

Bond Market Survey, Results of Special Survey (November 2023)

Survey period: From October 23 to November 10

Number of respondents¹: 70

¹ Eligible institutions for the Bank of Japan's outright purchases and sales of JGBs and major insurance companies, asset management companies, etc.

The Bank of Japan (BOJ) announced to conduct "Review of Monetary Policy from a Broad Perspective" in the "Statement on Monetary Policy" on April 28, 2023 and introduced its detailed approach in the "Approach to Conducting the Monetary Policy Review from a Broad Perspective" on July 14. As part of the review, it intends to make use of existing series of materials, such as reports and surveys, with a view to incorporating diverse expertise and enhancing the objectivity and transparency. To this end, this Special Survey was conducted to leverage the "Bond Market Survey."

The purpose of this Special Survey is to identify the impact (including side effects) of various unconventional monetary policy measures that have been implemented over the past 25 years mainly on the bond market (Japanese Government Bond [JGB] market) during each of the following periods.

Period I : late 1990s to April 2013 (before the introduction of Quantitative and Qualitative Monetary Easing [QQE])

Period II : April 2013 to January 2016 (after the introduction of QQE)

Period III : January 2016 to September 2016 (after the introduction of the negative interest rate policy)

Period IV : September 2016 to December 2021 (after the introduction of Yield Curve Control)

Period V : 2022 onwards

1. Bond Market Functioning over the Past 25 Years

(1) The degree of bond market functioning from your company's viewpoint over the past 25 years since the late 1990s

Similar to the quarterly Bond Market Survey, this question concerns the functioning of the secondary JGB market taking account of various liquidity indicators.

		(%points, Number of respondents)				
		Period I	Period II	Period III	Period IV	Period V
Number of respondents	DI ² (overall)	62	5	-48	-71	-60
	High	29	5	1	0	0
	Somewhat high	23	17	3	1	0
	Not so high	8	27	12	11	13
	Somewhat low	3	16	33	15	29
	Low	0	2	18	42	27
	Unable to make assessment	7	3	3	1	1
	Total	70	70	70	70	70

² Diffusion Index = (percentage of respondents selecting "High" + 0.5 × percentage of respondents selecting "Somewhat high")

- (percentage of respondents selecting "Low" + 0.5 × percentage of respondents selecting "Somewhat low").

The answers for "Unable to make assessment" are excluded.

(2) Factors behind lower bond market functioning during the period(s) for which respondents selected "Low" or "Somewhat low" in (1)

	(Number of respondents)				
	Period I	Period II	Period III	Period IV	Period V
Heightened uncertainties surrounding economic activity and prices	3	0	2	2	4
Developments in overseas interest rates	2	0	1	2	8
Heightened concerns over the financial system	3	0	1	0	0
Increased share of BOJ's JGB holdings under QQE		18	43	52	54
Negative interest rate policy by BOJ			42	38	26
Yield Curve Control by BOJ				54	52
Others	0	1	3	3	4
Number of respondents selecting "Low" or "Somewhat low" in (1)	3	18	51	57	56

Note: Respondents were allowed to select up to three answers.

(3) The degree of bond market functioning in terms of relative prices

Besides various liquidity indicators, relative prices between different products including derivatives (e.g. net basis, spreads between issues, etc.) are also useful when assessing bond market functioning.

		(%points, Number of respondents)				
		Period I	Period II	Period III	Period IV	Period V
Number of respondents	DI ³ (in terms of relative prices)	59	13	-40	-66	-63
	High	26	6	0	0	0
	Somewhat high	22	21	4	2	1
	Not so high	8	22	19	12	11
	Somewhat low	2	14	28	16	26
	Low	1	1	14	38	30
	Unable to make assessment	11	6	5	2	2
	Total	70	70	70	70	70

³ Diffusion Index = (percentage of respondents selecting "High" + 0.5 × percentage of respondents selecting "Somewhat high")

- (percentage of respondents selecting "Low" + 0.5 × percentage of respondents selecting "Somewhat low").

The answers for "Unable to make assessment" are excluded.

(4) Factors behind lower bond market functioning during the period(s) for which respondents selected "Low" or "Somewhat low" in (3)

	(Number of respondents)				
	Period I	Period II	Period III	Period IV	Period V
Heightened uncertainties surrounding economic activity and prices	1	0	3	1	3
Developments in overseas interest rates	2	0	0	2	7
Heightened concerns over the financial system	3	0	2	0	0
Increased share of BOJ's JGB holdings under QQE		15	37	50	54
Negative interest rate policy by BOJ			36	34	27
Yield Curve Control by BOJ				52	52
Others	0	0	1	2	5
Number of respondents selecting "Low" or "Somewhat low" in (3)	3	15	42	54	56

Note: Respondents were allowed to select up to three answers.

2. Issues in Bond Market and Changes in Its Structure during the Period of Lower Functioning

(5) Disadvantages for funding entities resulting from lower market functioning during the period(s) for which respondents selected "Low" or "Somewhat low" in either (1) or (3) and factors (lower functioning in terms of either liquidity, relative prices, or both) which caused such disadvantages

		(Number of respondents)				
		Period I	Period II	Period III	Period IV	Period V
Cost increase in bond issuance due to higher liquidity premiums		0	2	7	9	19
	Lower functioning in terms of liquidity	0	1	3	5	9
	Lower functioning in terms of relative prices	0	0	1	1	0
	Lower functioning in terms of both factors	0	1	3	3	10
Concerns on smooth issuance of JGBs		0	3	12	13	24
	Lower functioning in terms of liquidity	0	0	5	6	4
	Lower functioning in terms of relative prices	0	0	1	0	0
	Lower functioning in terms of both factors	0	3	6	7	20
Deterioration in the financing environment for the non-financial private sector		0	1	1	4	18
	Lower functioning in terms of liquidity	0	0	0	1	3
	Lower functioning in terms of relative prices	0	0	0	2	3
	Lower functioning in terms of both factors	0	1	1	1	12
Others		0	0	1	0	1
	Lower functioning in terms of liquidity	0	0	0	0	1
	Lower functioning in terms of relative prices	0	0	1	0	0
	Lower functioning in terms of both factors	0	0	0	0	0
Number of respondents selecting "Low" or "Somewhat low" in either (1) or (3)		3	20	51	59	60
	Did not provide answer for (5)	2	5	16	17	15

Notes: 1. Respondents were allowed to select multiple answers.

2. Respondents were allowed to leave this question blank if they viewed that there were no disadvantages.

(6) Changes in the market structure, specifically the decrease in transactions by market participants other than the BOJ, during the period(s) for which respondents selected "Low" or "Somewhat low" in either (1) or (3) and the degree of the impact of such changes on bond market functioning

		(Number of respondents)				
		Period I	Period II	Period III	Period IV	Period V
Decrease in transactions by domestic investors		1	17	44	52	53
	Had great impact	0	9	24	34	29
	Had some impact	1	8	18	17	22
	Had little impact	0	0	2	1	2
Decrease in transactions by overseas investors		0	2	18	26	17
	Had great impact	0	1	4	12	6
	Had some impact	0	1	13	13	11
	Had little impact	0	0	1	1	0
Decrease in transactions by domestic brokers and dealers		0	9	34	42	37
	Had great impact	0	3	18	28	19
	Had some impact	0	6	13	12	16
	Had little impact	0	0	3	2	2
Decrease in transactions by overseas brokers and dealers		0	4	16	22	20
	Had great impact	0	1	7	14	11
	Had some impact	0	3	8	7	8
	Had little impact	0	0	1	1	1
Decrease in transactions by HFTs and hedge funds, etc.		0	1	9	14	8
	Had great impact	0	0	1	7	2
	Had some impact	0	1	8	7	5
	Had little impact	0	0	0	0	1
Others		1	0	1	2	3
	Had great impact	0	0	0	0	1
	Had some impact	0	0	1	2	2
	Had little impact	1	0	0	0	0
Number of respondents selecting "Low" or "Somewhat low" in either (1) or (3)		3	20	51	59	60

Note: Respondents were allowed to select multiple answers.

3. Changes in Resource Allocation

(7) Changes in resource allocation for JGB trading business in terms of human resources, IT systems, and capital allocation

a. Changes in resource allocation after the introduction of QQE in 2013

(Number of respondents)			
	Human resources	IT systems	Capital allocation
Increased	7	9	5
Unchanged	32	53	32
Decreased	31	8	27
Unable to make assessment	0	0	6
Total	70	70	70

b. Sufficiency of current resources in light of the prospects for the future business environment

(Number of respondents)			
	Human resources	IT systems	Capital allocation
Sufficient	35	46	37
Insufficient	30	18	18
Unable to make assessment	5	6	15
Total	70	70	70

c. Whether it is possible to secure enough resources in the future by the time when they are necessary
This question is for those who selected "Insufficient" in b.

(Number of respondents)			
	Human resources	IT systems	Capital allocation
Easy to secure	4	2	4
Run short temporarily (will resolve within a year)	6	3	3
Run short temporarily (will take more than a year to resolve)	12	8	3
Hard to secure	6	4	5
Unable to make assessment	2	1	3
Number of respondents selecting "Insufficient" in b.	30	18	18

(8) The number of front-office employees engaged in JGB trading

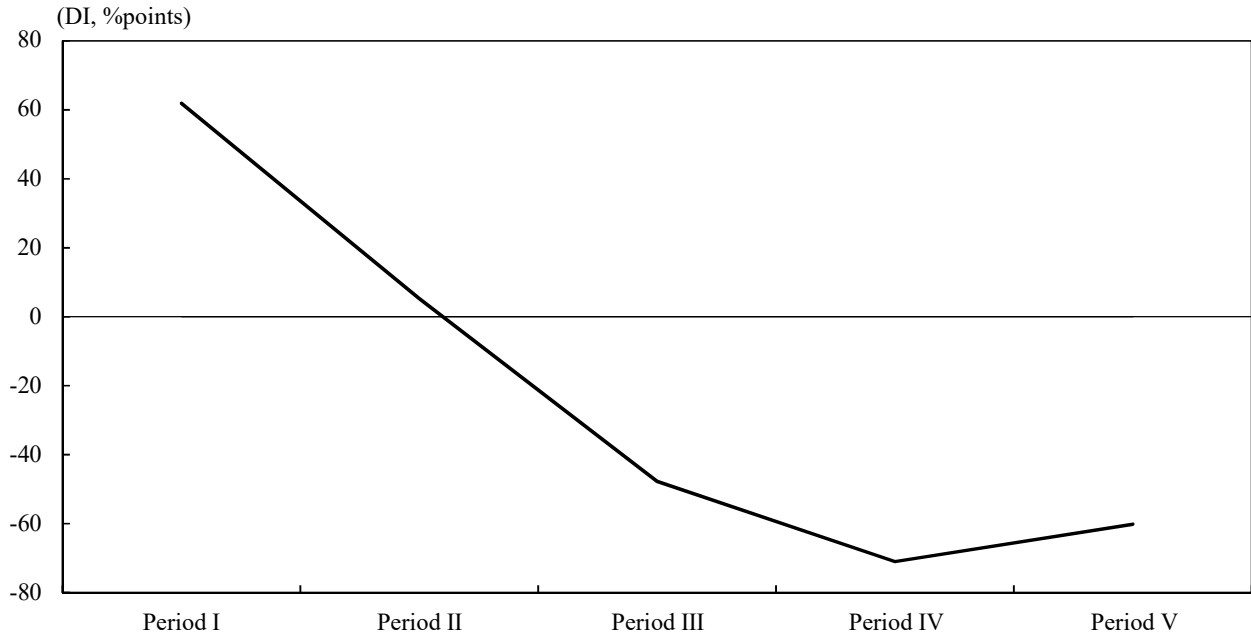
Rough estimates were allowed. Respondents were allowed to decide on the reference periods and whether to include/exclude concurrent positions, etc.

	Before QQE (early 2013)	At the time of this survey
The number of front-office employees engaged in JGB trading (the average of 70 responses)	7.2	6.3

Inquiries: Market Infrastructure Group, Market Infrastructure Division, Financial Markets Department
E-mail: post.fmd29@boj.or.jp

Degree of Bond Market Functioning

DI (overall)



DI (in terms of relative prices)

