Calendar for Nov. 2019 – Jan. 2020

| Auction Date | Issue | Auction Date | Issue | Auction Date | Issue | Auction Date | Issue |
|--------------|---|--------------|---|--------------|--|--------------|--|
| 11/1(Fri) | T-Bills (3-month) | 11/22(Fri) | Liquidity Enhancement Auction (remaining maturities of 5-15.5 years) | 12/18(Wed) | T-Bills (1-year) | 1/17(Fri) | 20-year |
| 11/6(Wed) | 10-year | 11/26(Tue) | 40-year | 12/20(Fri) | T-Bills (3-month) | 1/22(Wed) | Liquidity Enhancement Auction (remaining maturities of 5-15.5 years) |
| 11/7(Thu) | T-Bills (6-month) | 11/28(Thu) | 2-year | 12/20(Fri) | Liquidity Enhancement Auction (remaining maturities of 5-15.5 years) | 1/24(Fri) | T-Bills (3-month) |
| 11/8(Fri) | T-Bills (3-month) | 11/29(Fri) | T-Bills (3-month) | 12/24(Tue) | 2-year | 1/24(Fri) | Liquidity Enhancement Auction (remaining maturities of 1-5 years) |
| 11/8(Fri) | 10-year Inflation-Indexed Bonds | 12/3(Tue) | 10-year | 1/7(Tue) | T-Bills (3-month) | 1/28(Tue) | 40-year |
| 11/12(Tue) | 30-year | 12/5(Thu) | 30-year | 1/7(Tue) | 10-year | 1/30(Thu) | 2-year |
| 11/14(Thu) | 5-year | 12/6(Fri) | T-Bills (3-month) | 1/9(Thu) | T-Bills (6-month) | 1/31(Fri) | T-Bills (3-month) |
| 11/15(Fri) | T-Bills (3-month) | 12/9(Mon) | T-Bills (6-month) | 1/9(Thu) | 30-year | | |
| 11/18(Mon) | Liquidity Enhancement Auction (remaining maturities of 1-5 years) | 12/10(Tue) | 5-year | 1/10(Fri) | T-Bills (3-month) | | |
| 11/19(Tue) | T-Bills (1-year) | 12/12(Thu) | Liquidity Enhancement Auction (remaining maturities of 15.5-30 years) | 1/15(Wed) | 5-year | | |
| 11/20(Wed) | 20-year | 12/13(Fri) | T-Bills (3-month) | 1/16(Thu) | T-Bills (1-year) | | |
| 11/22(Fri) | T-Bills (3-month) | 12/17(Tue) | 20-year | 1/17(Fri) | T-Bills (3-month) | | |

Note.1: The above calendar may be changed or added in light of changes in circumstances. In such cases, it will be announced in advance.
Note.2: Each issue amount will be announced about one week prior to each auction date.

Top 10 PDs for Successful Bids in Auctions (Calculated by Duration) (Apr.~Sep. 2019)

| | | | |
|---|--|----|--|
| 1 | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. | 6 | SMBC Nikko Securities Inc. |
| 2 | Daiwa Securities Co. Ltd. | 7 | Merrill Lynch Japan Securities Co., Ltd. |
| 3 | Mizuho Securities Co., Ltd. | 8 | Deutsche Securities Inc. |
| 4 | Nomura Securities Co., Ltd. | 9 | Mizuho Bank, Ltd. |
| 5 | JPMorgan Securities Japan Co., Ltd. | 10 | Goldman Sachs Japan Co., Ltd. |

Top 5 PDs for Successful Bids of Inflation-Indexed Bond (FY2018)

| | |
|---|--|
| 1 | Goldman Sachs Japan Co., Ltd. |
| 2 | Nomura Securities Co., Ltd. |
| 3 | JPMorgan Securities Japan Co., Ltd. |
| 4 | Mizuho Securities Co., Ltd. |
| 5 | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. |

Liquidity Enhancement Auctions and JGB Buy-Back

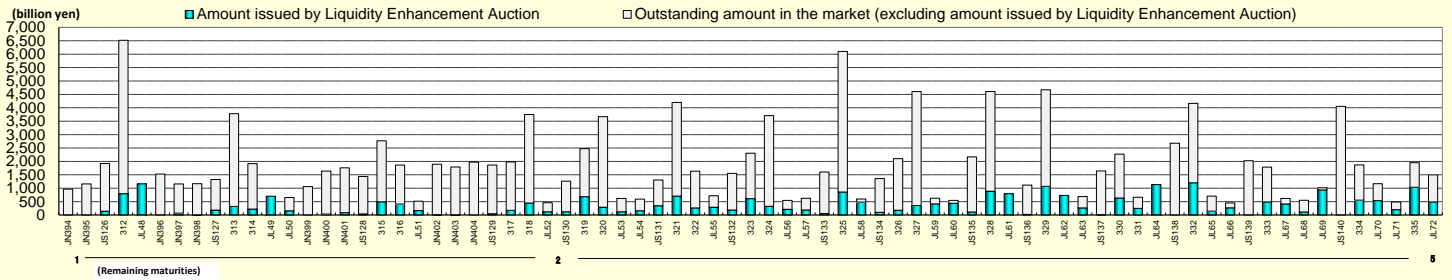
Results of Liquidity Enhancement Auctions

(Until 31 October 2019)

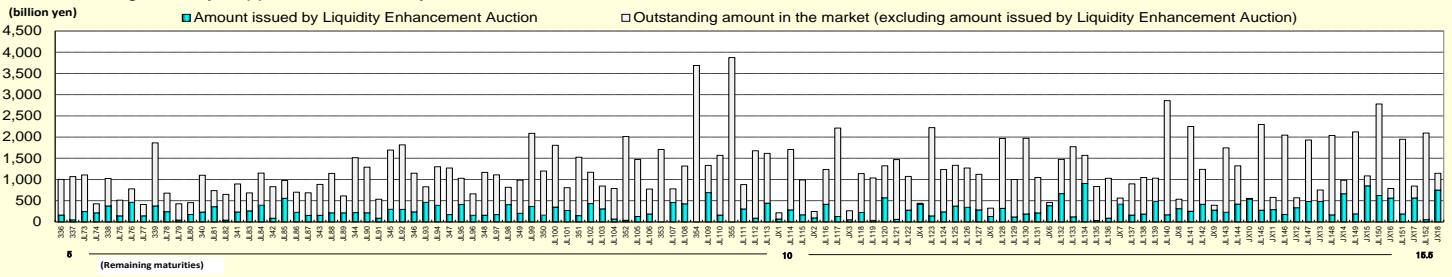
| Auction Date | Amounts of Competitive Bids (billion yen) | Amounts of Bids Accepted (billion yen) | Average Accepted Spread | Highest Accepted Spread | Issues Re-opened |
|--------------|---|--|-------------------------|-------------------------|--|
| 8/22/2019 | 1,717.3 | 598.5 | ▲0.003% | ▲0.001% | 10-year(335, 336, 337, 338, 340, 341, 342, 344, 348) 20-year(72, 81, 83, 84, 85, 86, 88, 89, 90, 91, 93, 97, 98, 99, 100, 101, 102, 103, 105, 106, 108, 109, 115, 117, 119, 120, 127, 138, 145, 148) 30-year(2, 6, 9) |
| 8/27/2019 | 1,321.2 | 498.1 | 0.030% | 0.032% | 20-year(152, 154, 155, 159, 161, 162, 164, 165, 167) 30-year(20, 21, 22, 23, 24, 27, 28, 29, 31, 35, 37, 38, 40, 41, 43, 45, 57, 59, 62) 40-year(1, 2, 3, 5, 6, 7, 9, 10, 11) |
| 9/9/2019 | 1,596.4 | 398.6 | ▲0.017% | ▲0.015% | 2-year(397, 398, 401, 402, 403) 5-year(131, 132, 133, 135, 136, 137) 10-year(315, 316, 322, 323, 324, 326, 329, 334) 20-year(48, 58, 70) |
| 9/13/2019 | 1,670.5 | 599.5 | 0.038% | 0.043% | 10-year(335, 336, 337, 338, 339, 340, 341, 346, 347, 348, 349, 352) 20-year(72, 80, 81, 84, 89, 92, 94, 95, 98, 99, 102, 109, 111, 112, 113, 114, 120, 128, 130, 131, 132, 137, 138, 140, 142, 145, 146, 148, 150, 151) 30-year(1, 2, 4, 14, 17) |
| 10/3/2019 | 1,378.4 | 499.2 | ▲0.002% | 0.001% | 20-year(159, 161, 162, 169) 30-year(22, 24, 25, 27, 30, 31, 37, 38, 39, 41, 42, 43, 44, 45, 48, 49, 55, 59, 62, 63) 40-year(2, 5, 6, 7, 9, 10, 11) |
| 10/8/2019 | 1,604.1 | 598.5 | 0.012% | 0.014% | 10-year(336, 337, 338, 339, 340, 341, 345, 348, 349, 350, 353) 20-year(81, 88, 89, 92, 93, 103, 104, 105, 107, 108, 109, 110, 111, 112, 113, 114, 116, 117, 119, 121, 122, 152) 30-year(10, 18) |

Target Zones of Liquidity Enhancement Auctions for the Third Quarter of FY 2019

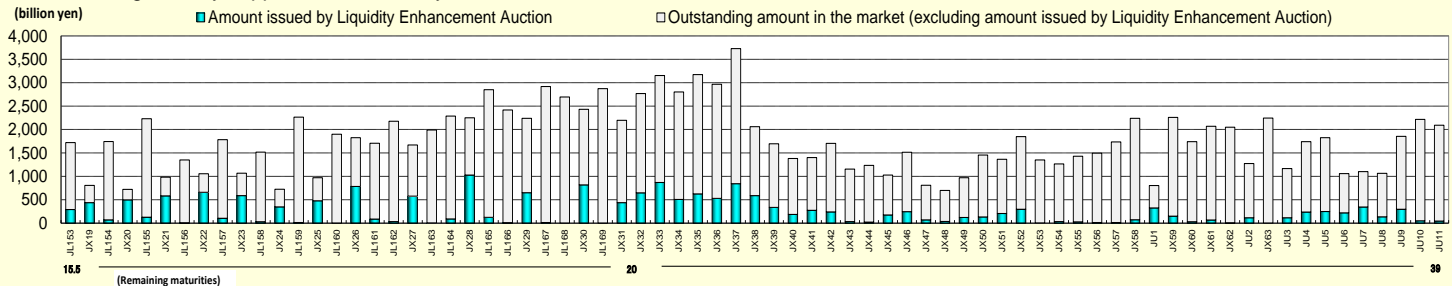
① Remaining maturity : approx. 1 - ~5 - year



② Remaining maturity : approx. 5 - ~15.5 - year



③ Remaining maturity : approx. 15.5 - ~39 - year



Note1 : JN shows 2 - year JGBs. JS shows 5 - year JGBs. JL shows 20 - year JGBs. JX shows 30 - year JGBs. JU shows 40 - year JGBs. Outstanding amount is as of the end of September 2019.
Note2 : All issues in the graph above will be eligible afterward.

Buy-Back Results

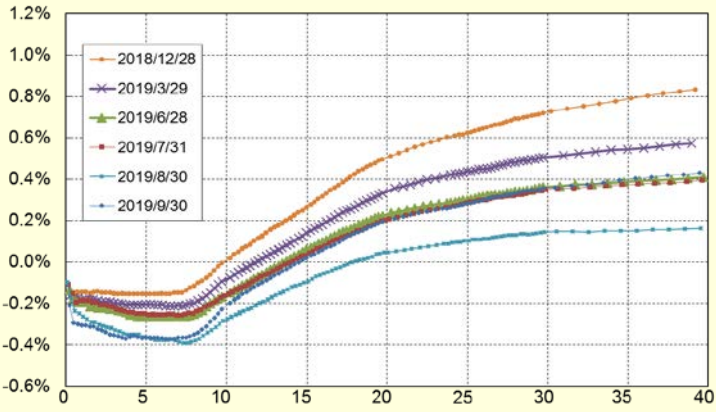
(Until 31 October 2019)

10-year Inflation-Indexed

| Auction Date | Amounts of Competitive Bids (billion yen) | Amounts of Bids Accepted (billion yen) | Average Accepted Spread (yen) | Highest Accepted Spread (yen) | Issue Numbers |
|--------------|---|--|-------------------------------|-------------------------------|------------------------|
| 4/19/2019 | 76.5 | 20.1 | ▲0.045 | 0.00 | 17, 18, 19, 22, 23 |
| 6/17/2019 | 112.1 | 20.0 | ▲0.11 | ▲0.11 | 19, 22 |
| 8/14/2019 | 91.3 | 20.1 | ▲0.18 | ▲0.14 | 20, 24 |
| 10/16/2019 | 99.4 | 20.3 | ▲0.134 | ▲0.11 | 18, 19, 20, 21, 22, 24 |

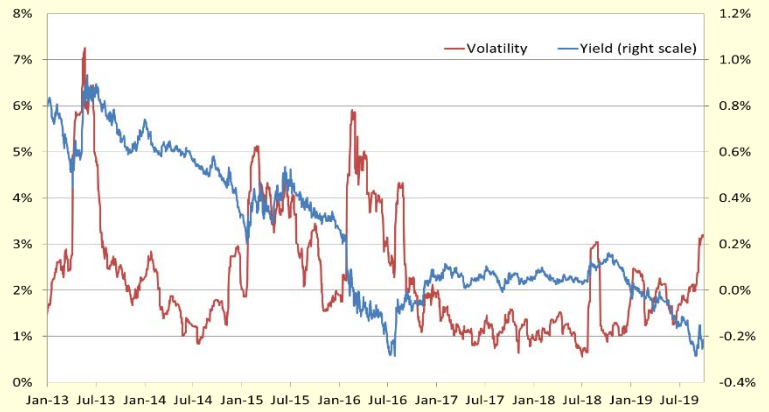
JGB Secondary Market

JGB Yield Curves



Source: Japan Bond Trading Co.,Ltd.

Yield and Volatility (10Yr) (Until 30 September 2019)



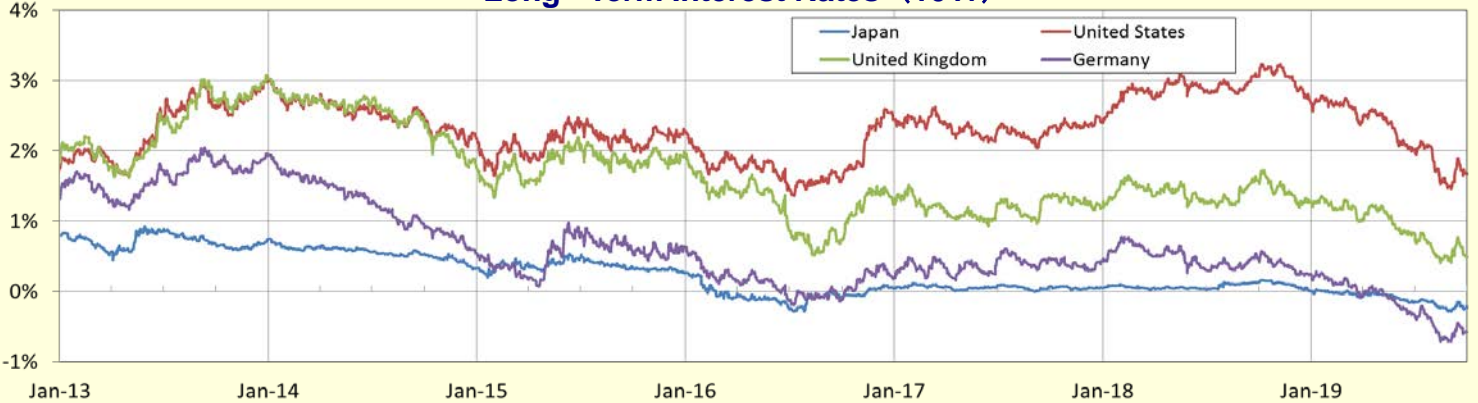
Source: Bloomberg, Calculation by the Ministry of Finance

Yields of JGB (Until 30 September 2019)



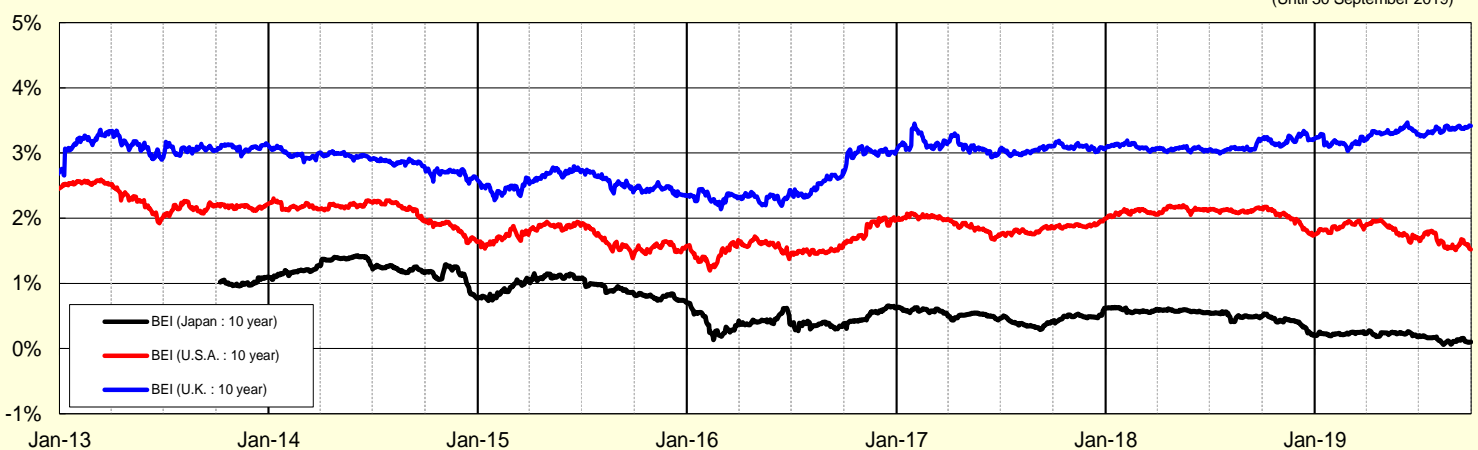
Source: Bloomberg

Long - Term Interest Rates (10Yr) (Until 30 September 2019)



Source: Bloomberg

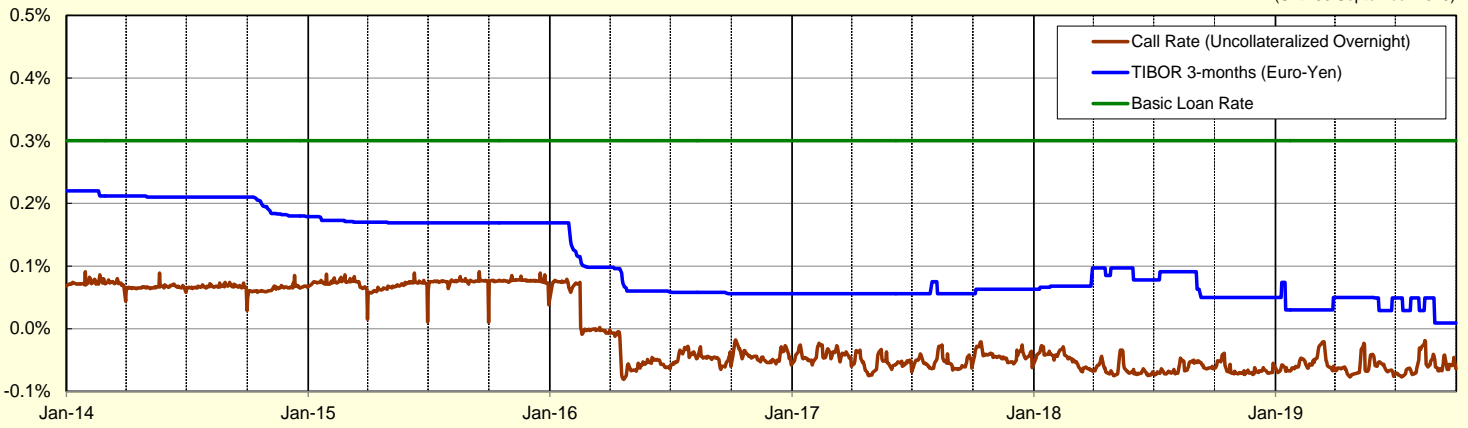
Break-Even Inflation Rates (Until 30 September 2019)



Note: BEI (Japan: 10 year) is calculated based on the compound interest rate of the new Inflation-Indexed Bonds and the 10-Year Bonds
 Source: Japan: Calculation by the Ministry of Finance based on the information on interest rates offered by NIKKEI QUICK.
 U.S.A., U.K.: Bloomberg.

Short-Term Interest Rates

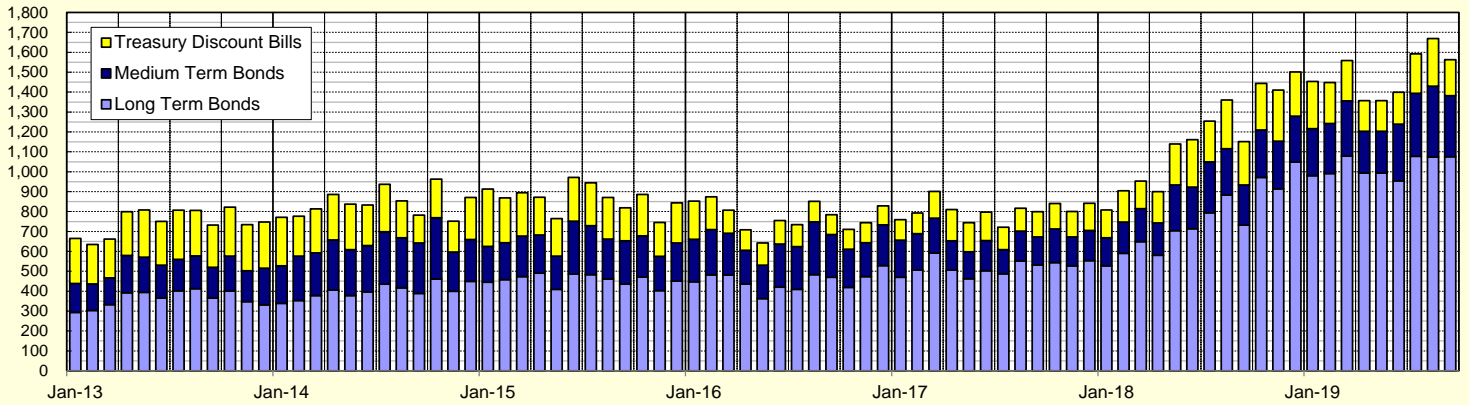
(Until 30 September 2019)



Source: Bank of Japan, Tanshi Association, Bloomberg

JGB Over-the-Counter Trading Volume (TOKYO)

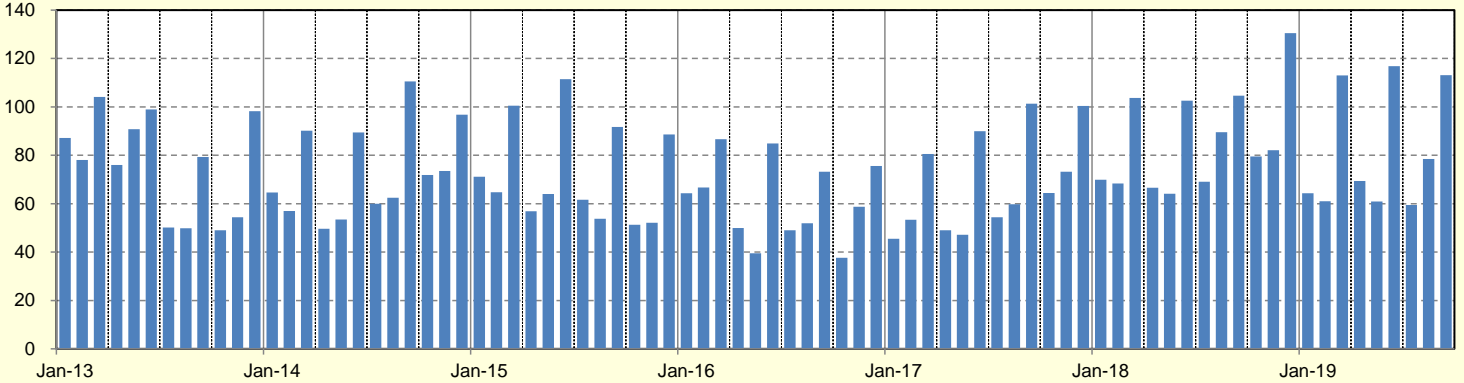
(trillion yen)



Source: Japan Securities Dealers Association

Trading Volume of 10-Year JGB Futures

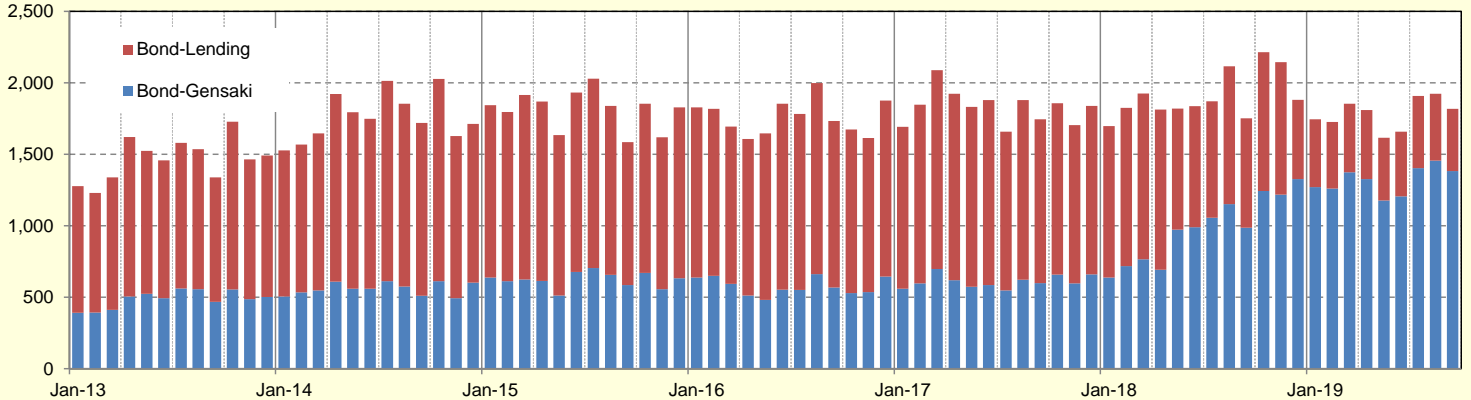
(trillion yen)



Source: Tokyo Stock Exchange (until Mar.2014), Osaka Exchange (from Apr. 2014)

Repurchase Transactions

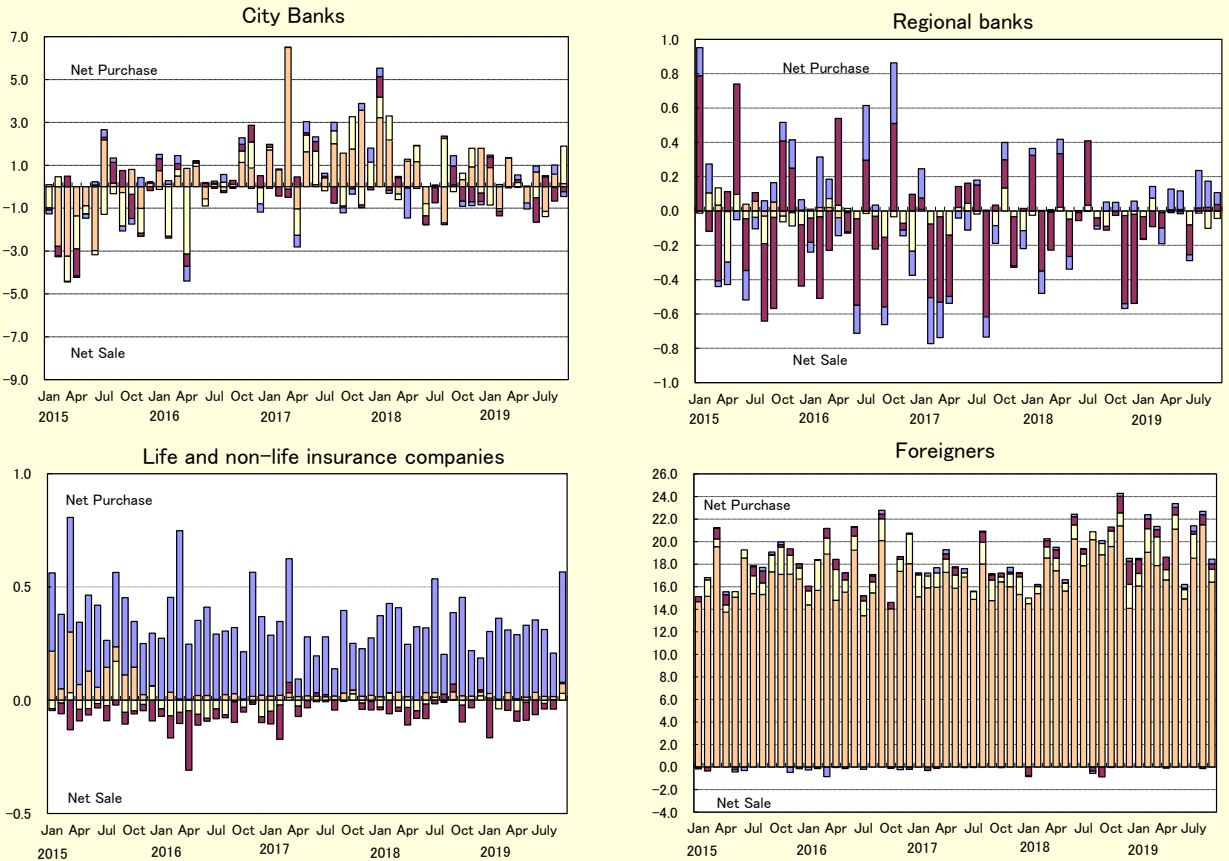
(trillion yen)



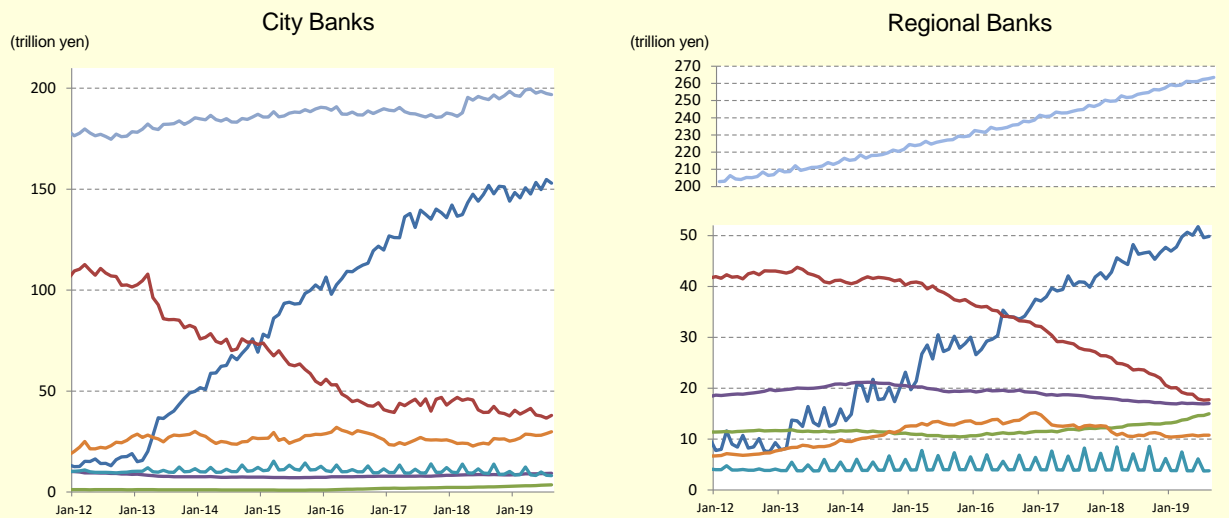
Source: Japan Securities Dealers Association

Investor Trends and JGB Outstanding

Trends in JGBs Transactions (by investor type)



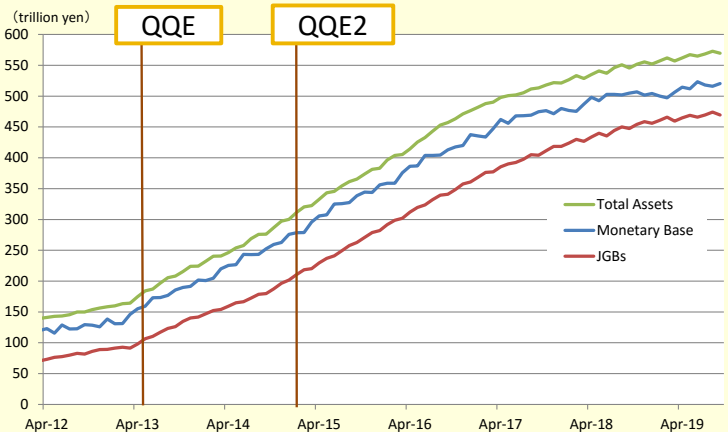
Trends in Bank Assets by Types



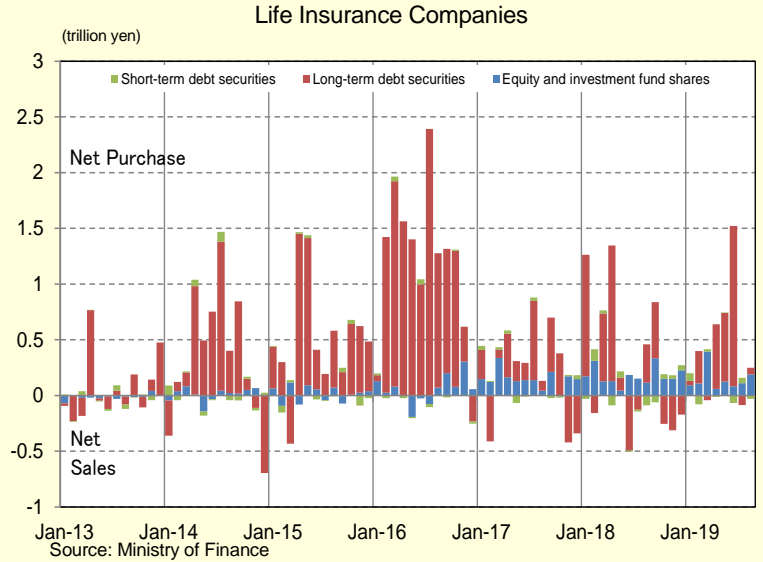
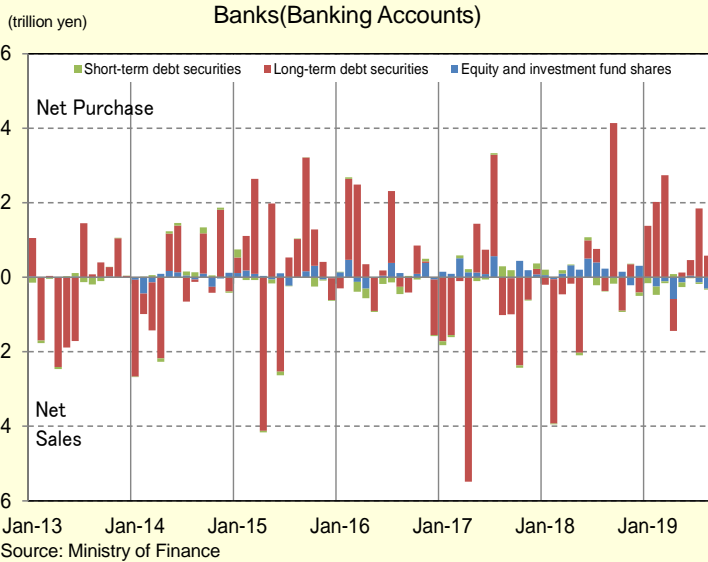
BOJ Trends

| | Apr 2013 (Actual) | Sep 2019 (Actual) |
|-----------------|----------------------|----------------------|
| Monetary Base | 155 | 516 |
| JGBs | 98 | 469 |
| CP | 1.4 | 2.2 |
| Corporate Bonds | 2.9 | 3.2 |
| ETFs | 1.7 | 27.2 |
| J-REITs | 0.13 | 0.53 |
| Total Assets | 175 | 573 |

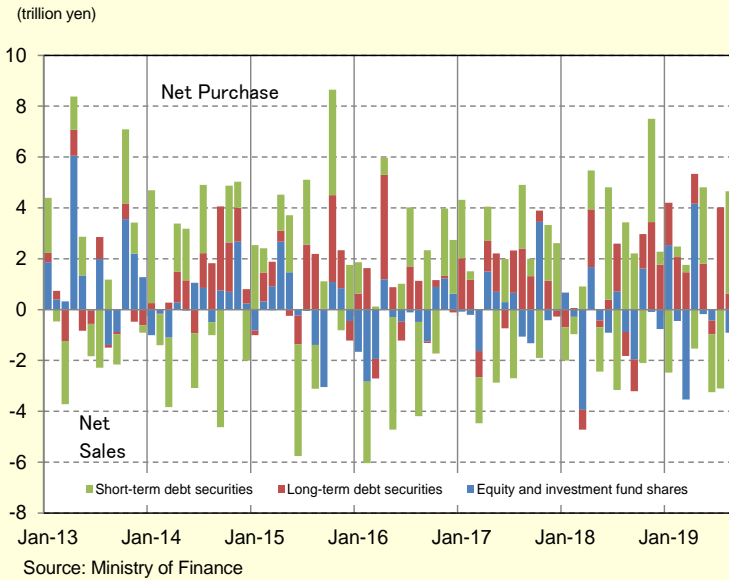
Source: Bank of Japan



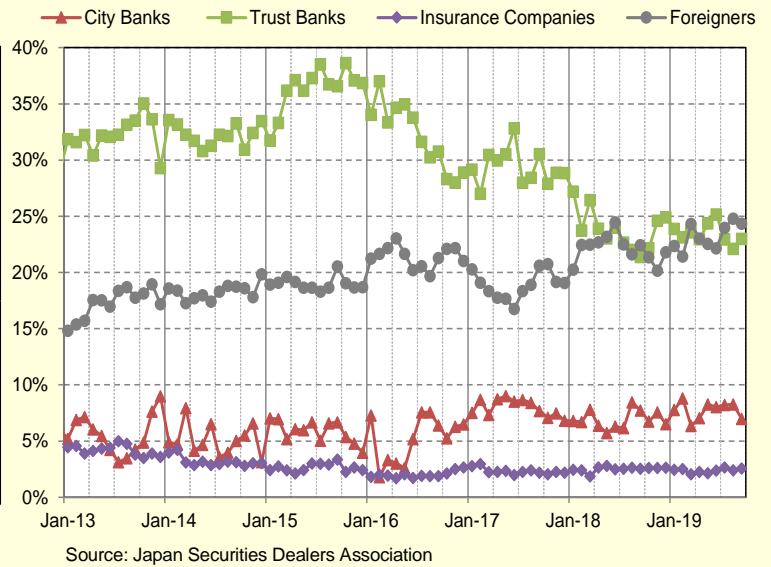
Transactions of Foreign Securities by Residents (by Investor types)



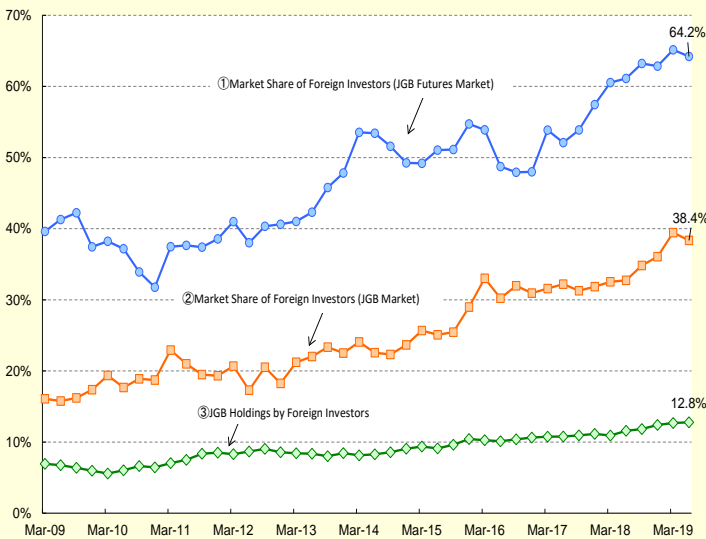
Transactions of Domestic Securities by Non-Residents



Outstanding of Repurchase Agreements (by Investor types)

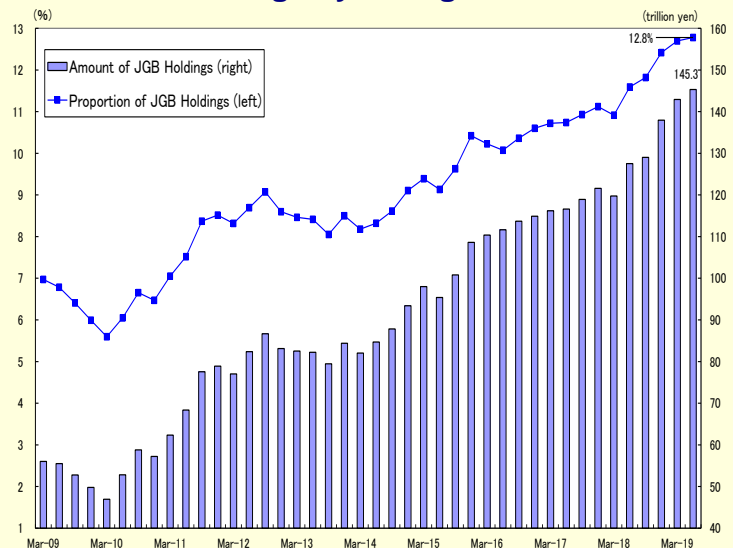


Foreign Investors Presence



Note.1: Quarterly basis.
 Note.2: "JGB" includes T-Bills. The figures of ② excludes dealers' transactions.
 Source: Bank of Japan, Japan Securities Dealers Association, Tokyo Stock Exchange, Osaka Exchange

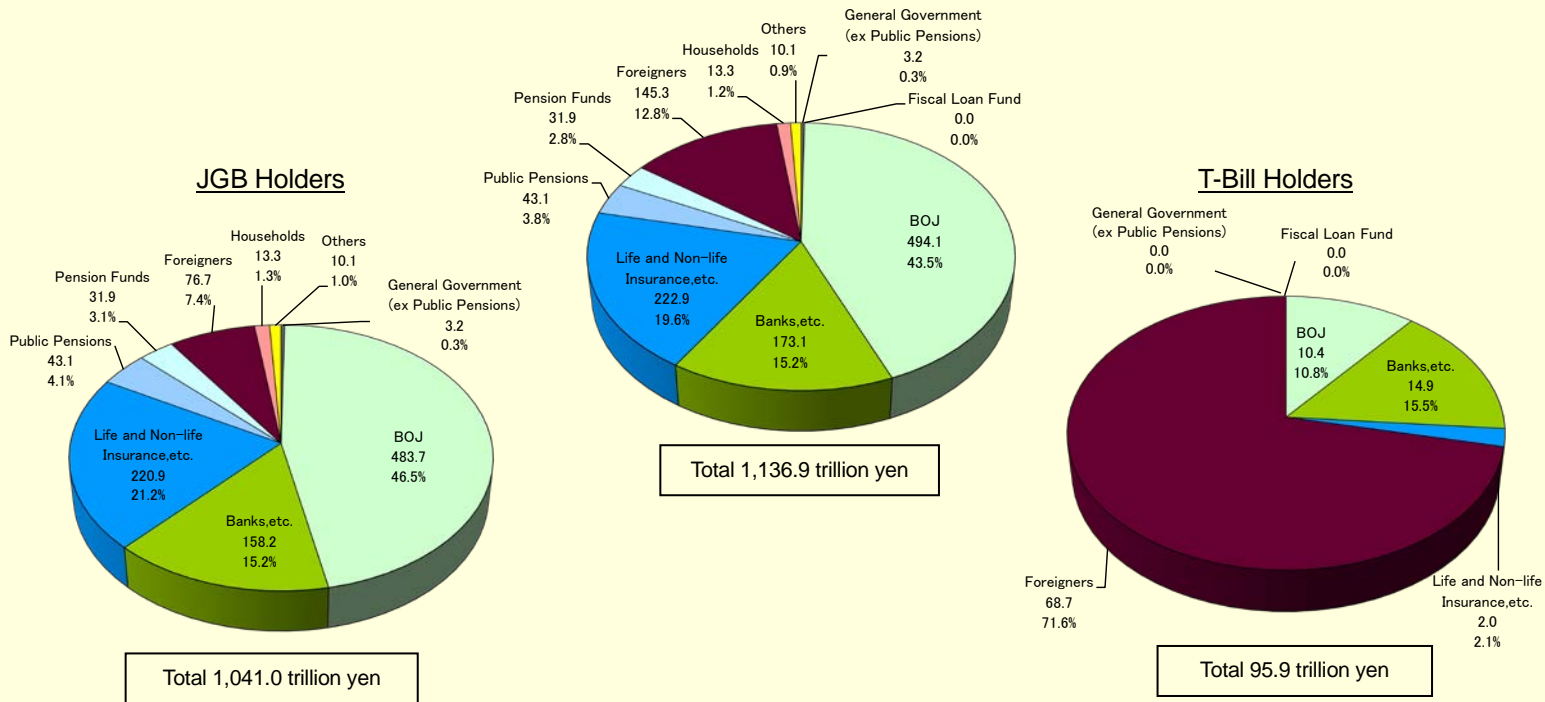
JGBs Holdings by Foreign Investors



Note.1: Quarterly basis.
 Note.2: "JGB" includes T-Bills.
 Source: Bank of Japan

Breakdown by JGB and T-Bill Holders (The end of Jun. 2019 QE)

JGB and T-Bill Holders (trillion yen)



Source: Bank of Japan "Flow of Funds Accounts (Preliminary Figures)"

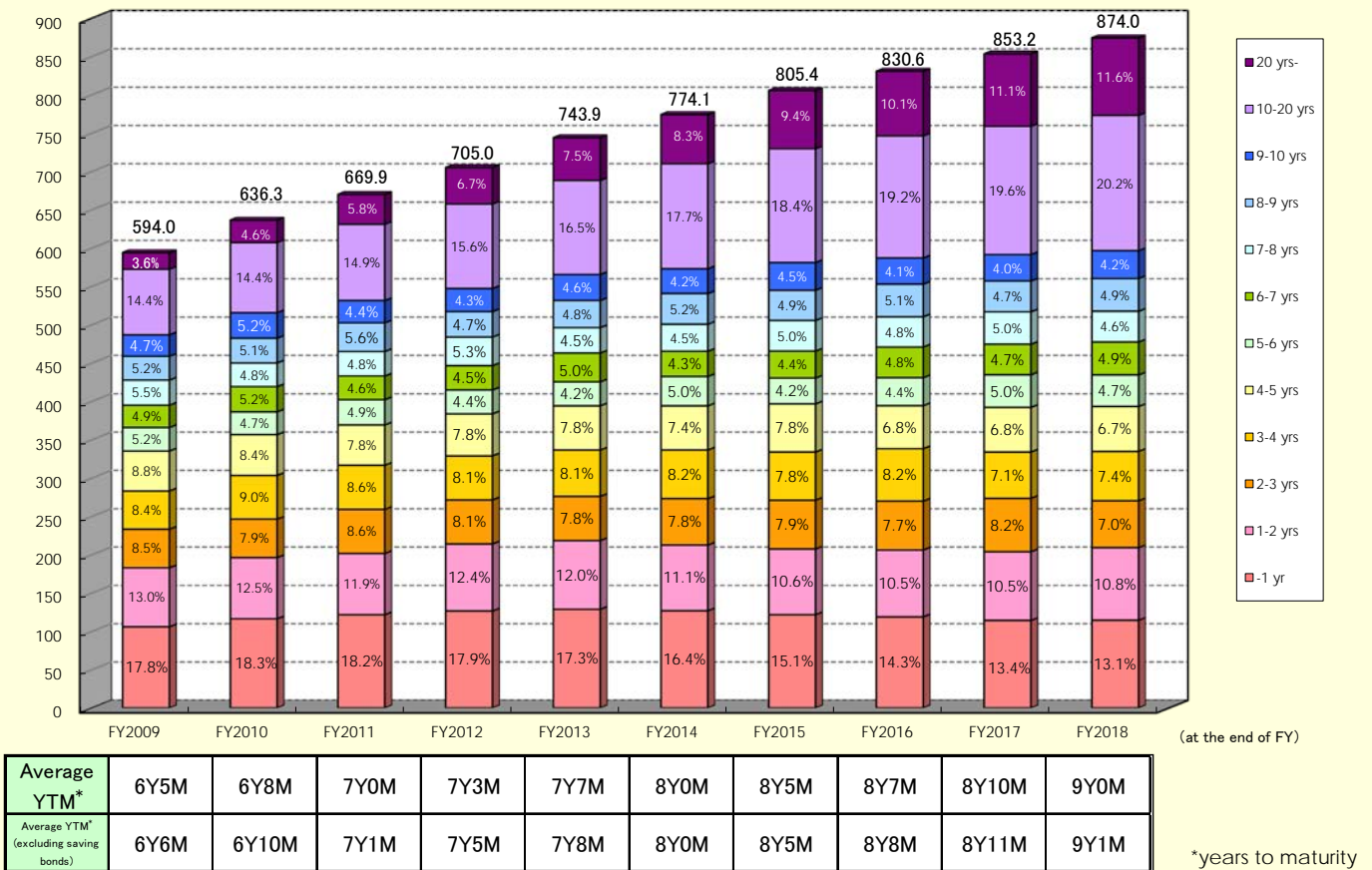
Note1: "JGB" includes "FILP Bonds."

Note2: "Banks, etc." includes "Japan Post Bank," "Securities investment trust" and "Securities companies."

Note3: "Life and Non-life insurance, etc." includes "Japan Post Insurance."

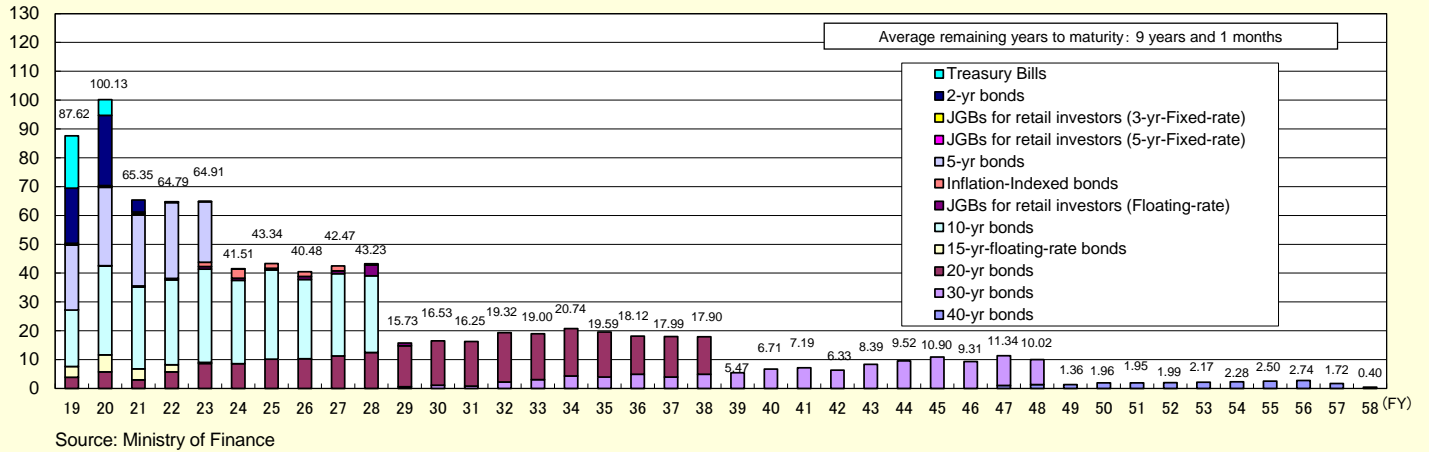
Breakdown of Outstanding Amount of General Bonds by Remaining Years to Maturity

(Unit: trillion yen)



(trillion yen)

Time-to-Maturity Structure of Outstanding JGB (Jun. 2019)



Scheduled redemption of JGB at maturity in November, 2019

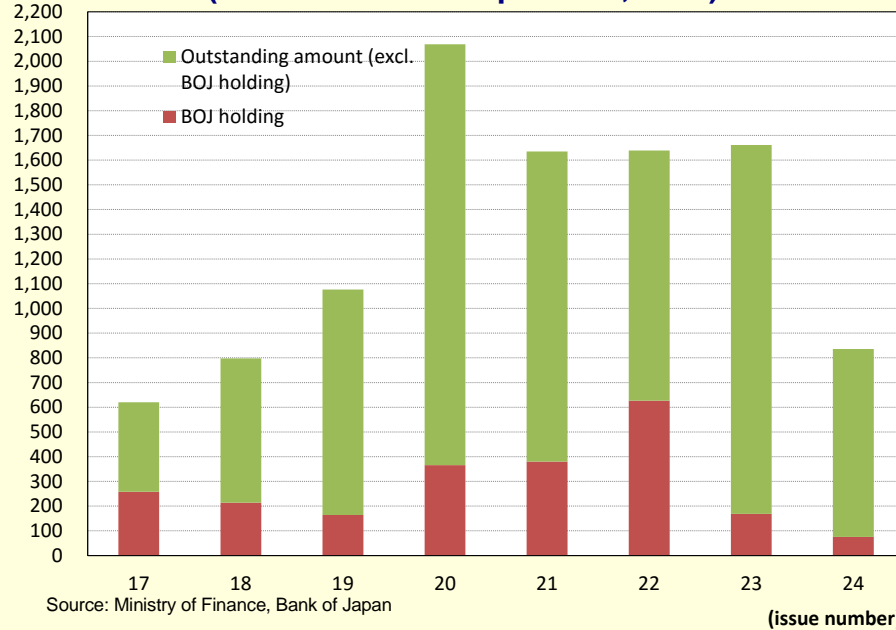
(billion yen)

| Types | The amount of redemption at maturity | Scheduled redemption date |
|-----------------------------|--------------------------------------|---------------------------|
| 15-Year Floating-Rate Bonds | 911.7 | November 20 |
| 2-Year Bonds | 2,376.0 | November 15 |
| Treasury Bills | 1,800.0 | November 20 |
| Total | 5,087.7 | |

- Note.1: The figures are based on the outstanding JGBs at the end of September, 2019.
 Note.2: The figures are the scheduled redemption at maturity and may be different from the actual redemption due to Buy-back of JGBs.
 Note.3: The figures do not include "JGB for Retail Investors".
 Note.4: If the redemption date coincides with bank holiday, the payment of redemption is carried out on the following business day.
 Note.5: Figures may not sum up to total because of rounding.

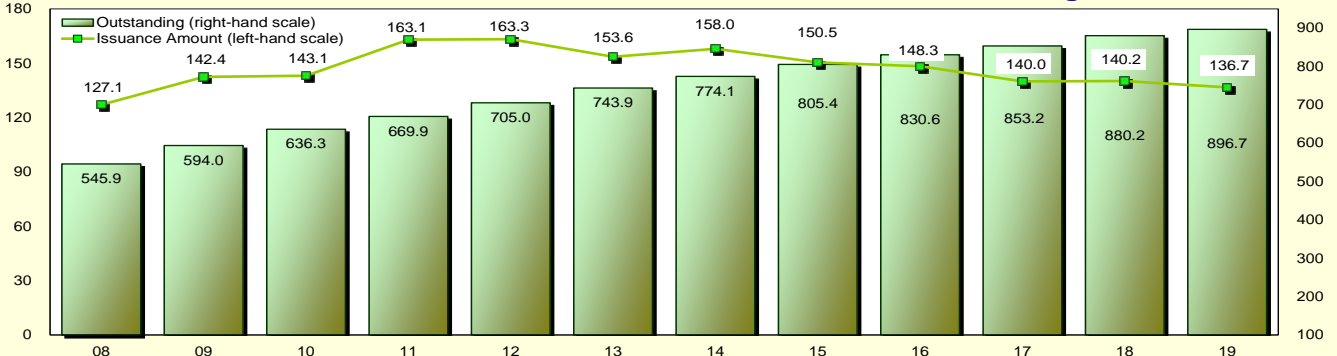
Market-held Balance of the Inflation-Indexed Bonds (as of the end of September, 2019)

(billion yen)



General Bonds Issuance Amount and Outstanding

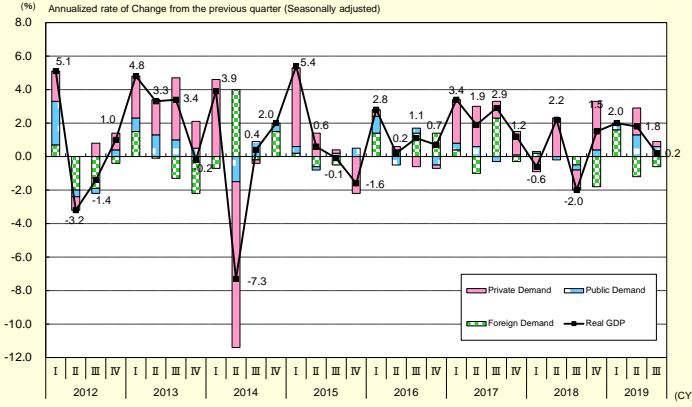
(trillion yen)



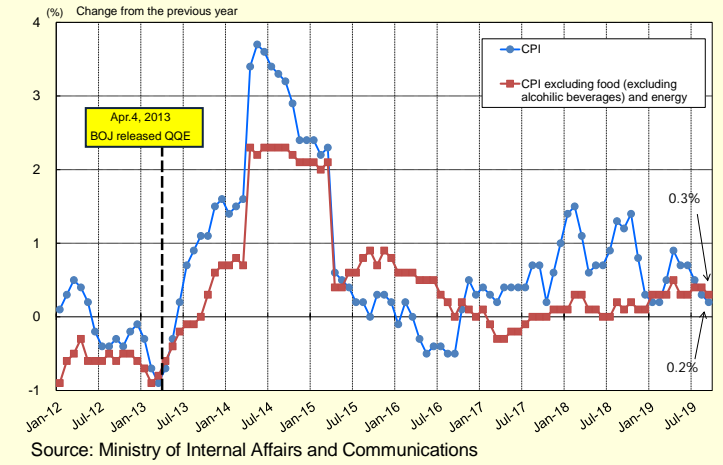
- Note 1: Issuance Amount: revenue basis, FY2008-2017: Actual, FY2018: Supplementary budget, FY2019: Initial budget
 Note 2: Outstanding: nominal basis, FY2008-2017: Actual, FY2018 Supplementary budget, FY2019: Initial budget
 Source: Ministry of Finance

Economic and Financial Trends

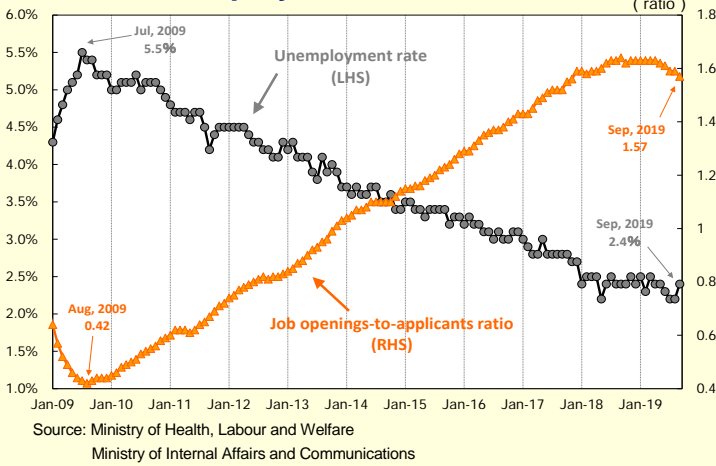
Real GDP Growth Rate



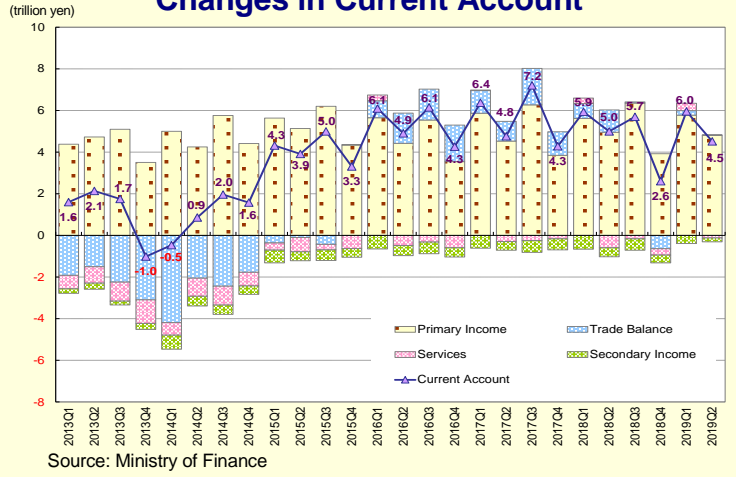
Prices



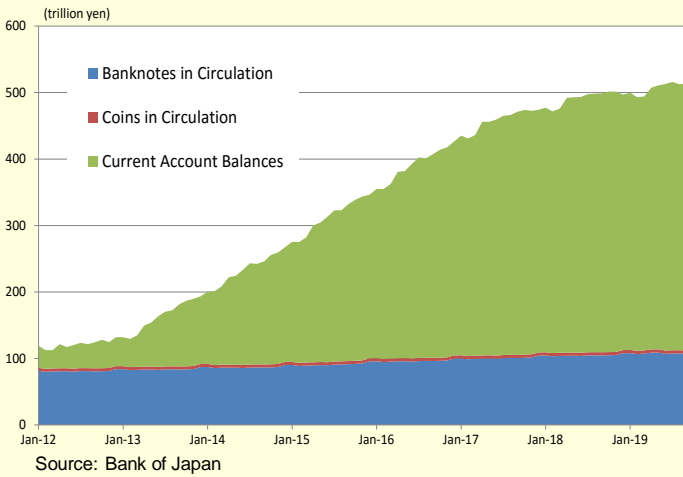
Employment Conditions



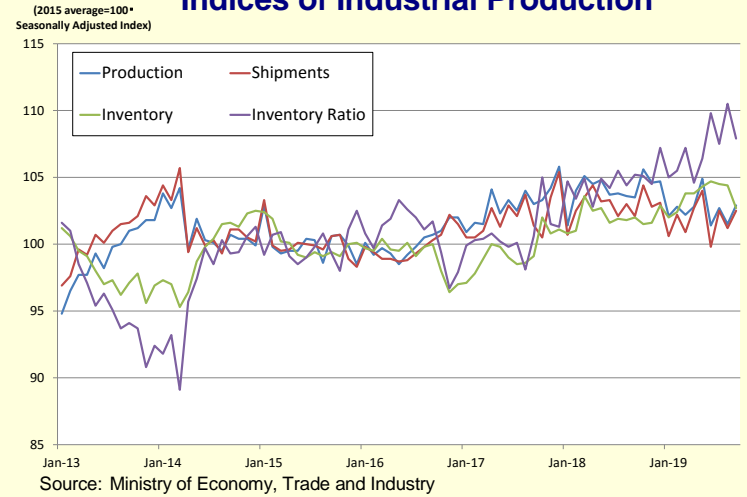
Changes in Current Account



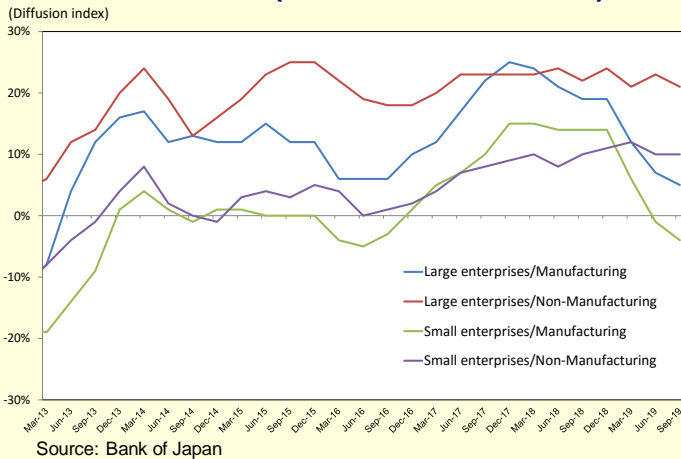
Monetary Base



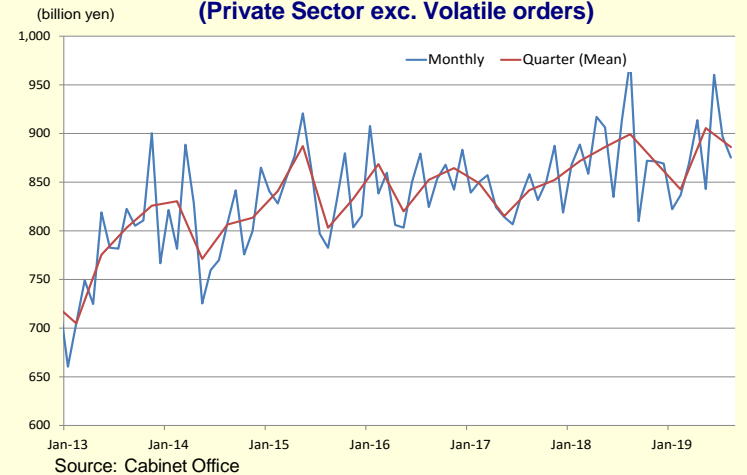
Indices of Industrial Production



TANKAN (Business Conditions)



Total Value of Machinery Orders (Private Sector ex. Volatile orders)



| English Publications on JGBs | Frequency | URL |
|---|--------------|---|
| Debt Management | | |
| Message from the Financial Bureau | As needed | https://www.mof.go.jp/english/jqbs/debt_management/message.htm |
| About JGBs | As needed | https://www.mof.go.jp/english/jqbs/debt_management/guide.htm |
| About the Debt Management Policy | As needed | https://www.mof.go.jp/english/jqbs/debt_management/about.htm |
| JGB Issuance Plan | As needed | https://www.mof.go.jp/english/jqbs/debt_management/plan/index.htm |
| Auction Calendar | | |
| Auction Calendar | Monthly | https://www.mof.go.jp/english/jqbs/auction/calendar/index.htm |
| Historical Data of Auction Results | Monthly | https://www.mof.go.jp/english/jqbs/auction/past_auction_results/index.html |
| Topics | | |
| Product Characteristics of the JGB | As needed | https://www.mof.go.jp/english/jqbs/topics/bond/index.html |
| Treasury Discount Bills (T-Bills) | As needed | https://www.mof.go.jp/english/jqbs/topics/t_bill/index.htm |
| Japanese Government Guaranteed Bonds | Annual | https://www.mof.go.jp/english/jqbs/topics/gov_quaranteed_bonds/index.htm |
| Interest Rate Swap | Semiannual | https://www.mof.go.jp/english/jqbs/topics/swap/index.htm |
| Taxation of Government Bonds | As needed | https://www.mof.go.jp/english/jqbs/topics/taxation2016/index.html |
| For Individual Investors | As needed | https://www.mof.go.jp/english/jqbs/topics/individual/index.htm |
| Data | | |
| Central Government Debt | Quarterly | https://www.mof.go.jp/english/jqbs/reference/qbb/index.htm |
| Interest Rate | Daily | https://www.mof.go.jp/english/jqbs/reference/interest_rate/index.htm |
| STRIPS | Monthly | https://www.mof.go.jp/english/jqbs/reference/jqbstat/index.htm |
| Dialogue with the market | | |
| Advisory Councils on Government Debt Management | Each Meeting | https://www.mof.go.jp/english/about_mof/councils/gov_debt_management/index.html |
| Meeting of JGB Market Special Participants | Each Meeting | https://www.mof.go.jp/english/about_mof/councils/jqbsp/index.html |
| Meeting of JGB Investors | Each Meeting | https://www.mof.go.jp/english/about_mof/councils/jgb_investor/index.html |
| Publications | | |
| Debt Management Report | Annual | https://www.mof.go.jp/english/jqbs/publication/debt_management_report/index.htm |
| JGB Newsletter | Monthly | https://www.mof.go.jp/english/jqbs/publication/newsletter/index.htm |

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