Minutes of the Meeting of JGB Investors
(85th Round)

1. Date: Thursday, November 26, 2020 (10:30 a.m. to 11:50 a.m.)
2. Place: International Conference Room, Ministry of Finance (online)
3. Gist of Proceedings:

1. Latest JGB market situation and outlook for future investments
2. Current status and issues for the compilation of the JGB Issuance Plan for FY2021

▶ The Financial Bureau gave the following explanation about the current status and issues for the compilation of the JGB Issuance Plan for FY2021.

・ We would like to explain the current status and issues for the compilation of the JGB Issuance Plan for FY2021 by using the materials of the meeting of the Advisory Council on Government Debt Management and show the opinions received from the members at the meeting of the Advisory Council on Government Debt Management held on November 4.

(Current status and issues surrounding the issuance of JGBs after the response to the novel coronavirus infection)

・ The total issuance size stands at about ¥253 trillion as a result of increasing the amount by about ¥100 trillion in the first and second supplementary budgets, which marks a record high. The issuance of short-term bonds was mainly increased to finance the funding needs. What needs to be borne in mind is the fact that the short-term bonds will be redeemed next year and need to be refinanced.

・ The yield curve has slightly bear steepened compared to the time before the spread of the novel coronavirus infection.

・ We are doing future estimates of the JGB issuance size based on the Economic and Fiscal Projections for Medium to Long Term Analysis by the Cabinet Office. If we estimate based on the assumption that the proportion of the issuance of each maturity after the second supplementary budget of FY2020 will be maintained from FY2021 onward, the issuance of short-term bonds will be continued at a reasonably large scale. As a result, it is expected that the amount of refunding bonds and the total issuance size will continue at the current level.

・ Therefore, we believe that it will be necessary to reconsider the composition of maturities to meet the market needs while curbing the issuance size of refunding bonds through a reduction of T-Bills which were increased this time when it is possible to reduce the total issuance size after we see calm-down of the coronavirus pandemic in light of a variety of economic indexes.

・We looked at the change in cost and risk in the issuance plan before and after the spread of the novel coronavirus infection by means of a cost-at-risk analysis. We can see that both the cost and risk have increased as a result of the large scale increase in the order of ¥100 trillion. While the increase focused on T-Bills has not resulted in the increase in the average cost as much, the risk of future interest rate fluctuations for the refinancing has increased.

・ Basically, there is a trade-off between cost and risk, but both cost and risk have increased this time. This derives from the fact the overall issuance size has increased. Therefore, from the perspective of reducing both the increased cost and risk, the major premise is the curbing of the overall JGB issuance size, while adjusting the issuance maturities to market needs.

・ Regarding the utilization of front-loading issuance of refunding bonds, there are times where it is necessary to increase the issuance size of government bonds in the short run when there occurs an emergency situation such as the Financial Crisis in 2008, the Great East Japan Earthquake, etc. In a situation where the total issuance size increases sharply, we have managed to control the calendar-based total JGB market issuance so as to prevent a sharp change by using front-loading issuance of refunding bonds. We believe it will be necessary to take full advantage of its function as well in the future when issuing JGBs.

・ If we look at the BOJ's JGB purchase ratio to issuance, it has basically been on a downward trend since the introduction of its yield curve control. However, we can see that the ratio with a maturity of 10 years or shorter which are subject to yield curve control in particular has increased in the short run. On the other hand, there is no considerable change in the ratio with a maturity longer than 10 years and the downward trend continues. We will need to take note of the effect of the monetary policy and the attitude and the stance of the Bank of Japan (BOJ) on the JGB market and interest rates.

・Banks' JGB holding ratio, which has been decreased in recent years, seems to have bottomed out and turned to increase most recently. We believe this is due to the increase in collateral demand.

・ Regarding life insurance companies, we are of the view that there are needs for ultra-long-term bonds to a certain extent that they need to fill the duration gap between their assets and liabilities before the introduction of ICS (Insurance Capital Standards) in 2025. Under the circumstances, we believe it will be necessary to pay close attention to how their pace of bond purchasing will change toward 2025 or what difference in their needs will be there before and after 2025.

・ After the outbreak of the novel coronavirus, it was seen that the JGB market was also volatile due to the work attendance restrictions and telework as well as investors risk-aversion as a result of the declaration of the state of emergency by the government. We believe it will be necessary to be aware of strengthening the BCP system to allow JGBs to be steadily issued and financed under any circumstances under the assumption that an abnormal state such as the one this time may occur in the future.

(Main opinions at the Advisory Council on Government Debt Management [November 4])

・ we received opinions including the one arguing that regarding the bond maturity composition, we will need to level off the imbalance in the composition in the future where too many T-Bills have been issued; that regarding the issuance of ultra-long-term zones, although the demand will continue to expand, sufficient consideration must be given to the amount of interest rate risk; and that while the issuance of new government bonds will decrease in the future, it will be necessary to redeem T-Bills issued in large quantities on this occasion and lengthen the average redemption period.

・ Regarding fiscal discipline, there were various opinions including one which states that it is important for both the public and private sectors to have an awareness of the current balance of payments and fiscal discipline as the competitiveness of the nation, and for the market to issue messages including fiscal discipline in order to accommodate additional measures; and that although it is desirable to balance the costs and risks involved in issuing government bonds while considering the market needs, it is also important to take care of detailed communication with the market to avoid misunderstanding both in Japan and abroad about our stance on fiscal discipline.

・ In addition, we received an opinion that in the wake of heightened uncertainties in the market under the declaration of the state of emergency amid the ongoing Covid-19 pandemic, both the public and private sectors need to work to strengthen the BCP system.

・ We will compile the JGB issuance plan in close communication with all of you by taking into consideration the possibility of a further increase in the issuance depending on the size of the third supplementary budget as well as an increase in the issuance size of refunding bonds in FY2021 for redemption and refinancing of the T-Bills increased this fiscal year.

▶ Summarized below are the views and opinions submitted by the participants:

・ We are in the understanding that interest rates of JGBs remain stable without any major confusion in the market in view of the recent auction amid a significant increase in the issuance of T-Bills as measures against the spread of the novel coronavirus infection. Our investment stance has hardly changed. Since there is no incentive to buy JGBs with negative interest rates, we invest in the JGBs with the maturity of 10 years or more, mainly in 20-year bonds. As it is difficult to gain profits only from domestic bonds and JGBs, we also invest in foreign assets such as overseas government bonds.

・ Regarding our investment plan in the future, we recognize that 20-year bonds are unbalanced from the perspective of our ALM. At present, we are of the view that the BOJ's monetary policy will continue unchanged and we will continue investing mainly in 20-year bonds for the time being although we may not hold necessarily all of them until those maturity.

・ Regarding the JGB issuance plan for the next fiscal year, we believe it is the best option not to increase the issuance amount significantly, although it's depending on the supplementary budget. While a sharp rise in interest rates should be avoided, a steepening yield curve provides investors with a wider range of investment opportunities, thus we would like to see an increase in the issuance size in JGBs with longer maturities while taking into consideration the needs of other investors.

・ Regarding the medium- to long-term flow of deposits in the future, it is unlikely that the deposit will increase significantly in our company because most of the deposits are from elderly people. The latest situation is such that funds from the novel coronavirus-related subsidies are stagnant. Although both deposit and lending have increased, since there are more deposits than lending, surplus funds are increasing.

・ Deposits have increased considerably on the balance sheets of major banks and surplus of funds are increasing consequently.

・ In the short- and medium-term zone, there are currently constant needs for collateral purposes. Regarding the ultra-long-term zone, there is more demand for JGBs with a maturity longer than 10-year bonds whose interest rates are fixed to zero under the yield curve control, in order to secure cash returns. In addition, some bonds in the portfolio are traded relatively in the short term and under the yield curve of JGBs in the medium- to long-term zone which has steepened, those bonds are also attractive to a certain extent due to its roll down effect. Summing up, we are creating a diverse and stable investment portfolio in various maturities.

・ From the perspective of ALM, it is not desirable to invest in ultra-long-term bonds to secure cash returns and it is preferable to plan investment mainly in JGBs in the medium- to long-term zone. Therefore, although it is still a long way off, when the time comes the yield curve control is terminated and interest rates turn positive for bonds in the medium-term zone, we believe it possible to shift investment from medium-term bonds to 10-year bonds and normalize investment based on ALM as before.

・ For the time being, we will continue to invest in overseas bonds in a considerable volume.

・ While we are investing in sectors where a carry and roll-down strategy is favorably applied on the basis of the yield curve, we are reducing investment in JGBs with a remaining maturity of 10 years or shorter because their return does not match the risk. Since interest rates of 10-year bonds remain unchanged at around zero percent under the BOJ's yield curve control, investors are forced to purchase 20-year bonds which produce a larger yield.

・ Under the premise that the BOJ's monetary policy will continue unchanged and the JGB issuance continues at a high level, we have to be on guard against cases such as the disappearance of the market's confidence about maintenance of fiscal discipline and the disappearance of the fundamental premise of the market, except the risk accompanied by economic fluctuations. If the JGB issuance plan for the next fiscal year is compiled from the short-term perspective, it is sufficient that the issuance plan is accommodated to meet the current needs of investors. However, in a situation where a large amount of refunding bonds continues to be issued in the future, it is very important that the fundamental premise of the market be kept observed, which consists in the fact that the JGB issuance plan is formulated in a predictable manner and the confidence of people in that fiscal discipline is maintained. Once people come to see that finance can be expanded freely and the BOJ will not raise interest rates, the price level will be corrected significantly and the currency will depreciate as being true to the fiscal theory of the price level. Will it be possible to regain people's confidence in fiscal discipline in such countries? Actually, we do not think that the debt management office is capable of intentionally doing such thing. However, since it starts moving in one direction when people come to realize that all conditions close to the situation are in place, it is important for the debt management office to send a consistent message to the market in order to prevent this from occurring.

・Regarding the direction of investment based on the outlook of long-term interest rates, generally speaking, the interest rate is less volatile in longer-term bonds and more in shorter-term bonds in line with the monetary policy or economic fluctuations. This is not often the case in Japan, however, and larger fluctuations are often observed in interest rates of long-term bonds. In anticipation of inflation in 5 or 10 years, we use Inflation-Indexed Bonds as a hedge for such an event. Since their issuance amount is considerably controlled, we would like to see an increase in the issuance size of Inflation-Indexed Bonds as soon as possible.

・ If the rating of JGBs is downgraded from Single A, we believe that our investment stance will considerably change depending on our investors. Some customers do not want us to invest in bonds with a rating below Single A, and the counterparty risk of the repurchase is restricted when selling bonds for repurchase, thus we will be forced to reduce the balance sheets.

・ Although the amount of JGB issuance has increased since July this year, interest rates of JGBs with a maturity of 10 years or less have remained very stable against the backdrop of Outright Purchase of JGBs by BOJ. In addition, we understand that the rise in interest rates for JGBs in the long- to ultra-long-term zone was generally subdued, supported by investors' yield hunting and life insurance companies' very strong demand for long-term bonds from the perspective of ALM.

・ We are of the view that such market environment will continue in the future. Although the current interest rate level is very low and the situation does not allow a full-fledged investment in light of cost of debts, the needs for super long-term bonds for life insurance companies are very strong from the perspective of ALM. We will continue constant investment.

・ We are of the view that it will still take some time for interest rates to rise in a full-fledged manner when considering the current economic environment. If inflation occurs and interest rates rise, while the cost of debt of new contract of life insurance companies rise, given that the stock part is huge and the rise in cost of debt has a delayed effect, we believe it possible to make more drastic investment in JGBs in the ultra-long-term zone when interest rates rise.

・ Since the cost of debt is the effective rate of interest in yen in our company, we invest in overseas bonds by turning the cost into yen by using currency swaps, etc. Although interest rates of overseas bonds are also very low, since there are cases in which it is possible to make more profits in the overseas market, we determine where to invest by comparing JGB interest rates and overseas interest rates.

・ Regarding the current direction of investment, the situation is such that there is almost no new investment in JGBs because interest rates are extremely low. The focus of investment is on overseas bonds with a certain amount of spread, and we buy JGBs only to the extent necessary for collateral. The JGB maturities we buy are in the zone of 10-year bonds to 20-year bonds. Since 20-year bonds have greater interest rate risks, we buy only those which are necessary for collateral purposes while looking at the balance of the overall investment.

・ Our medium- to long-term investment plan is premised on that the deposit amount in the future will not increase significantly in light of the declining birthrate and declining population and even if the interest rate level in Japan returns to that before the coronavirus epidemic, we suspect that the demand for JGBs will not increase considerably.

・ Since there are problems in terms of procurement costs and liquidity in investment in overseas bonds, we will come back to more stable and highly liquid JGBs when short-term interest rates in Japan become positive to a certain extent.

・ Since deposits are increasing in a number of regional financial institutions, they are unwilling to buy products with negative interest rates, but at the same time there is strong willingness to buy JGBs with a remaining maturity of 10 years or longer which carry positive interest rates.

・ If interest rates rise with the normalization of monetary policy, the lending rates will rise resulting in a significant change in the business environment. Therefore, we make investment in JGBs bearing this in mind. If interest rates of JGBs in the short- to medium-term zone become positive, there will be no need to deliberately buy JGBs in the ultra-long-term zone and the duration can be adjusted, providing a wider opportunity for investment.

・ We view the continuation of ultra-low interest rates in Japan as the greatest risk and our view has not changed. To deal with such a situation, we have consistently promoted international portfolio diversification for the past 10 years focused on overseas bonds and continued to increase investment efficiency by partly incorporating some alternatives investments in our strategy. As far as Japanese bonds are concerned, we have been buying JGBs and corporate bonds from the perspective of how to control the duration risk of deposits (debts). Since currently interest rates are negative, our focus is centered on JGBs in the long and ultra-long-term zone from the perspective of ALM.

・ We are of the view that the normalization of Japan's monetary easing is not an easy task. On the other hand, we believe that there will be a heightened expectation in the United States for the exit of quantitative easing before Japan and we expect that the Japanese interest rate level may possibly be adjusted with a steepening in the yield curve in that process.

・ When the yield curve control ends in the future, since interest rates of JGBs with negative interest rates will rise and this allows us to make investment based on ALM in consideration of the duration of deposits, we will revise and increase the ratio of domestic assets in the international portfolio diversification and we will start investing again in JGBs in the short- to medium-term zone, depending on the level of interest rates.

・ When asked whether or not we are prepared for future inflation, we say that it basically depends on its quality and extent. Since there is a larger merit in a rise in interest rates with inflation, we are not so much worried about inflation from the perspective of ALM, and as mentioned earlier, we are more concerned about how to deal with the continuing negative interest rates.

・ We don't feel that deposits have increased sharply. It is true that since people stopped spending money amid the coronavirus pandemic, this part of the money is stagnant. Although deposits increased temporarily when the emergency cash handout was made, the level of deposits remains the same thereafter.

・ Although there is a mismatch between the duration of assets and liabilities, since our customers deposit their money for a very long period of time, the duration of liabilities is basically constant. However, we conduct ALM from the long-term perspective by bearing in mind that there is a possibility that the duration of assets may be shortened over time.

・ Under the situation where interest rates are at a low level globally due to aggressive monetary easing in each country, the investment environment is very difficult for our company. Due to the characteristics on the liability side, the interest rate risk is a major risk factor. Therefore, we are investing mainly in JGBs in the ultra-long-term zone from the perspective of hedging interest rate risk.

・ However, the level of interest rates in Japan is so low that we have no choice but to consider increasing the ratio of assets other than domestic assets in order to cover cost of debt as much as possible.

・ We are of the view that our investment stance focused on JGBs in the ultra-long-term zone will not change even if the monetary policy normalizes in the future.

・ In addition, since interest rates are currently low, it is difficult to collect funds for savings purposes. If interest rates rise in the future and such funds increase, we will increase our investment in domestic assets.

・ Regarding inflation, we do not expect inflation to materialize for the time being, and we do not make any investment based on the assumption under the inflationary environment.

・ Although the economy has shrunk sharply amid the coronavirus pandemic, expectations for future recovery are rising in anticipation of the development of vaccines. The economy was not as bad as feared in the beginning due to countermeasures taken by the government and central bank of each country. Although it is difficult to properly evaluate whether the gap between the current status quo and future expectations is excessive or rather appropriate, future expectations are based on the situation where in the not too distant future vaccines will be distributed, we believe that this gap will be maintained.

・ We understand that the BOJ's monetary policy does not aim to call for future expectations, but to respond to the current reality and we believe that interest rates of JGBs will continue to be stable at the current low level for the time being under the current yield curve control. Even if the coronavirus epidemic ends, we believe that it is the first priority to normalize fiscal policy and the monetary policy normalization will come after that. Due to the deterioration of public finances in each country, we are of the view that interest rates of government bonds will need to be maintained at a level well below the nominal growth rate for a long period of time.

・ Regarding the post-COVID-19 economic environment, we are keenly interested in whether the increased debts both in public and private sectors will act in an inflationary manner or in a disinflationary manner. Although we believe that a consumption boom will probably occur after the end of the epidemic, it is more likely that the increased debts will act in a disinflationary manner in the medium- to long-term run as a result of prioritizing the reduction of unintended debts accumulated in each economy during this period.

・ Even if JGBs are downgraded from A, we believe that the downgrading will probably not affect domestic customers so much. On the other hand, overseas customers who invest in JGBs will be considerably affected.

・ While the global monetary easing stance is strengthened and aggressive fiscal stimulus is being implemented, the low interest rate environment continues and the yield curve is currently steepening. We will need to consider the normalization of the world economy with the progress in the development and dissemination of the novel corona vaccines and the risk of reversal of the events currently occurring in the financial markets. In other words, we do not believe that what is currently happening in the market will last forever.

・ Regarding the JGB market, in the circumstances that it is difficult to predict any deepening of negative interest rates and the reduction of short-term interest rates in monetary policy, market participants are keenly conscious of the size of the third supplementary budget and the scale of the JGB issuance plan. Therefore, the market is in the standby mode.

・ Regarding the future direction of investment, we are currently investing mainly in yen-denominated bonds, especially, 30-year JGBs to match our liability. We plan to continue to follow the same investment direction for the time being. Bonds that will be redeemed will be replaced with bonds that have a long maturity from the perspective of reinvestment. In addition to yen-denominated bonds, we used aggressively hedged foreign bonds in the past. While the foreign exchange hedging cost has decreased, yields of foreign bonds have decreased more, which makes investment in foreign bonds less attractive in the end.

・ Currently, we are in a very low interest rate environment and we are unable to develop and sell new insurance products. If interest rates rise in the future, it will be possible to develop and sell new insurance products. However, since we believe that it will take a considerable time for economy to normalize, it will be necessary to revise the direction of our investment including purchase of ultra-long-term bonds in a phased manner when economy normalizes.

・We continue to maintain our policy of ALM in which we invest in yen-denominated bonds for yen-denominated debts. We adopt the policy of investing in foreign bonds for non-yen-denominated debts pursuing more yields.

・ As regards investment in yen-denominated bonds, we have no needs to invest in JGBs with negative yields. Therefore, in addition to ensuring positive yields by investing in corporate bonds as much as possible, we adopt the policy of investing in JGBs with a remaining maturity of 10 years or more with positive yields. We are making investment on a case by case basis.

・ As regards the recent investments, due to low yields it is difficult to sell long-term insurances and the inflow of new funds is very limited. In addition, a number of natural disasters have occurred lately resulting in increasing amount of insurance payment. The amount of funds held has remained flat or has decreased slightly, as a result, new investments have been limited.

・ Regarding the effect of normalization of interest rates, should interest rates increase, the development and sale of long-term insurance products will increase, resulting in the inflow of funds. In this case, we believe that there will be needs for purchase of yen-denominated bonds including JGBs.

・ Since JGBs with a remaining maturity of less than 10 years bear negative yields and JGBs in the ultra-long-term zone bear positive yields due to the yield curve control, we invest basically in JGBs in the ultra-long-term zone.

・ Approximately 70 percent of our investment is performed on behalf of the national government and thus, the investment is performed in line with GPIF's asset allocation. The other day, GPIF lowered the weight of domestic bonds and raised the weight of foreign bonds. As a result, currently, JGBs with a remaining maturity of 10 years or less are for sale. According to the current yield curve shape, the ultra-long-term zone of 20-year bonds and 30-year bonds is value-bearing, and we may make reinvestment and, in those with an increase in interest rates, some new investments.

・ Regarding investment against future inflation risk, since we have an internationally diversified portfolio, including not only JGBs but also credits and overseas bonds, and short duration of the portfolio, we will probably maintain the current investment policy even if inflation occurs.

・ In recent years, with the progress of aging in pensioners and pension participants, payment of pension benefits is considerable and several hundred billion yen are cashed out every year. As stock prices have significantly risen, the large part of those payments can be covered by its rise, but new investments are rather difficult.

・ While monetary easing policies and increased government bond issuance are being implemented globally, the yield curve is generally steepening to a certain extent. Therefore, if volatility remains stable, it will be easy to invest in bonds, including those in the relatively long-term zone. As a result, investment opportunities in the ultra-long-term zone such as 20-year bonds are increasing. However, at the moment, two issues have surfaced that could serve as a game changer: re-spread of the novel coronavirus infection and vaccine development. Therefore, we believe that we need to make investments while considering the possibility that the yield curve will further steepen at the end of the year or the beginning of the year. For this reason, we are somehow reluctant to take additional interest rate risk in addition to the extent we have already taken.

・ The impact of normalization of monetary policy on our investment will ultimately depend on the state of the global investment environment at that time. If Japan is in a normal environment, it is natural that the United States and other countries are also in a normal environment. Therefore, we will determine the direction of our investment by evaluating the relative environment including the shape of the yield curve. From the perspective, we believe that our investment will depend on the inflation situation in the US.

・ It is not the case that the duration of liabilities has changed significantly due to the effects of the novel coronavirus infection.

・ Overseas interest rates have fallen and domestic performance has improved relatively. Therefore, we can see a reverse shift from overseas bonds to JGBs and among JGBs we see a shift from passive funds to active funds with higher yields. In retail sector, since the interest rate on time deposits is quite low, there are many funds which look for yield in deposit alternative products, specifically which incorporate investment grade bonds and even high-yield bonds partly in recent days.

・ We can easily see that JGBs that provide a certain level of yields without foreign exchange risks will attract attention when interest rates rise in the future as deposit alternative products. For this reason, we feel that there is room for JGBs to be financed by that kind of demand in accordance with the current strength of our customers' needs.

・ We carry out fund rebalancing (operation to sell rather overpriced bonds and buy underpriced bonds) on a certain scale every week and we have the impression that the liquidity of JGBs has returned to that before the outbreak of the novel coronavirus infection. However, since the administrative system of securities companies still seems to be somewhat vulnerable, there is a risk that liquidity will decline immediately if there is another shock. Therefore, we continue to be keen on the market situation.

・ Some funds incorporate partly bonds with 20 or 30 years remaining to maturity. However, since there are needs for matching maturities and needs for secured redemption in deposit alternative products, we basically invest in short-term corporate bonds with yields than long-term JGBs.

・ It was reasonable to use T-Bill as a short-term response under the yield curve control in early spring when the situation was uncertain for lack of detailed knowledge about the novel coronavirus infection. However, in view of the situation where the actual status of the epidemic is gradually becoming known with the progress of medical research and the development of vaccines is underway, we believe it will be important in the future for the debt management office to send a consistent message to the market in the sense that the fiscal consolidation in the medium- to-long-term is taken care of.

・ We believe it is worthwhile to continue financing with JGBs with remaining maturity of 10 years or less under the yield curve control from the perspective of cost-saving. However, there is likelihood that a close dialogue with the market may be lost with respect to interest rates and bond prices. Therefore, we believe it important for the debt management office to maintain a balanced debt maturities, ensure predictability of the market participants and maintain a mechanism to catch the warning signs of the market in order to achieve fiscal consolidation in the medium- to long-term.

・ The current trade in Inflation-Indexed Bonds market is at a low level. However, if there is a possibility that demand will increase in the future, we would like that the debt management office will give a consideration about the current taxation system. That is, unlike the UK and the US, the possibility cannot be denied that inflation risk may partially be reintroduced to people who buy Inflation-Indexed Bonds through taxes in Japan. We believe it necessary that the Finance Bureau and Tax Bureau discuss the potential issue in advance in consideration of issues, such as neutrality with other financial assets, nature of index of the BEI, stimulation of investment demand, and consistency between budget and taxation.

・ JGBs were planned to be issued in large amounts in preparation for measures on a large scale half a year ago amid a great uncertainty about the transmission and end of the novel coronavirus infection. In addition, in order to avoid an adverse effect on corporate financing, T-Bills accounted for a large portion of them. A large sum of countermeasure including an emergency cash handout has been deposited in the circumstances where people have abstained from going out. We believe, however, that these savings will be spent in future.

・ The issuance of T-Bills was increased on a large scale this fiscal year on the premise of the foreseeable and regular issuance of 2 to 40-year JGBs, and the refinancing of these T-Bills will continue to be performed from now on. We would like to see that the progress will be made toward reducing the issuance of newly-issued JGBs and increasing refunding bonds in the form of 2- to 40-year JGBs, and thus reducing the amount of T-Bills. We believe that stable issuance of JGB is possible by issuing JGBs in a regular and stable manner in light of investors demand in the medium- to long-term as seen in the reference material on page 18.

・ If we look at the changes in the yield curve from half a year ago to today, the yield on 10-year bonds has risen from 0.5 percent to 0.9 percent in the United States. Since the influence from foreign countries, especially of the United States, cannot be ignored on the yield curve of JGBs, the JGB issuance plan needs to be compiled by considering these points and a decrease in savings as a medium- to long-term issue.

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