



downward trends in overseas interest rates.

- JGB yields are basically linked to U.S. interest rates. Volatility of JGB yields has been at a lower level than that of U.S. interest rates under yield curve control, but it has been more volatile than in the past.
- Yields on super-long-term JGBs have been stable, supported by demand for investment from the life insurance companies.

#### Functioning and liquidity of the Japanese bond market

- Since the release of the Bank's "assessment" in March, JGB yields have tended to fluctuate in tandem with overseas interest rates, and it can be assessed that the degree of functioning has recovered somewhat. Changes in the Bank's operational management may have also contributed to the recovery in market functioning and liquidity.
- Functioning and liquidity of the Japanese bond market have generally remained at low levels. As Japan remains under yield curve control, the price range in the market has been narrower compared to those in the U.S. and European bond markets.
- The variety and the depth of market participants have continued to be insufficient in the bond market. Trading by specific investors has been conspicuous and the overall trading has continued to be not very active.

#### The Bank's operations and others

- With regard to the release of the schedule of the Bank's outright purchases of long-term JGBs, the Bank started to indicate in advance the amount of each offer in a specific amount instead of a conventional range from the schedule for April and changed the frequency of announcements from monthly to quarterly from that for July. We assess them appropriate as measures for improving the degree of functioning in the bond market.
- We would like to ask the Bank to continue reducing its involvement in the market by, for example, reducing its outright purchases, thereby restoring market liquidity and the price formation mechanism.
- With regard to the purchases of T-bills, we expect the Bank to continue conducting market operations based on changes in the issuance amounts,

collateral demand from market participants, and market liquidity.

- As the depth of market participants has been decreasing in the super-long-term zone, securing liquidity through the Bank's outright purchases is important for market stability.

#### Views and risks on the outlook for the Japanese bond market

- JGB yields are expected to continue fluctuating in tandem with overseas interest rates on the back of global inflationary pressure and the monetary policy stances in the United States and Europe. In particular, we are paying attention to monetary policy developments in the United States, such as the pace of the Federal Reserve's tapering of asset purchases and the number of its interest rate hikes during 2022.
- While prices have been rising globally, some indicators in Japan have also shown price increases. If such condition persists, it may lead to a rise in volatility in the Japanese market.
- The spread of COVID-19 in Japan has remained in a lull. However, the possibility of a resurgence of the infection cannot be ruled out in light of the situations in other countries and it continues to warrant attention.