Now and Next after COVID-19

Building Global JPY Business

Immunity amid COVID-19 scare

JUNE 2020

MUFG Bank
Chief Japan Strategist
Global Markets Research
Takahiro Sekido

As of 1st June 2020

MUFG Bank
A member of MUFG, a global financial group

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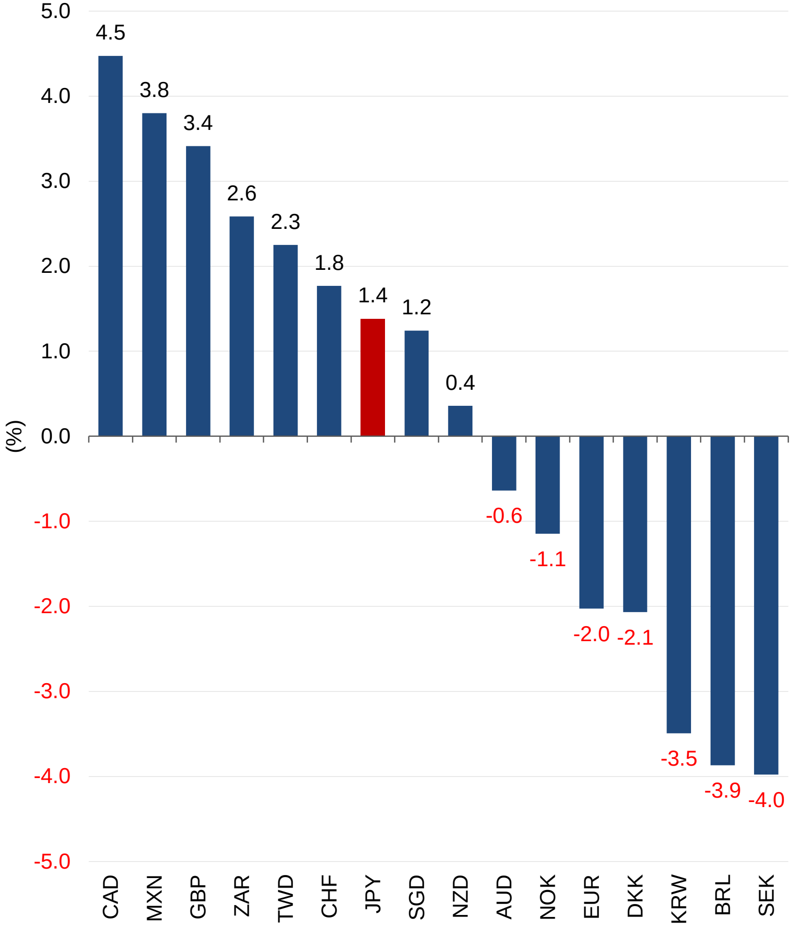
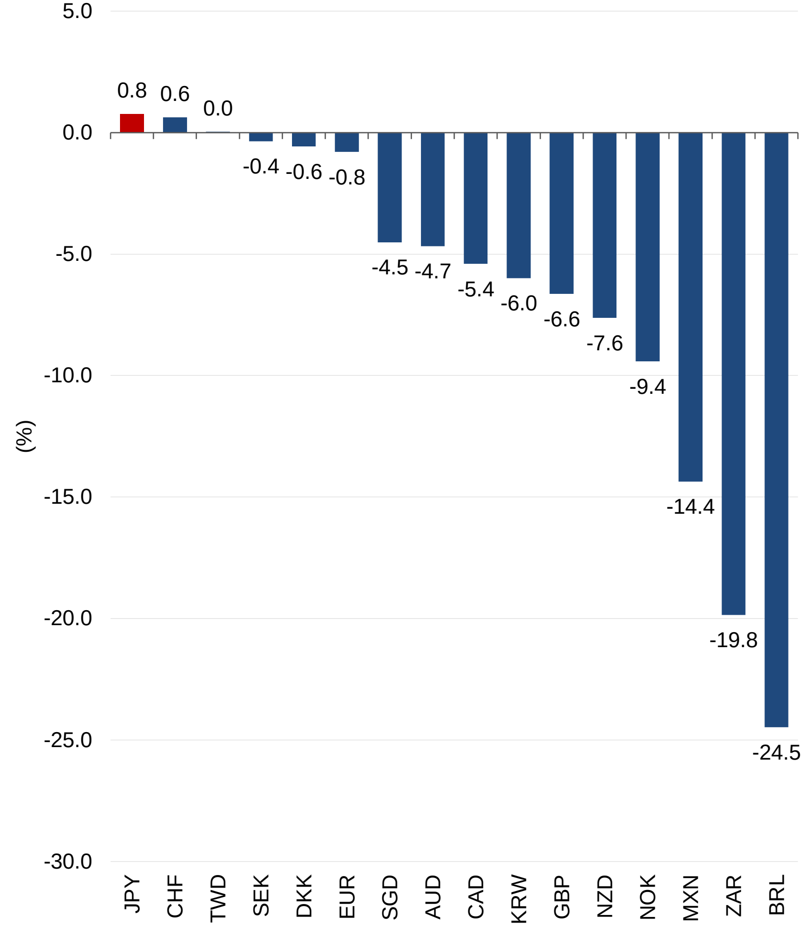
Global JPY flows and Japanese economy

Major currency waves

Major currencies against USD (2019)



Major currencies against USD (Jan-May 2020)



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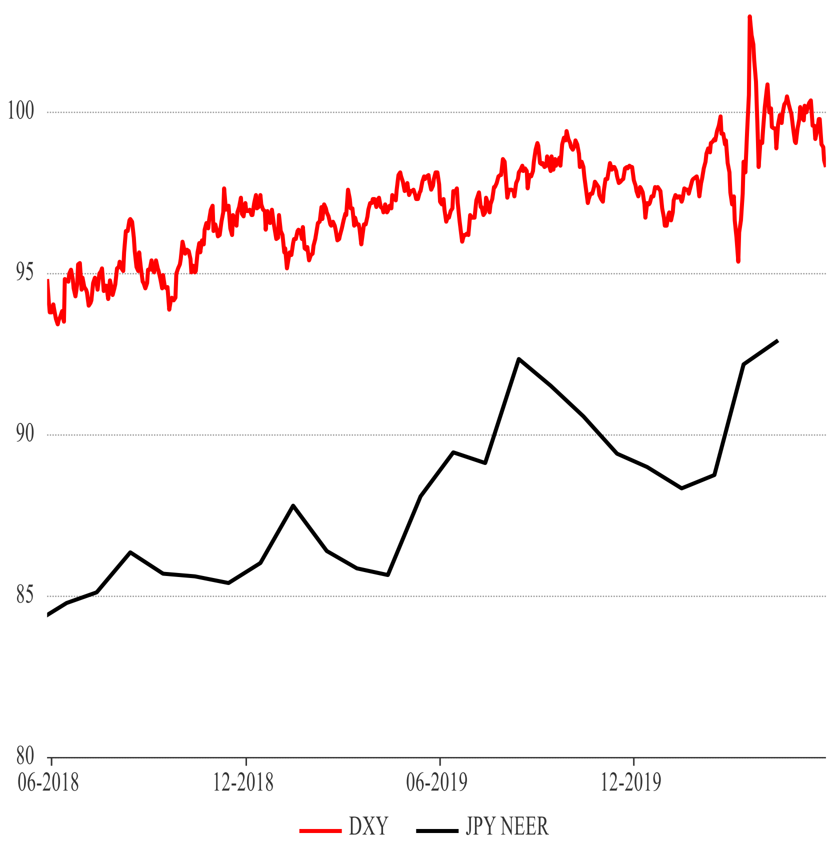
USD, JPY and Nikkei – Strong USD and JPY

USD/JPY and Nikkei

USD (DXY) and JPY (JPY NEER)



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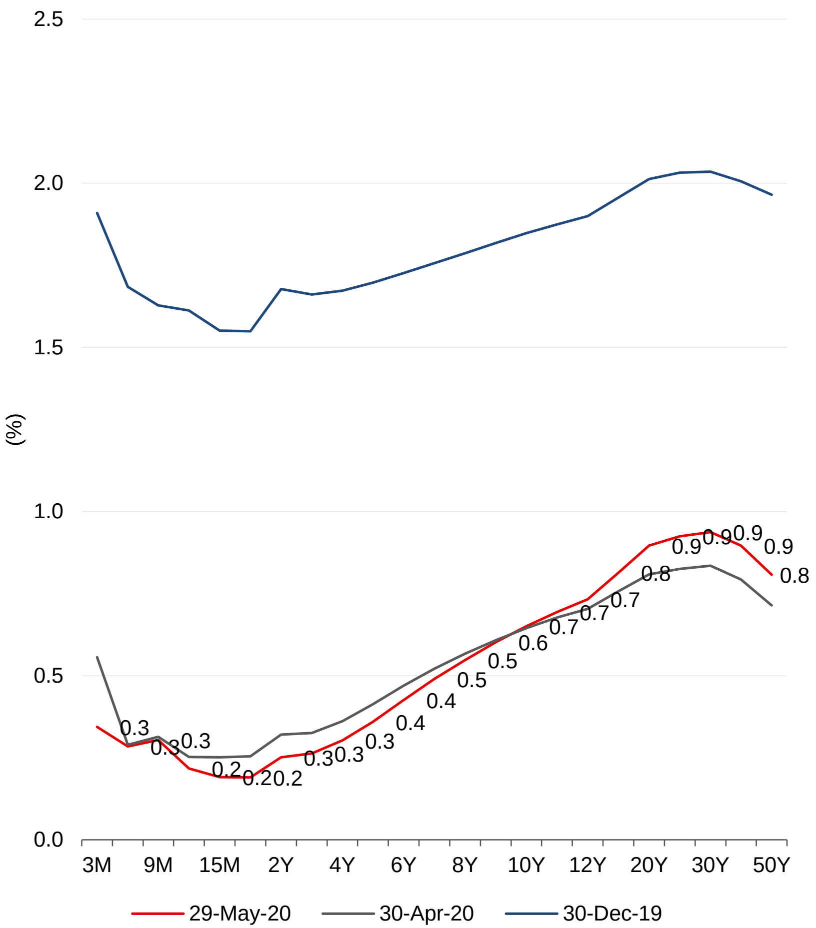
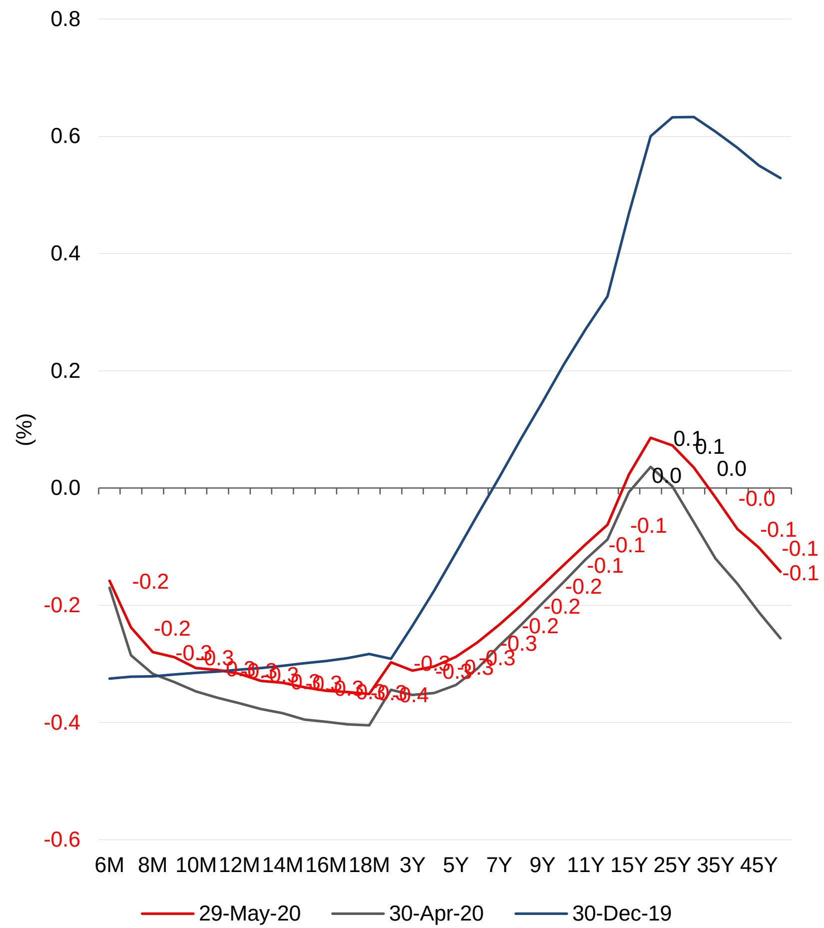
USD and EUR yield curves

USD swap rates



EUR swap rates



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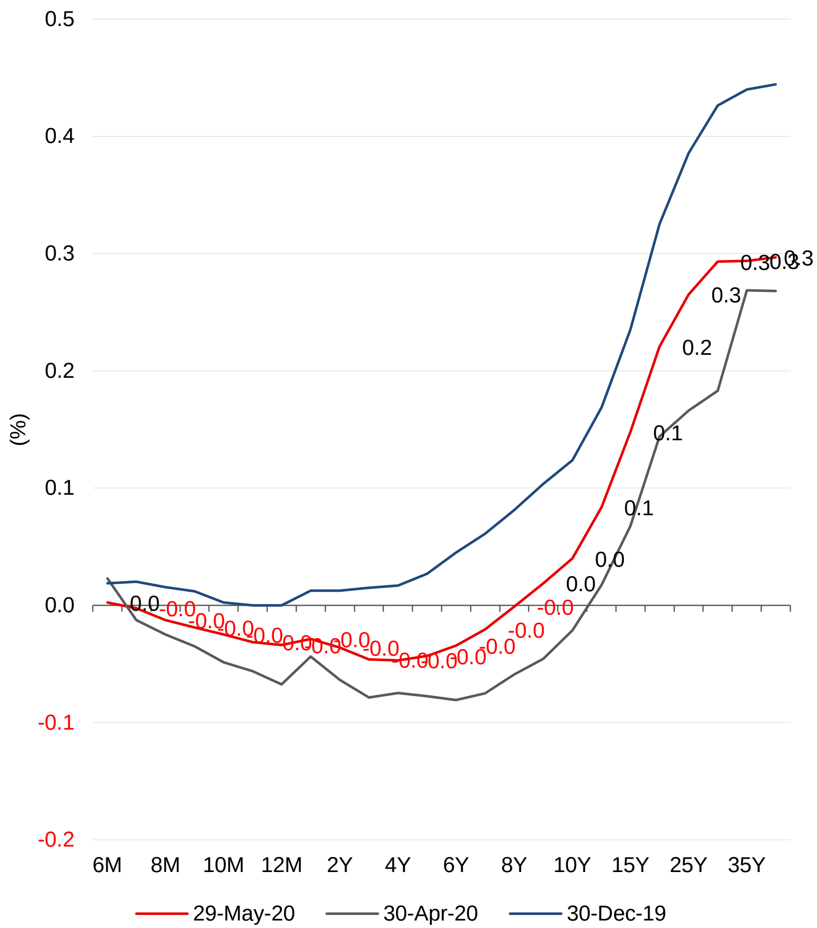
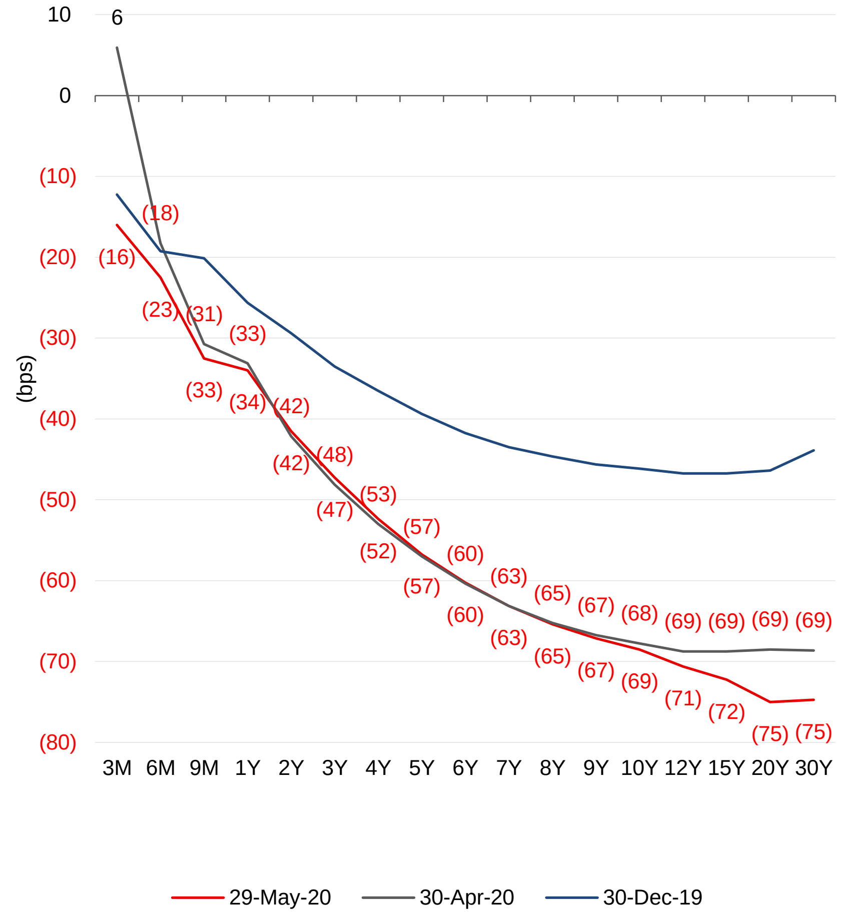
JPY yield curve moves

JPY swap rates



USDJPY basis swaps



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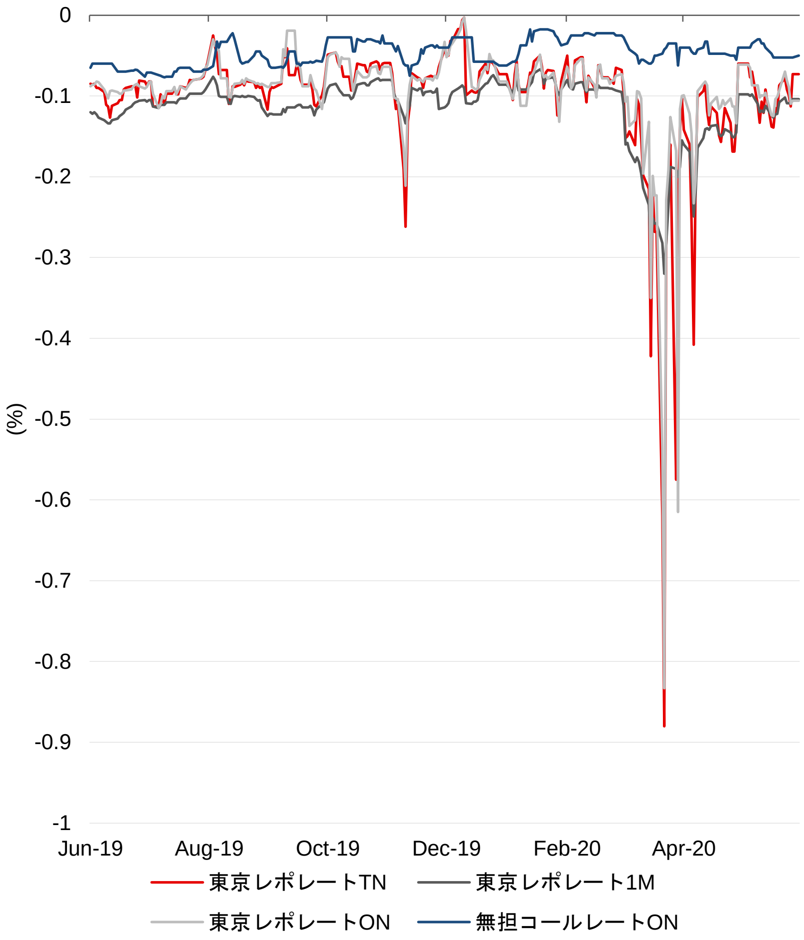
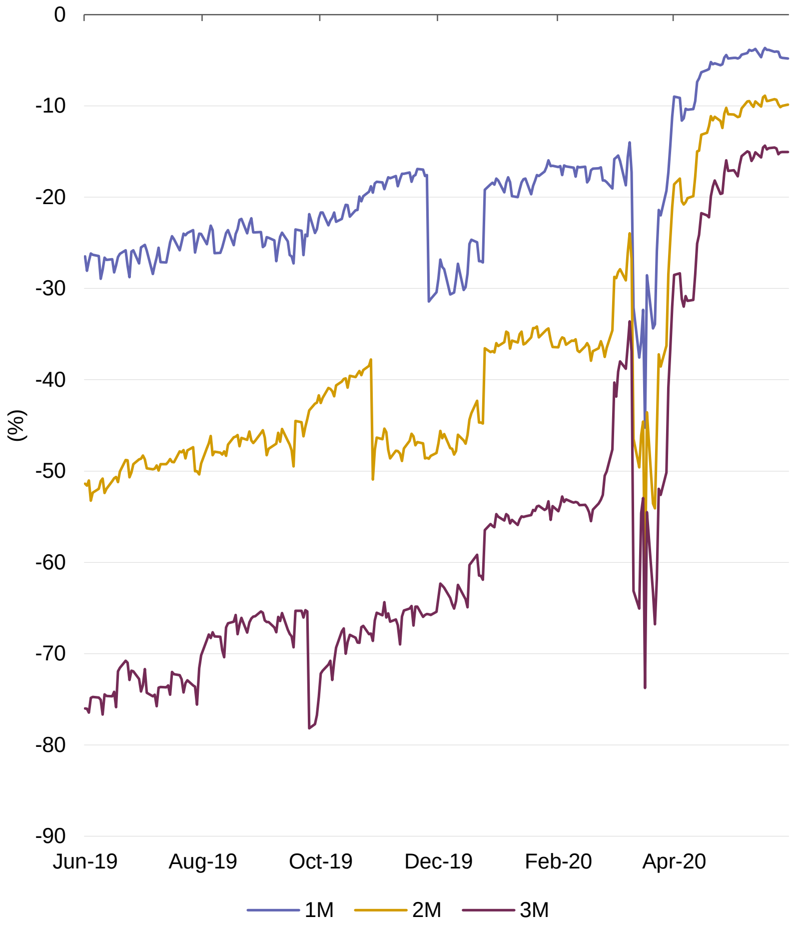
Tokyo repo rates and USDJPY forward points

Tokyo repo rates and Mutan call rate (2019-2020)



USDJPY forward points (2019-2020)



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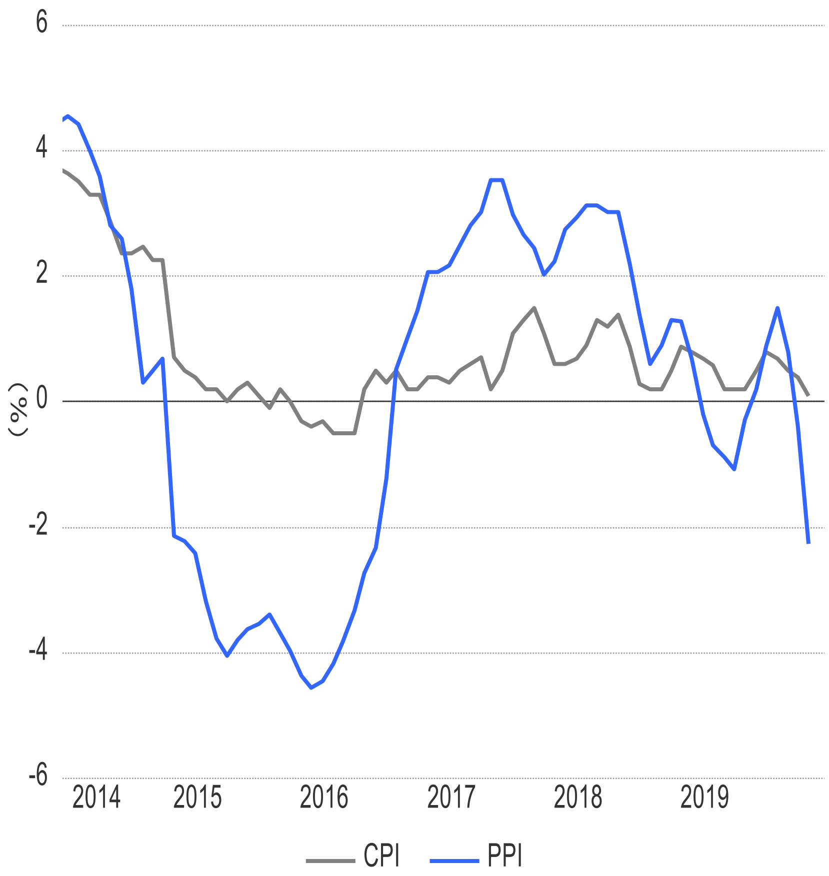
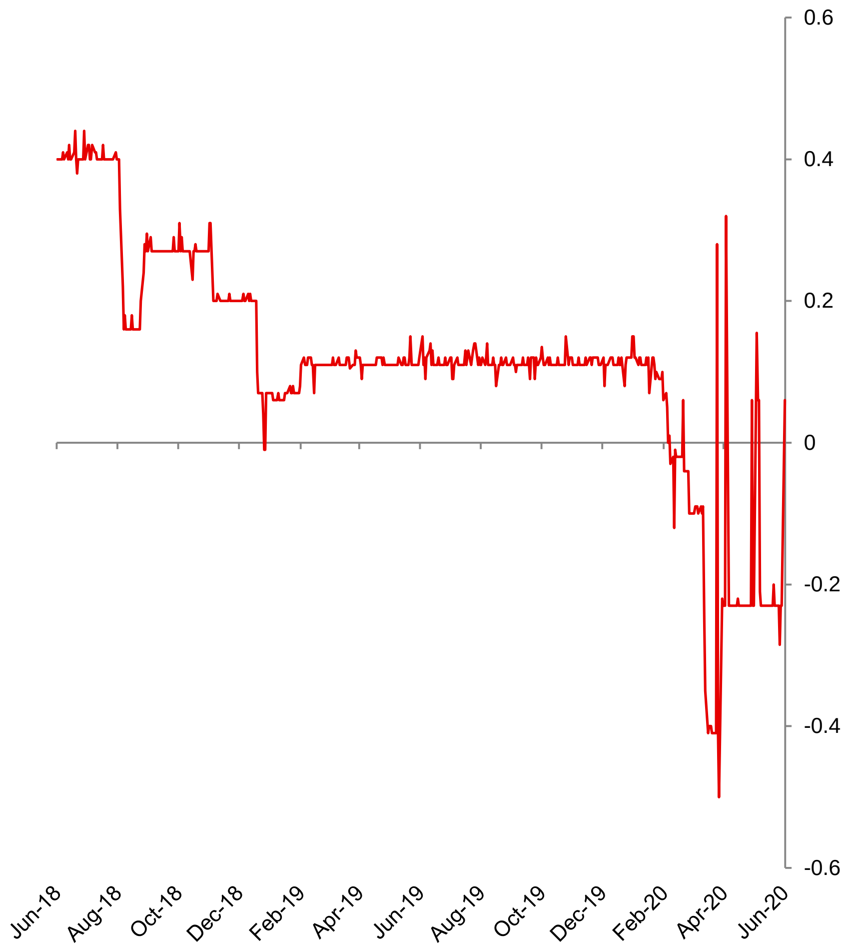
Japan - prices and inflation expectation

Price indices



Inflation swap 5Y5Y



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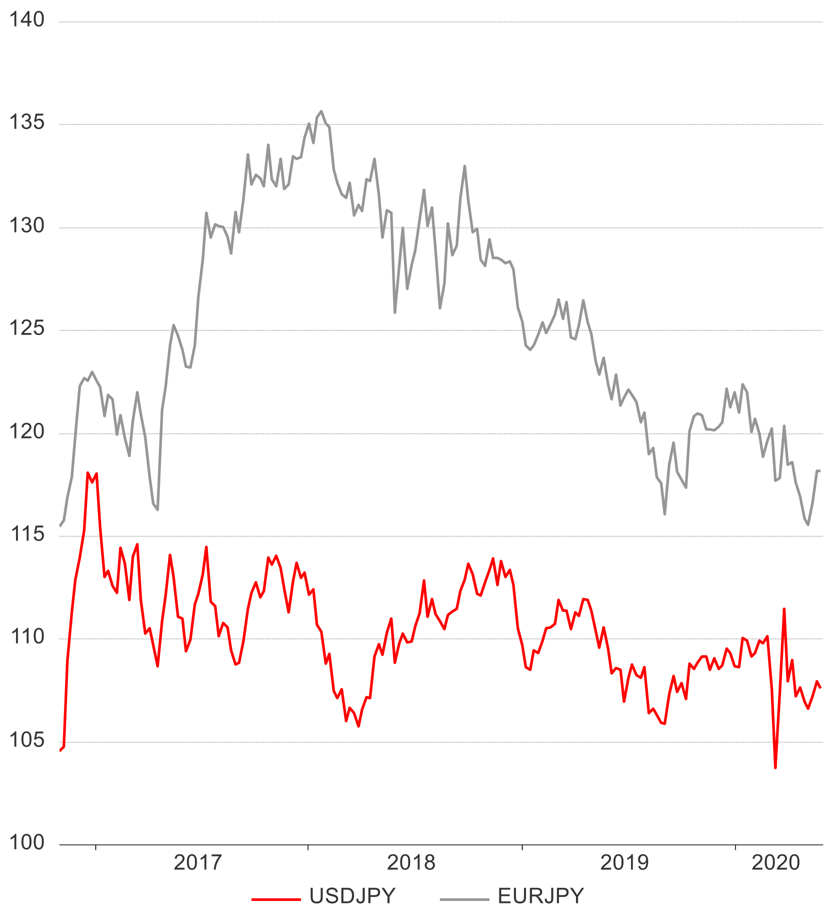
USD/JPY outlook

USD, JPY and EUR



JPY Outlook

	Q2 2020	Q3 2020	Q4 2020	Q1 2021
USD /JPY	107	105	104	102
	[105-110]	[103-109]	[101-108]	[99-107]

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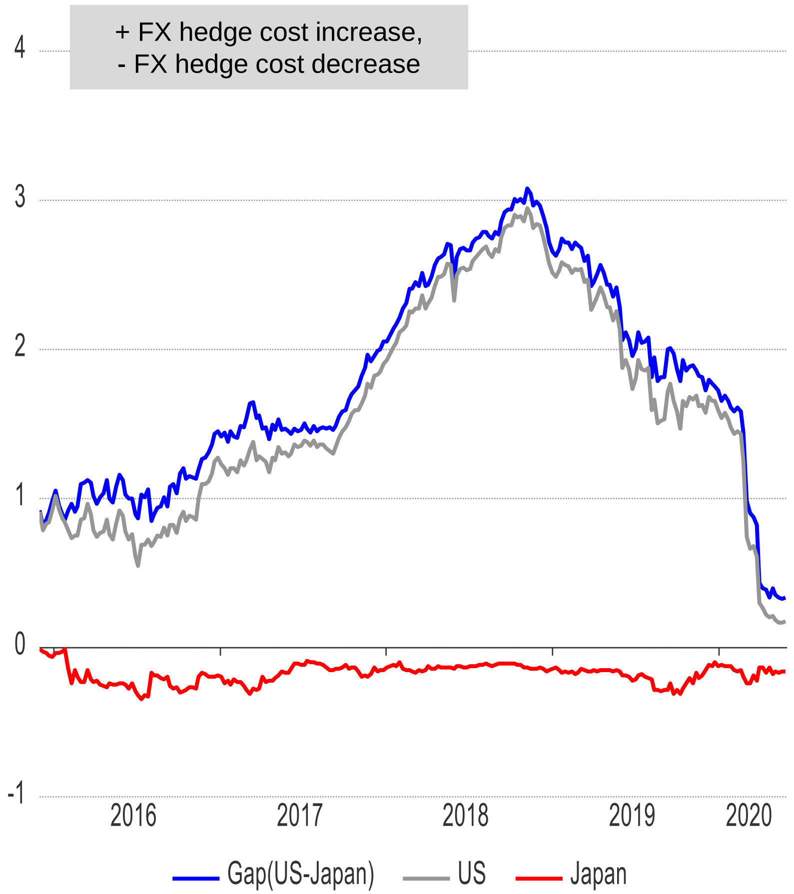
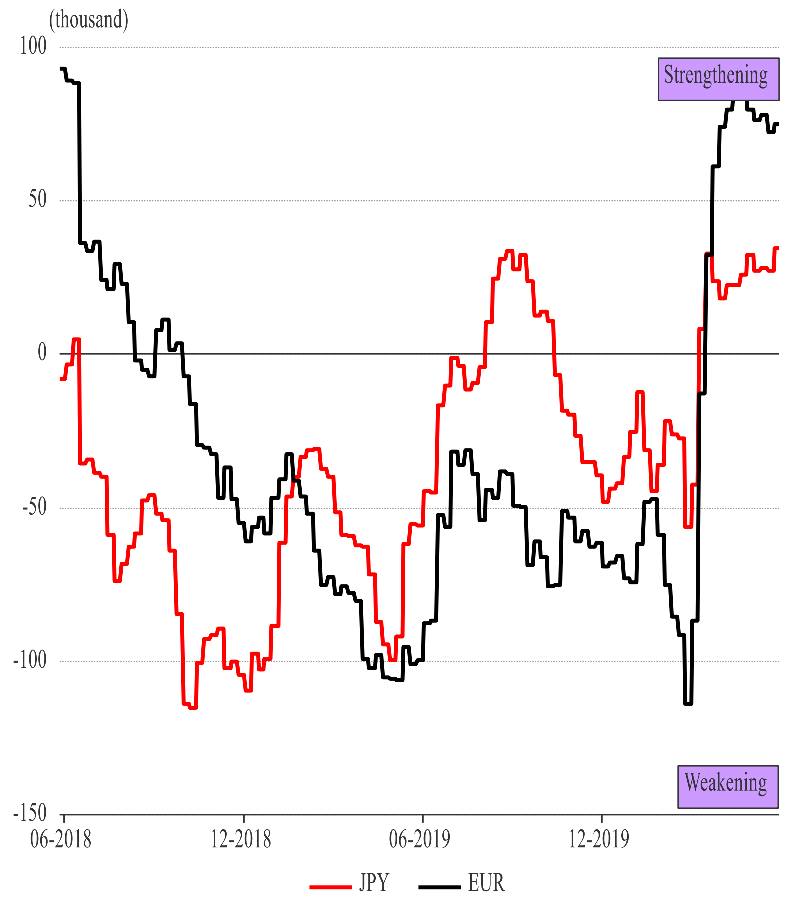
US-Japan yield gap and speculators

2Y yield gap



CFTC position in non-commercial sector



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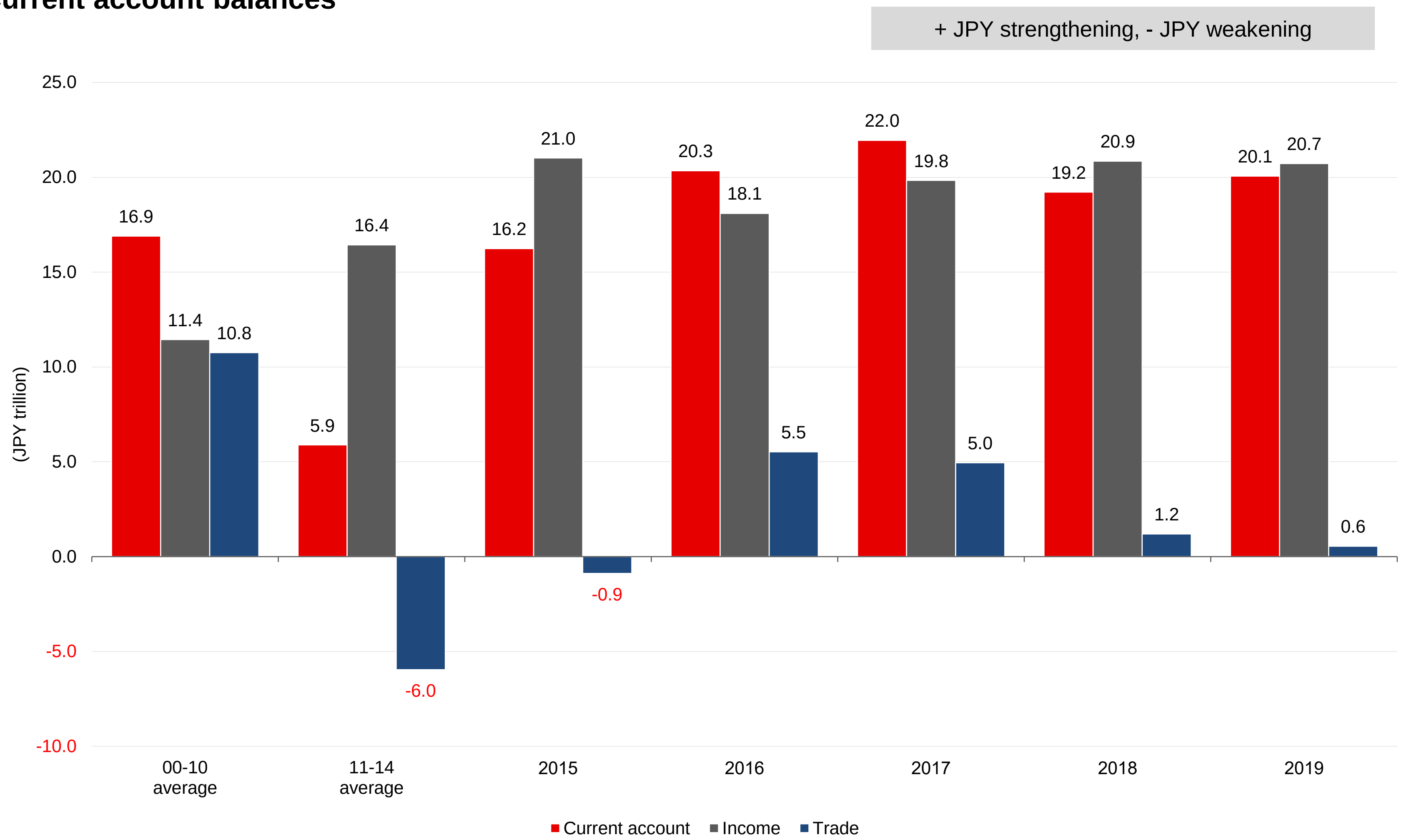
External account balances

Current account balances



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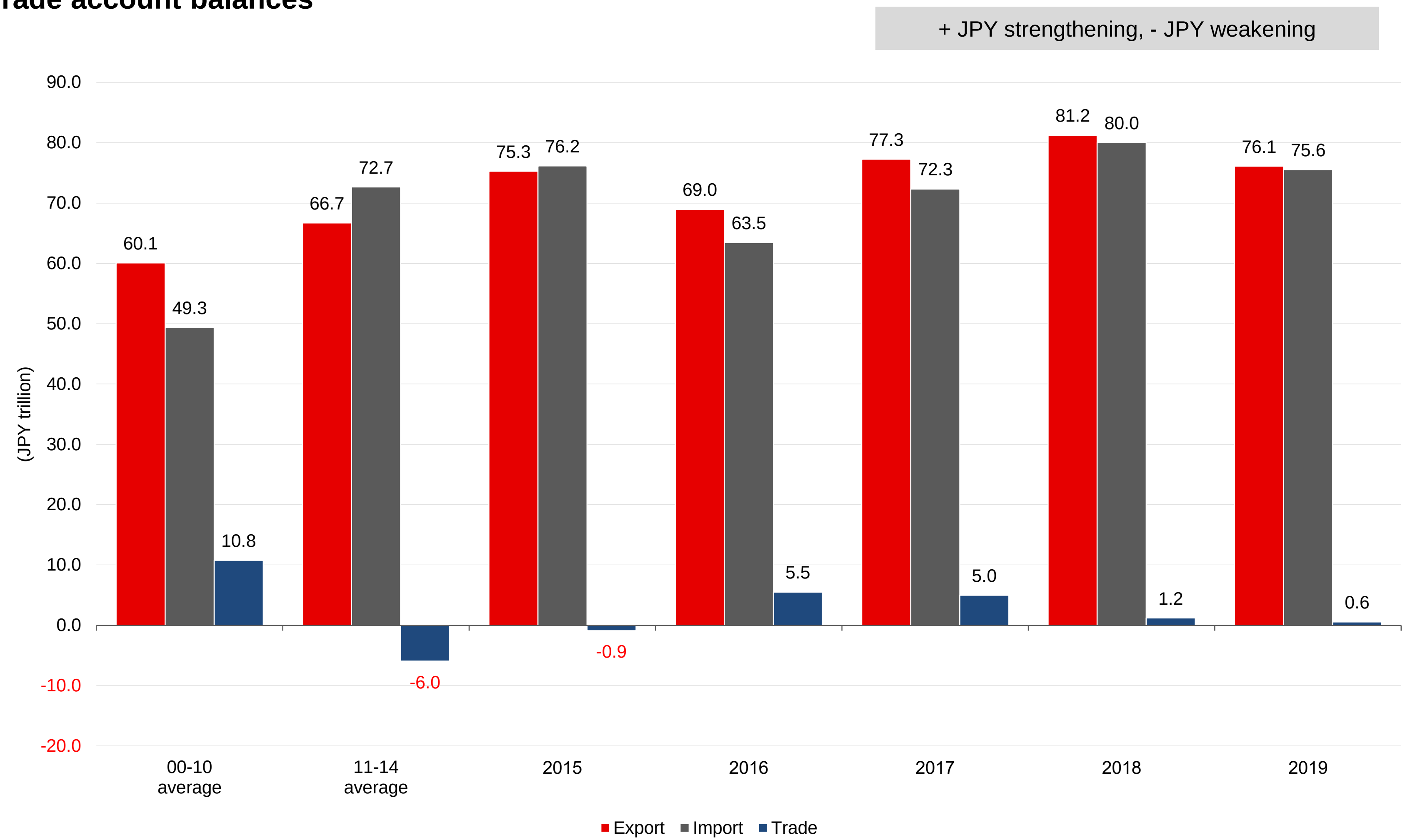
Exporters and importers

Trade account balances



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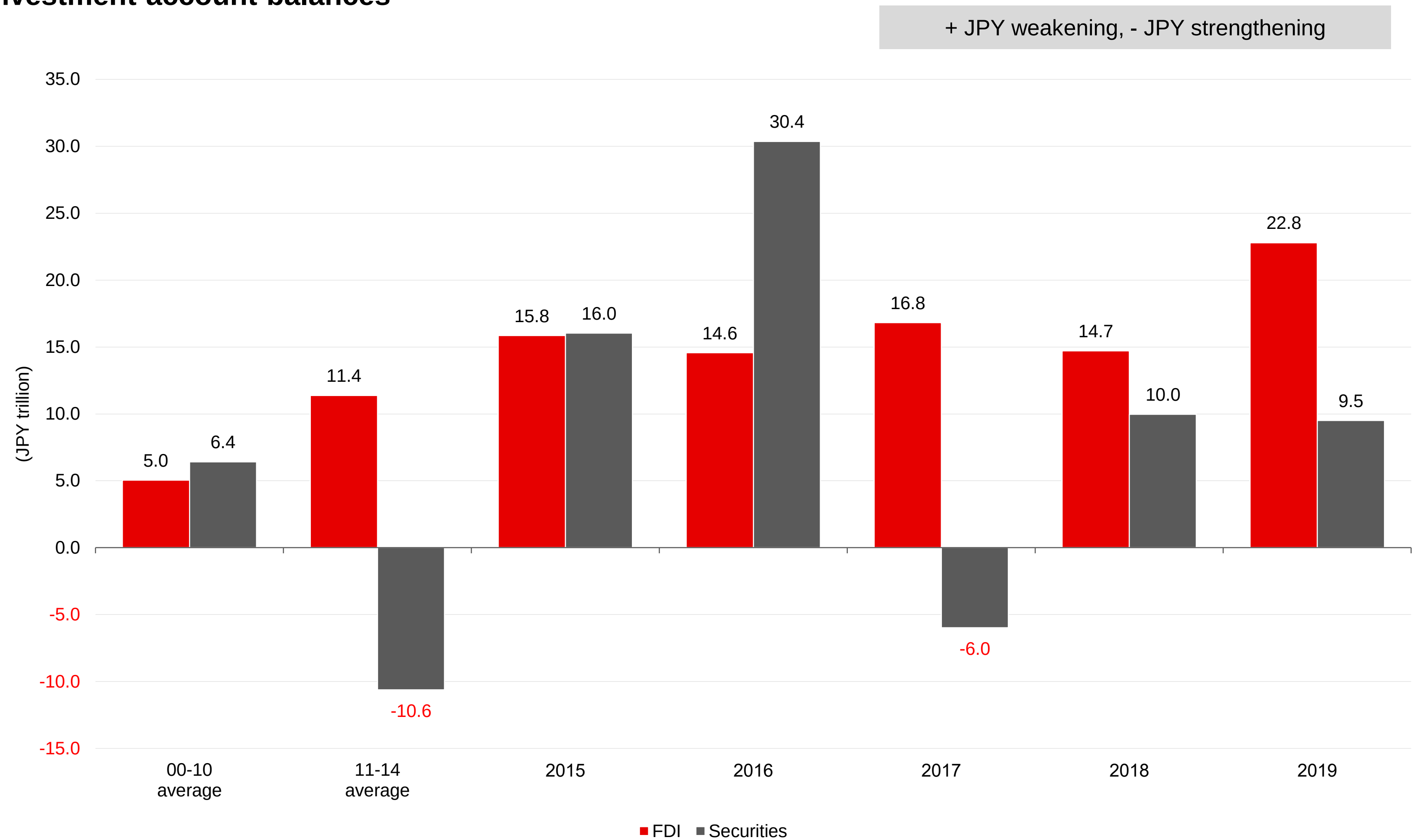
Investment flows – Japanese companies and investors

Investment account balances



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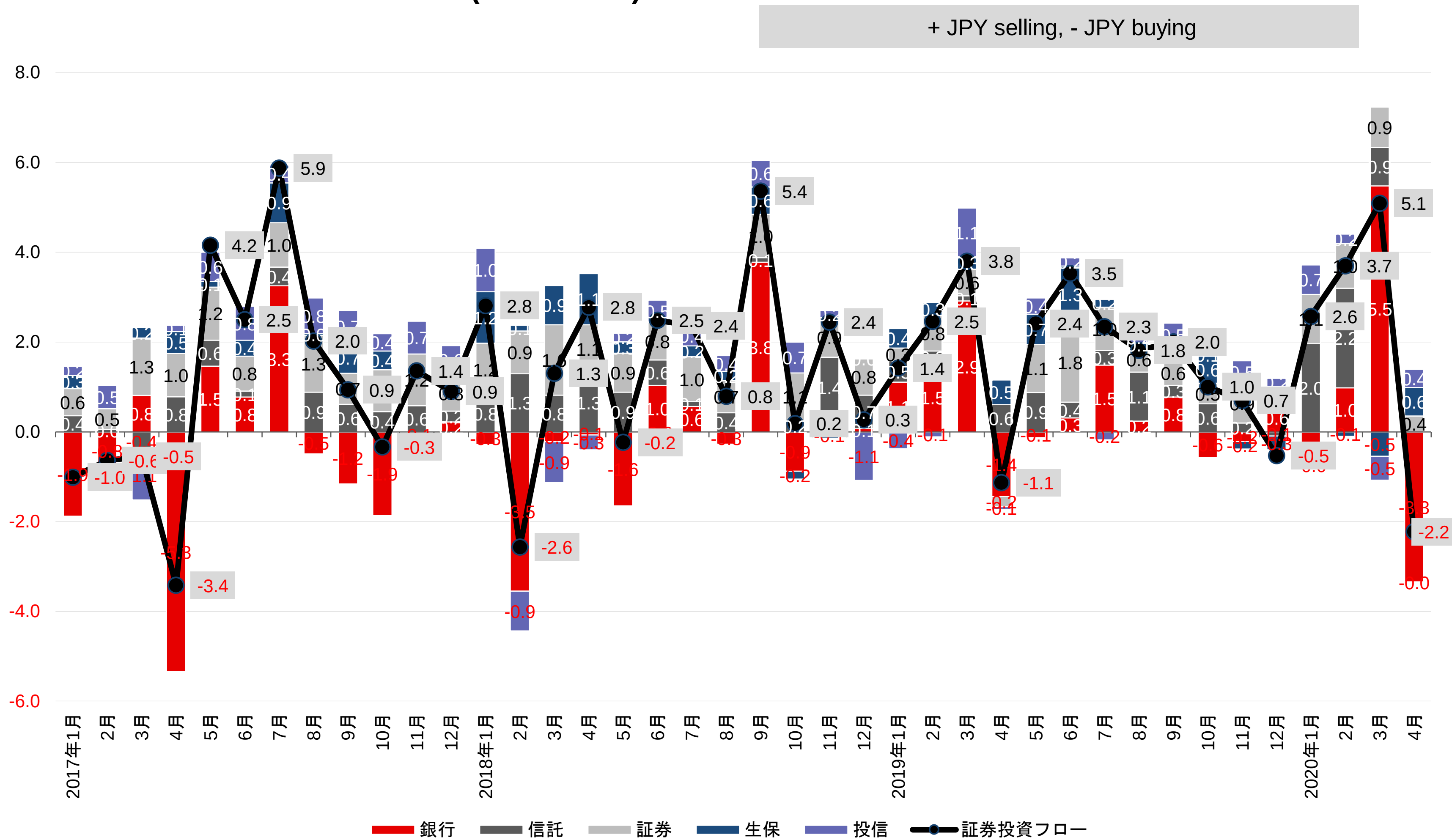
JPY cross asset flows - Japanese investors

Securities investment out/inflows (JPY trillion)



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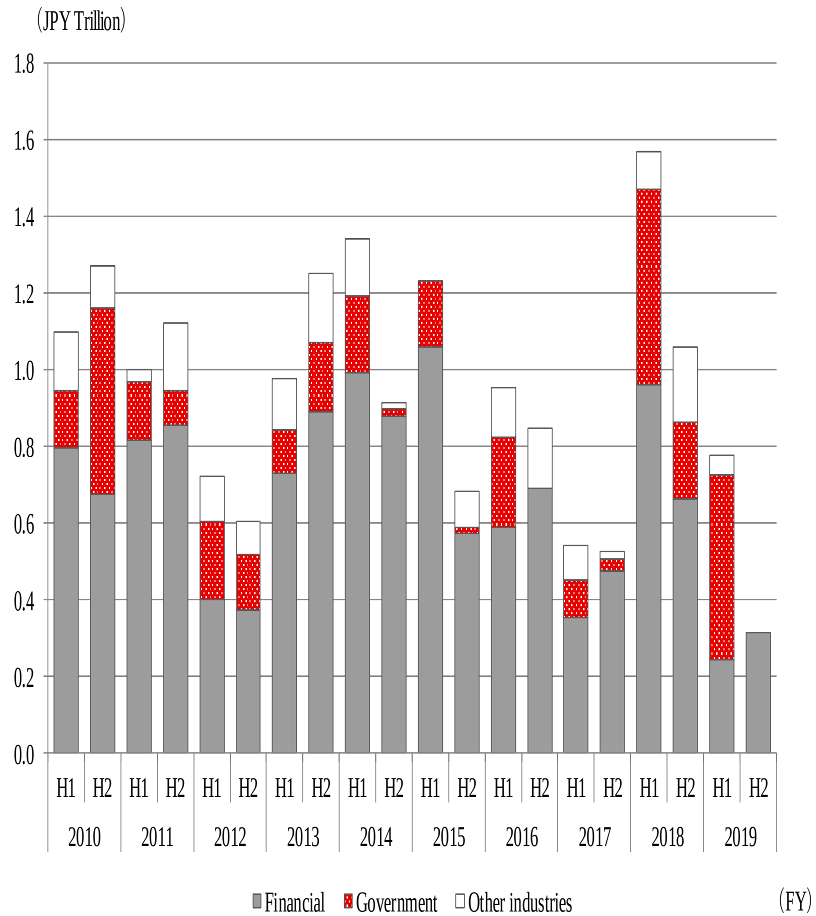
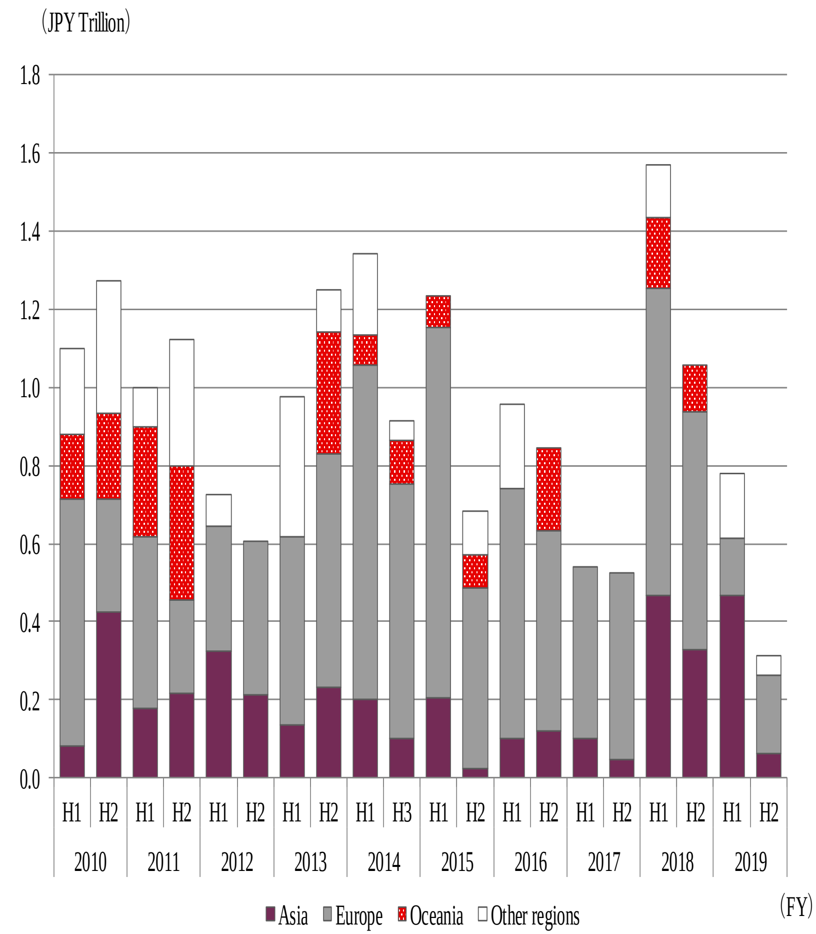
JPY samurai financing and foreign investors

JPY SAMURAI BONDS - ISSUANCE BY SECTOR



JPY SAMURAI BONDS ISSUANCE BY ISSUER REGION



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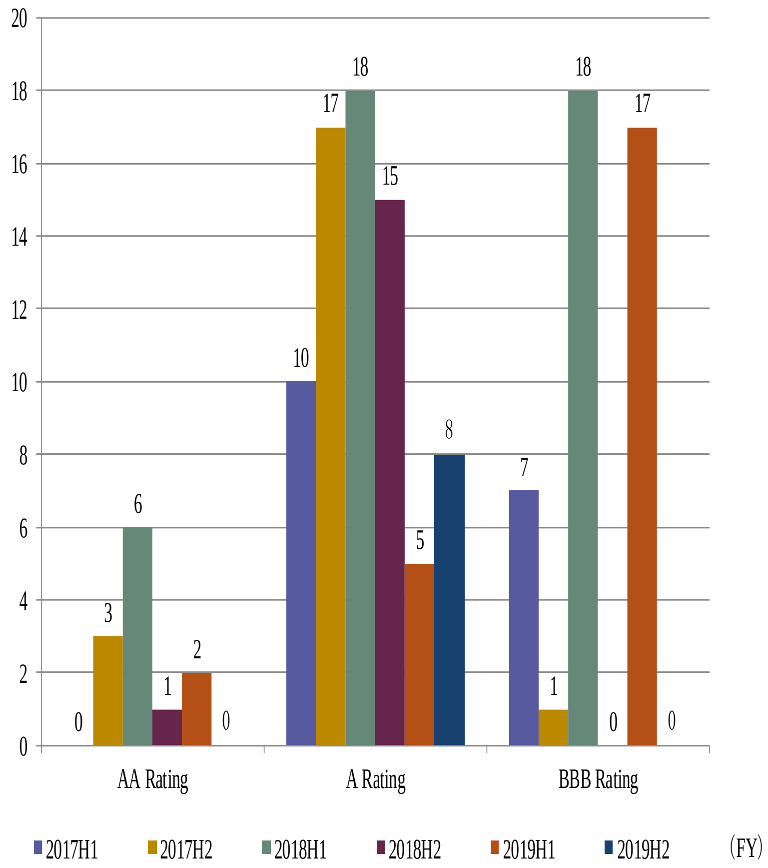
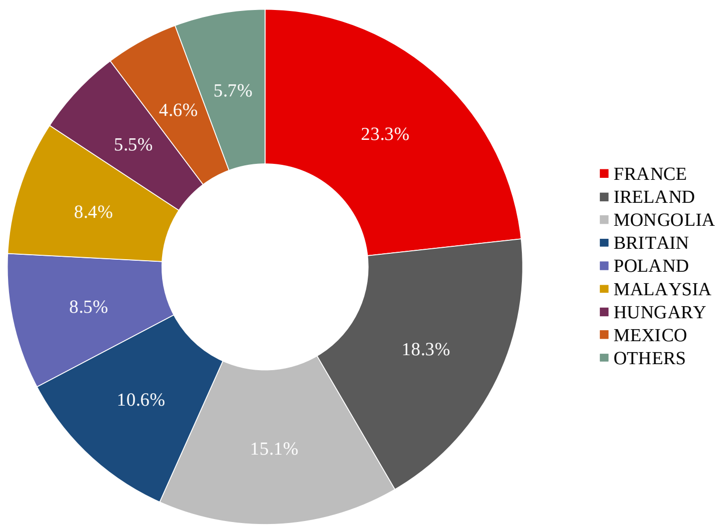
JPY samurai financing and foreign investors

JPY SAMURAI BONDS - ISSUANCE BY RATING



JPY SAMURAI BONDS - ISSUANCE (SHARE OF TOTAL) BY ISSUER COUNTRY IN 2019



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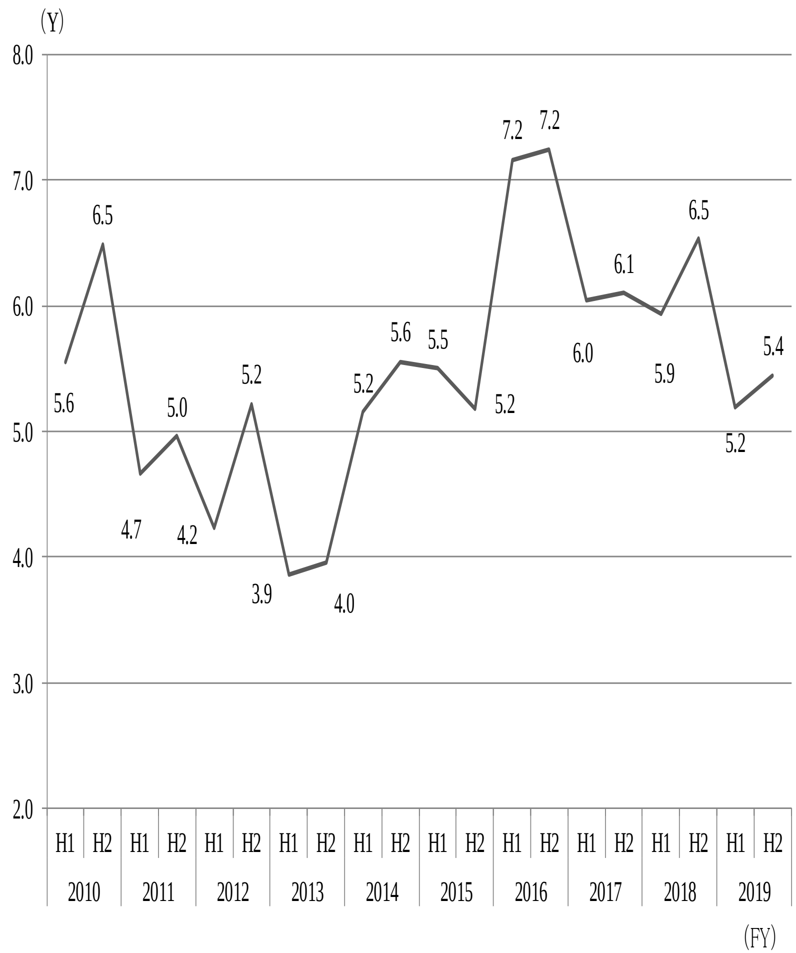
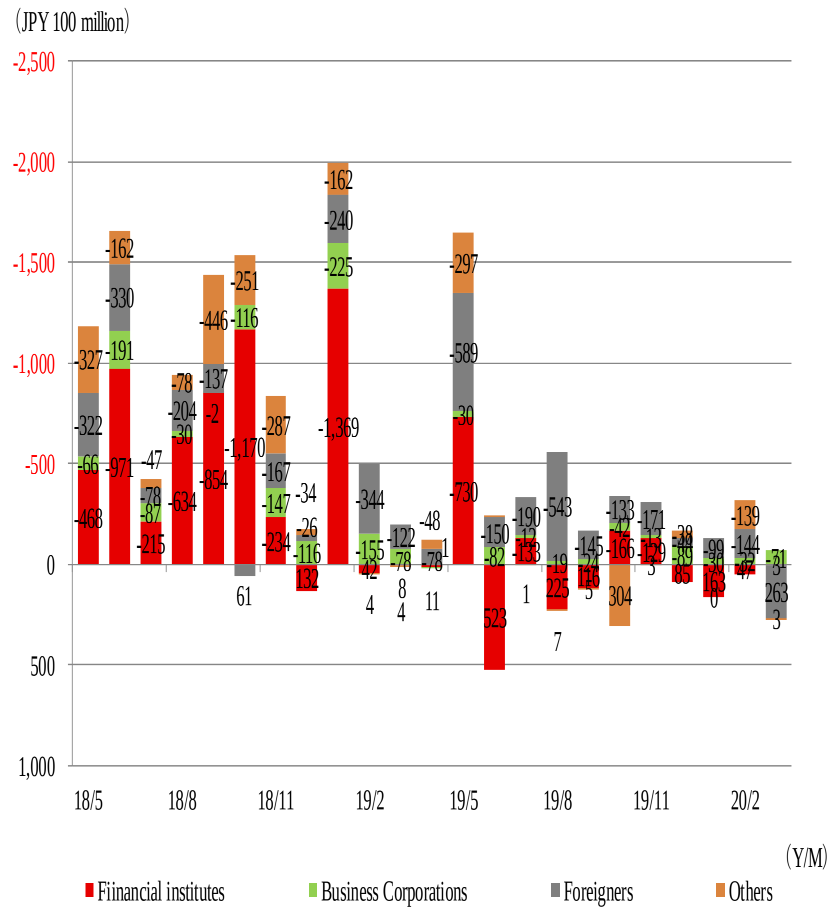
JPY samurai financing and foreign investors

JPY SAMURAI BONDS - WEIGHTED AVERAGE DURATION



JPY SAMURAI BOND BUYERS (-: BUYING, +: SELLING)



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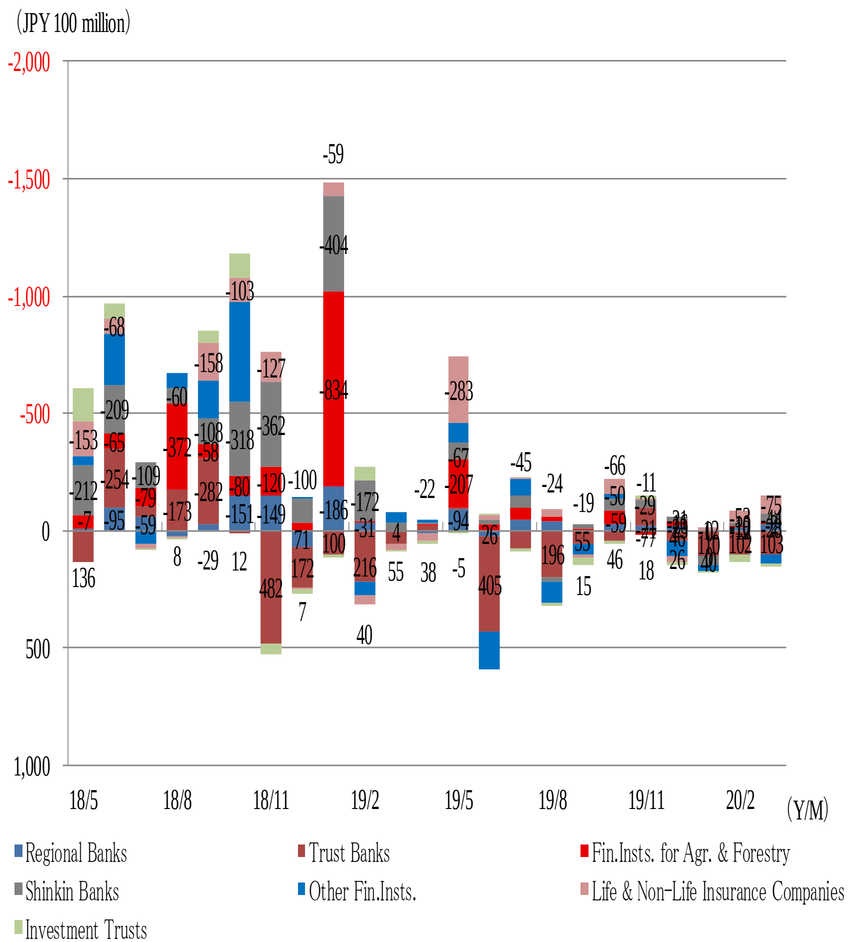
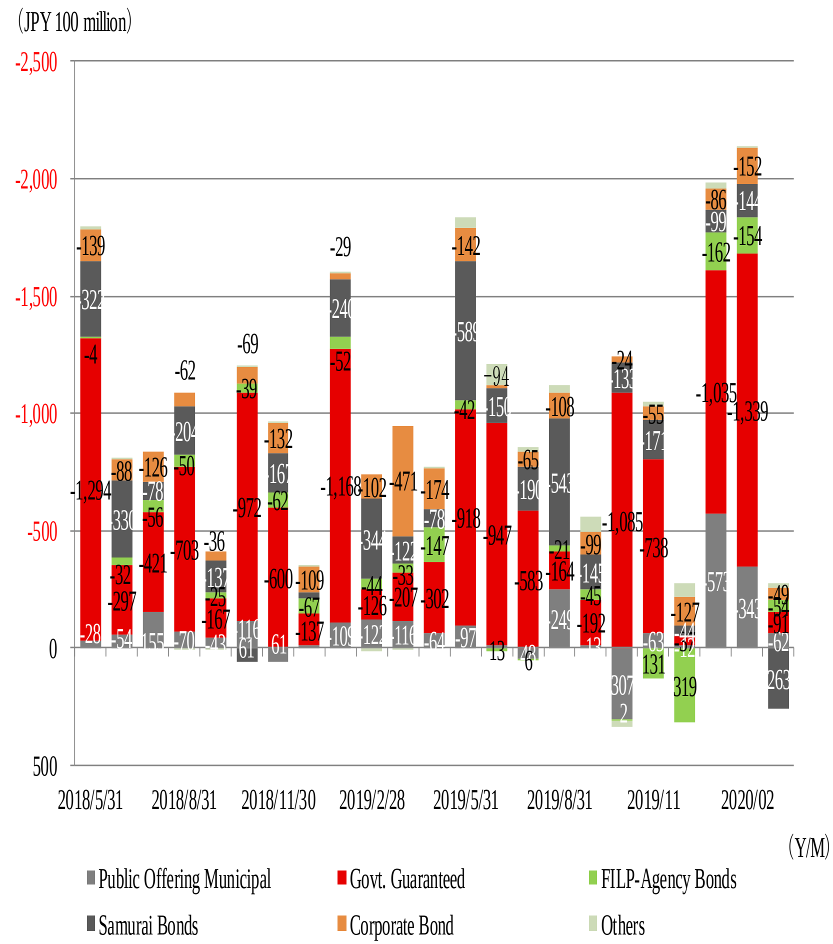
JPY SAMURAI BOND BUYERS (-: BUYING, +: SELLING)



FOREIGNERS' BOND BUYING (-: BUYING, +: SELLING)



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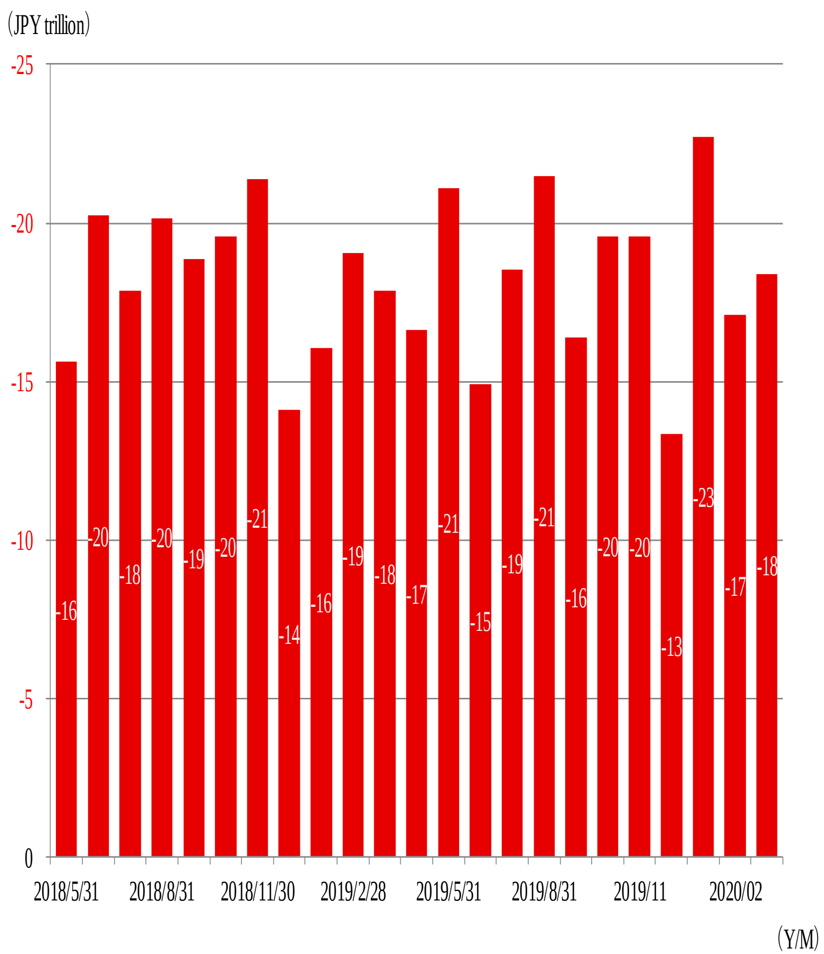
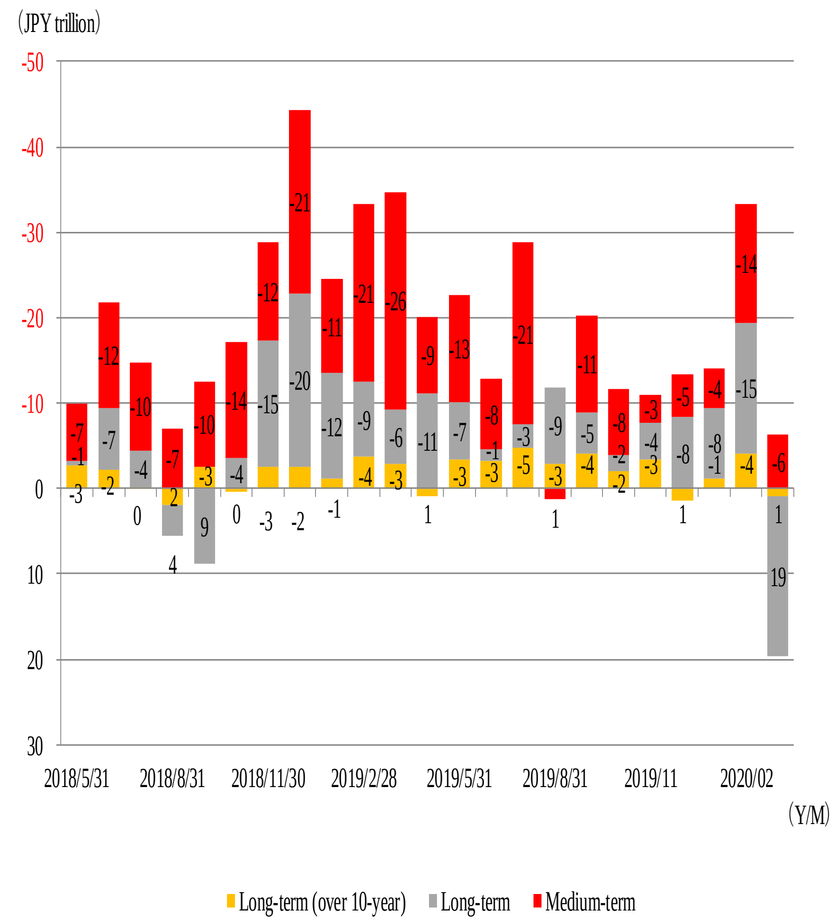
FOREIGNERS' TDB BUYING (-: BUYING, +: SELLING)



FOREIGNERS' JGB BUYING (-: BUYING, +: SELLING)



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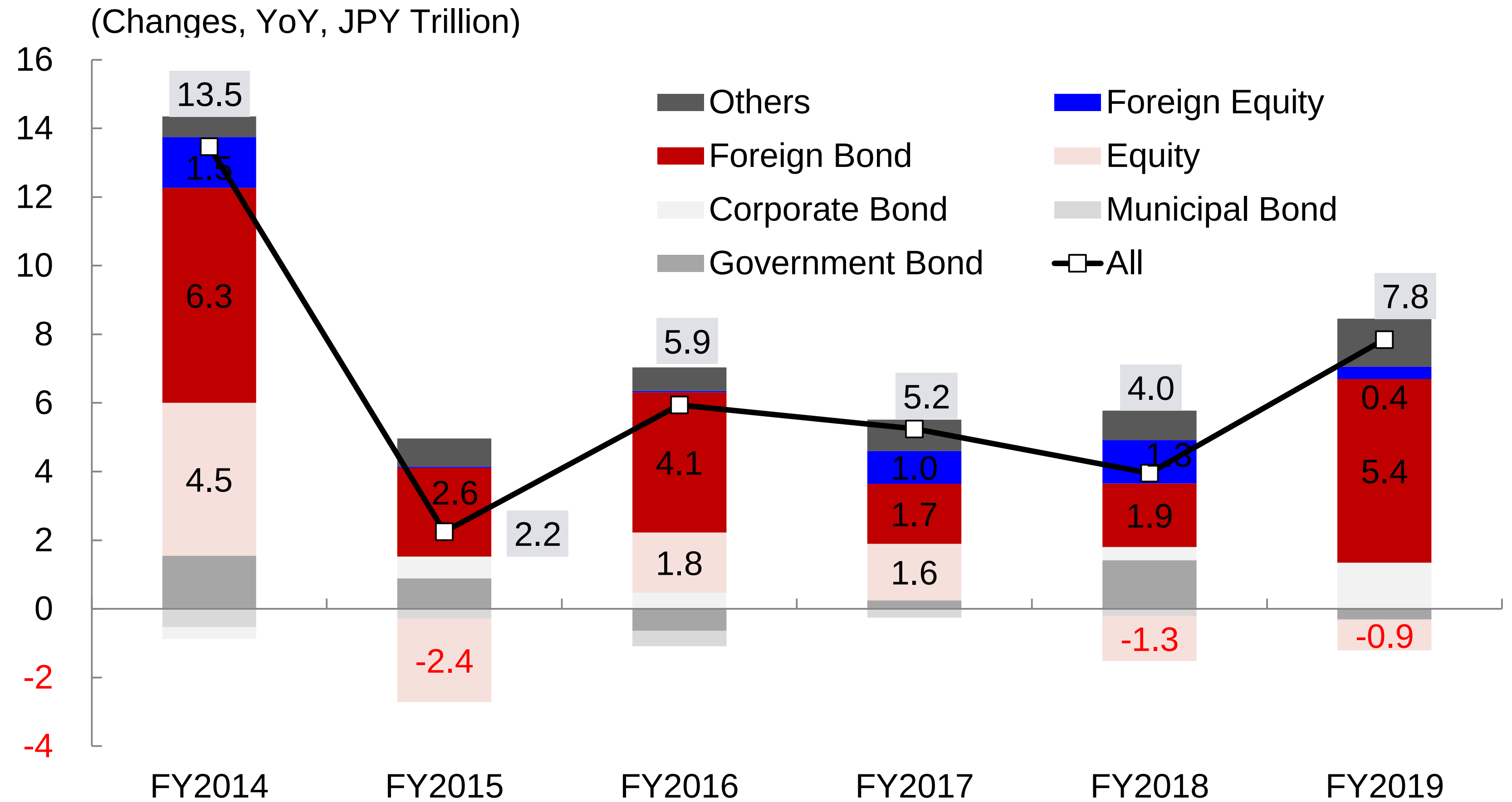
Japanese lifers – FY19 H1 financial results

Investment portfolio changes by product



*FY2019 is annualized.

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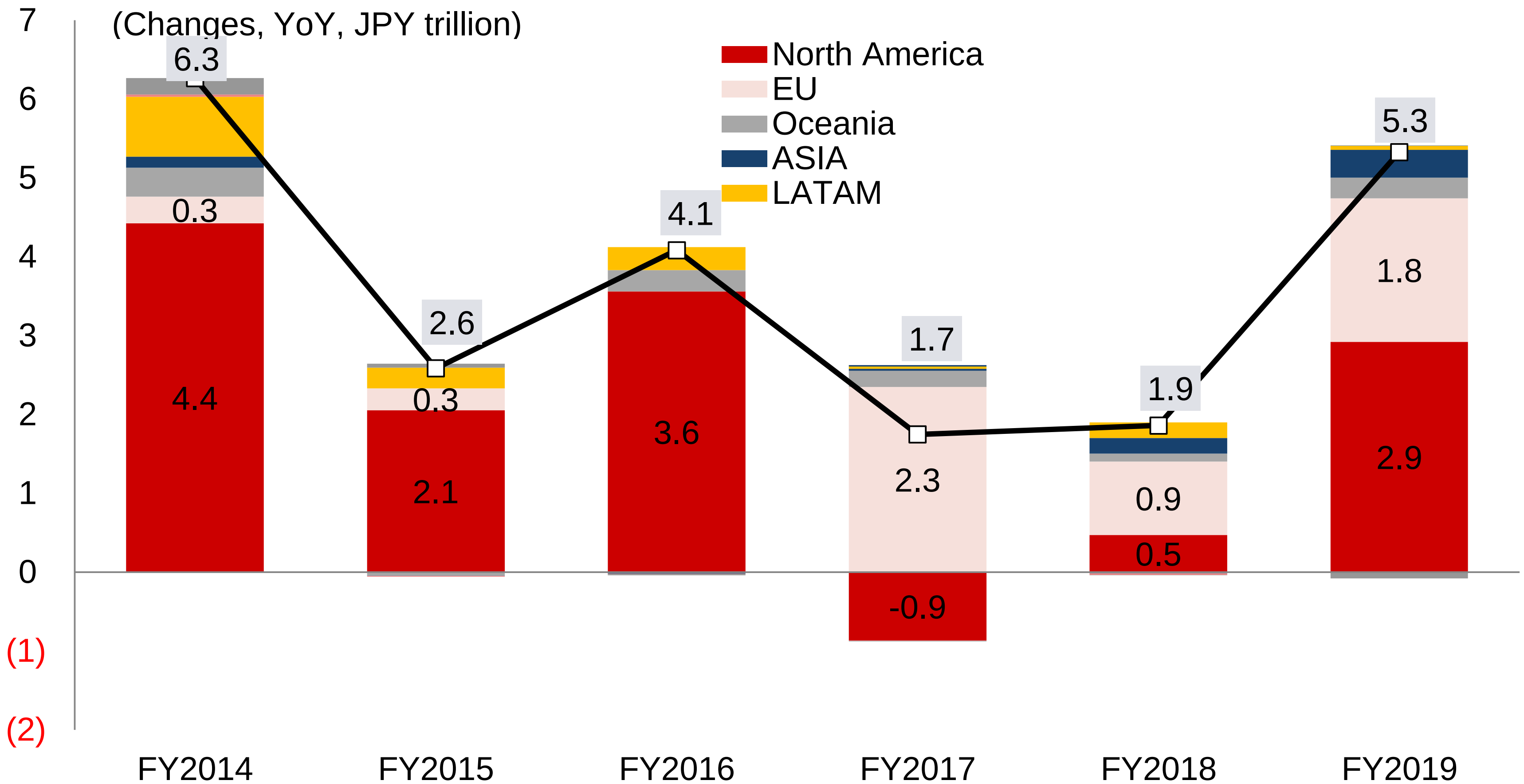
Japanese lifers – FY19 H1 financial results

Foreign bond changes by region



*FY2019 is annualized.

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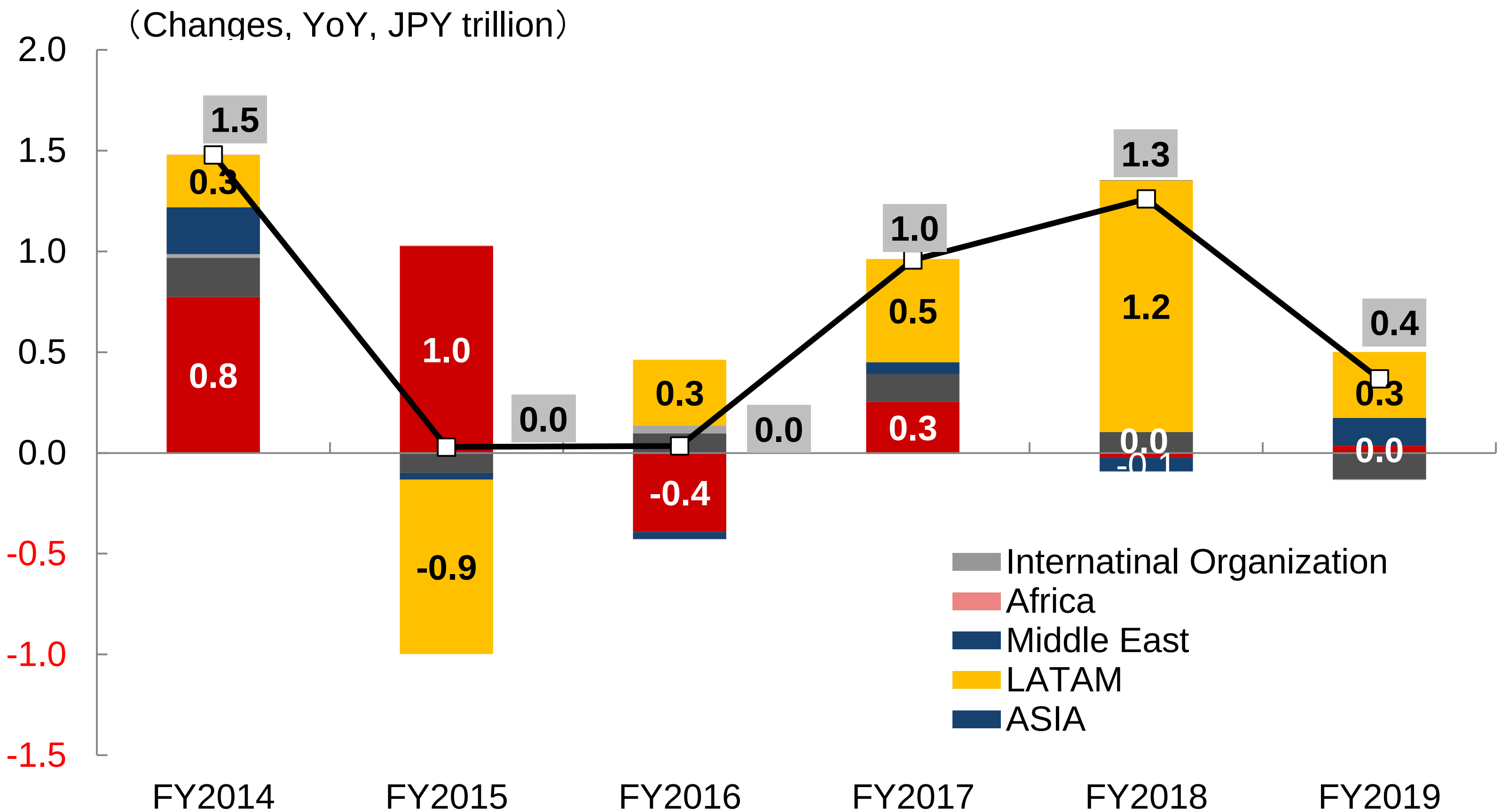
Japanese lifers – FY19 H1 financial results

Foreign equity changes by region



*FY2019 is annualized.

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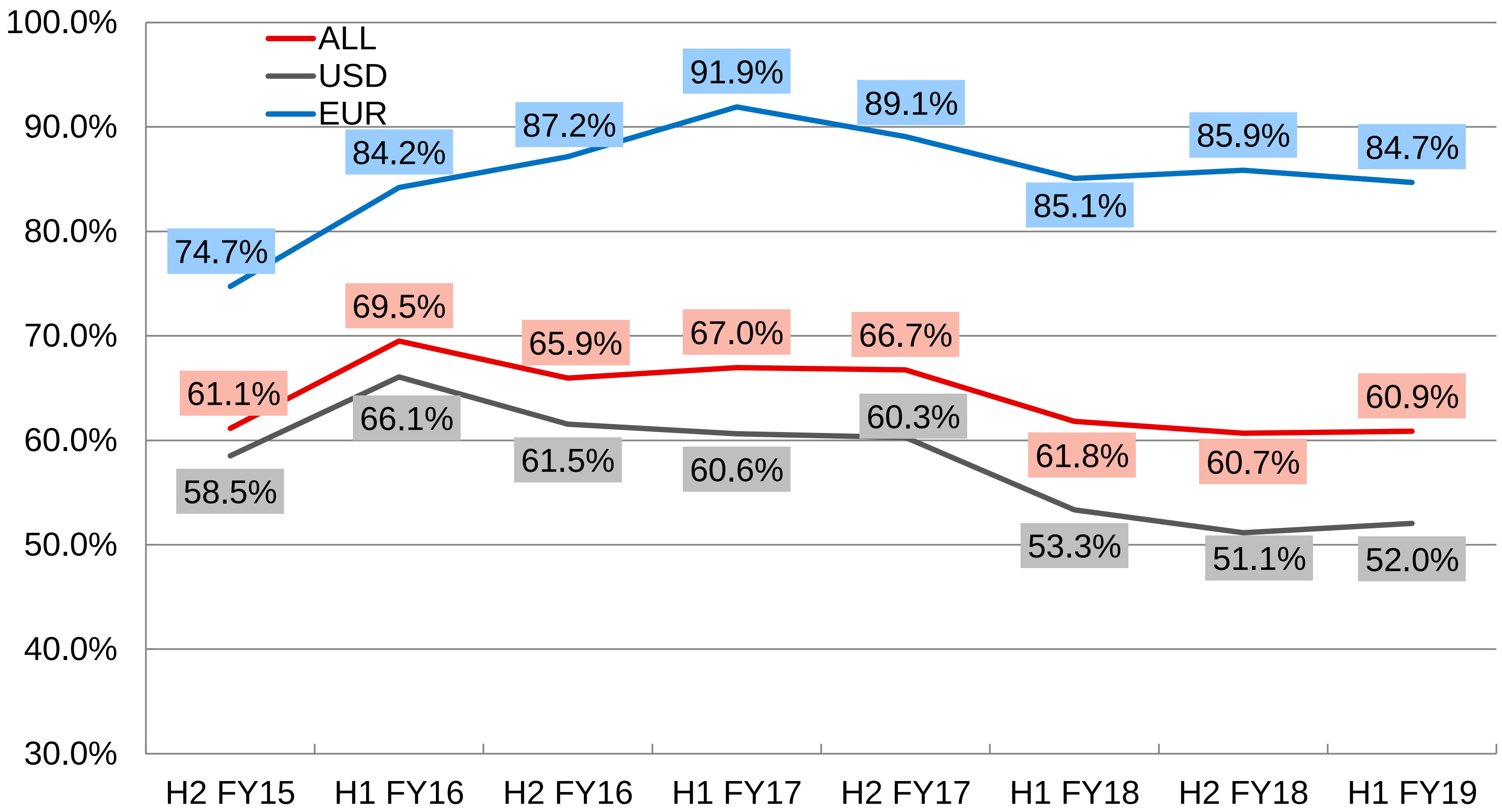
Japanese lifers – FY19 H1 financial results

Forex hedge ratio by product



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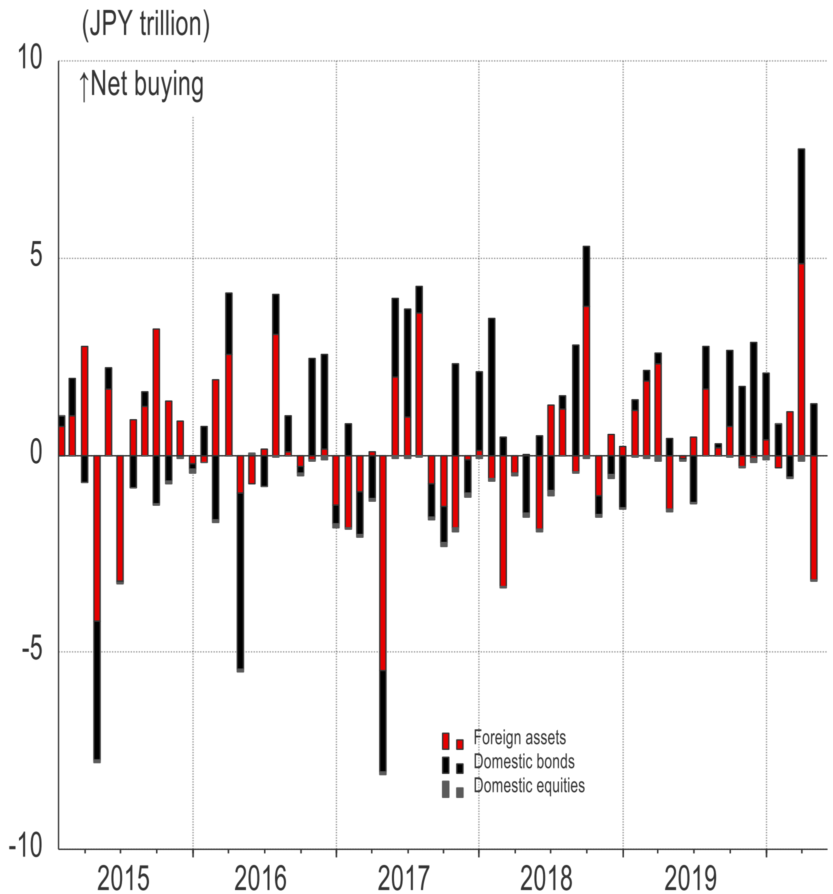
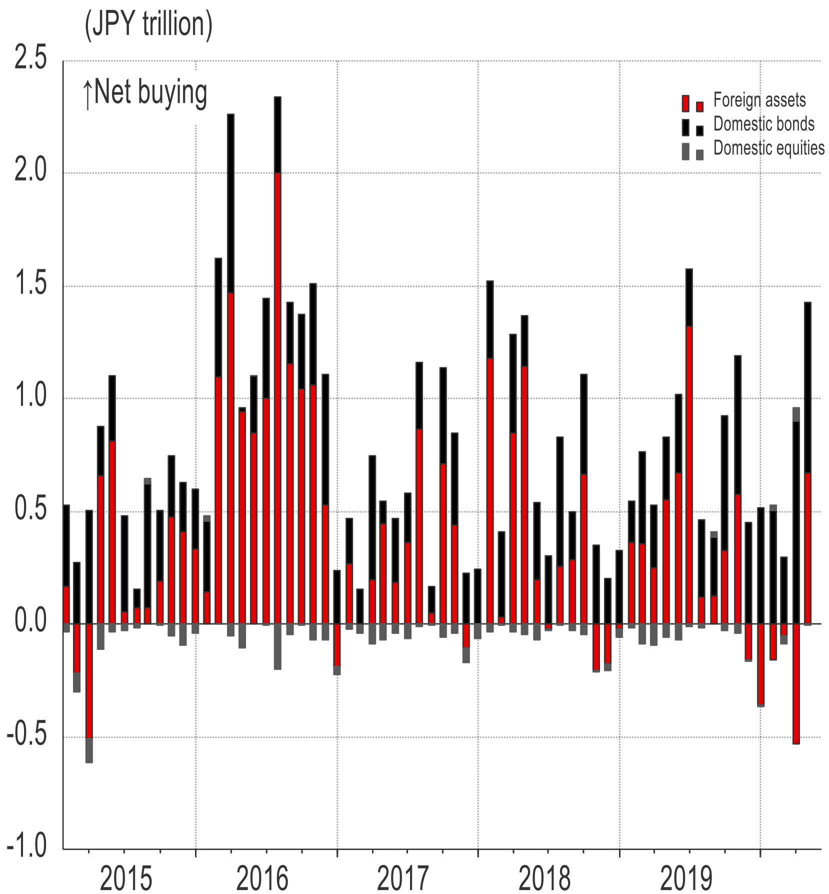
Japanese investor's flows

Banks



Lifers

+ Asset buying, - Asset selling



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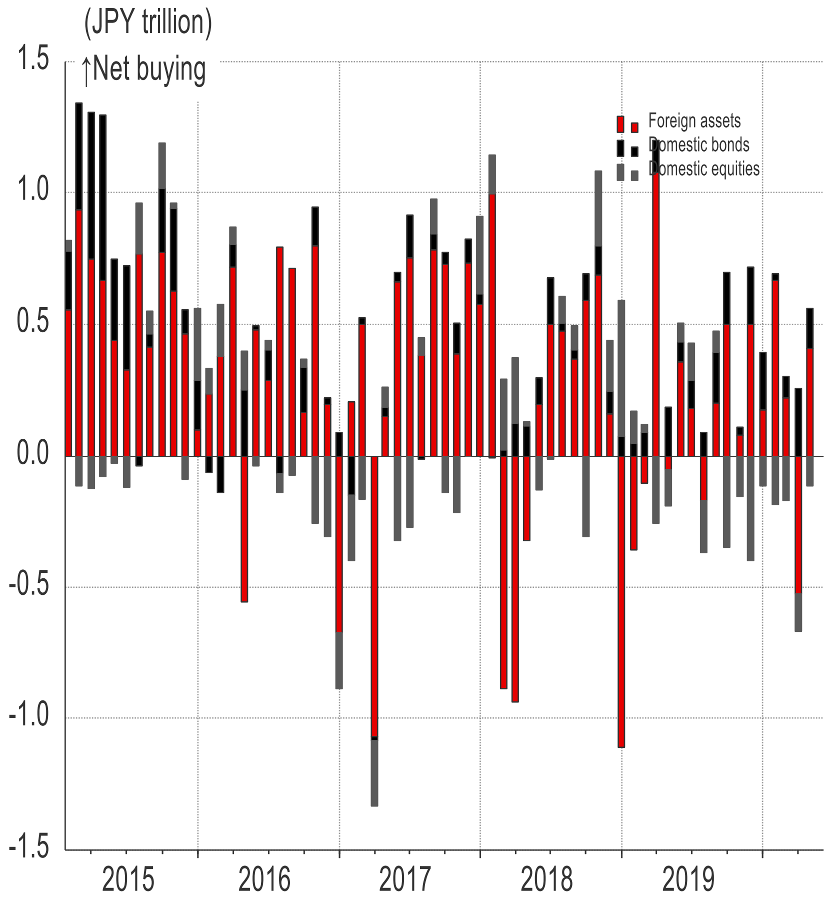
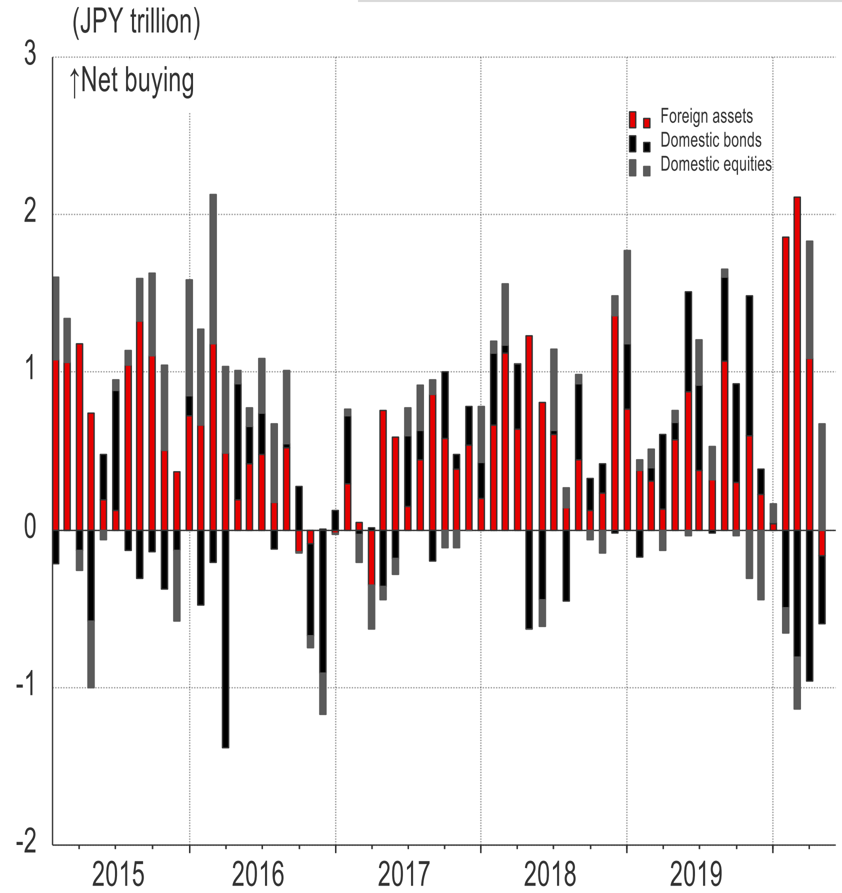
JPY cross asset flows

Investment trusts



Pensions (Trusts)

+ Asset buying, - Asset selling



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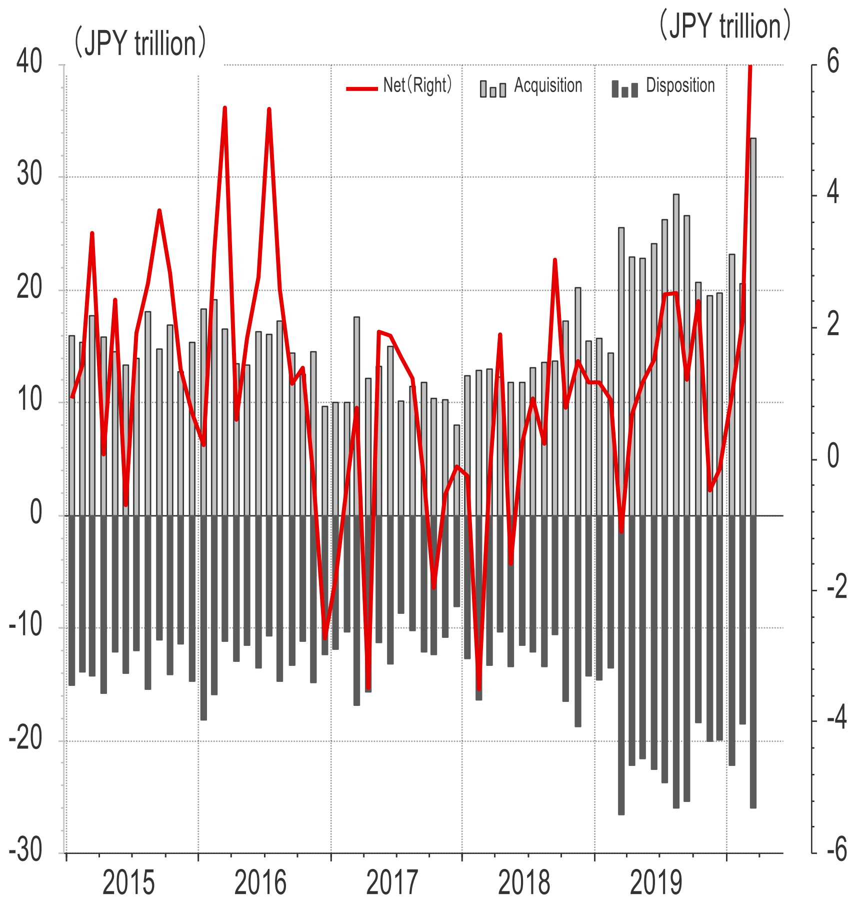
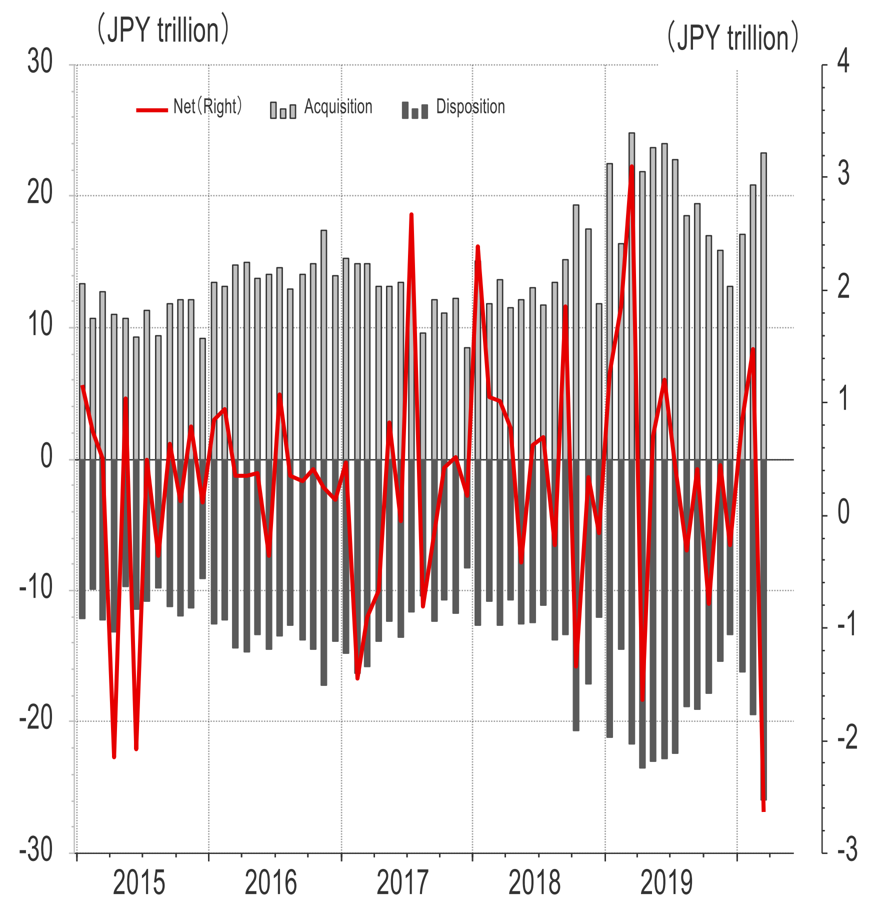
Japanese investors to USD and EUR

USD denominated securities flows



EUR denominated securities flows

+Buying, - Selling



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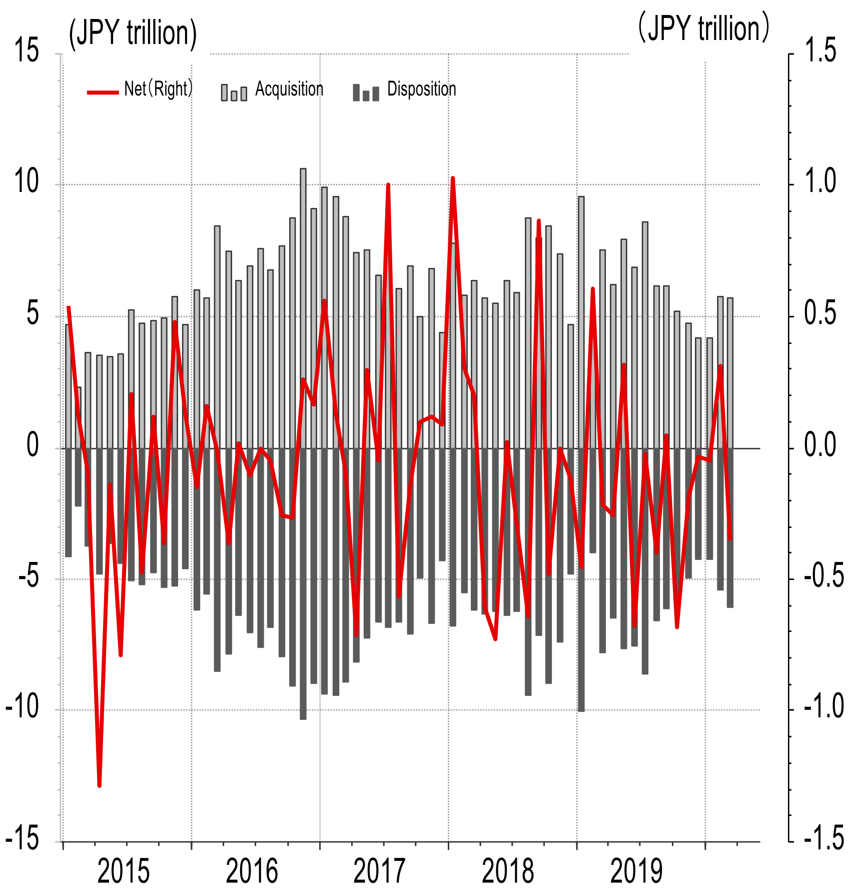
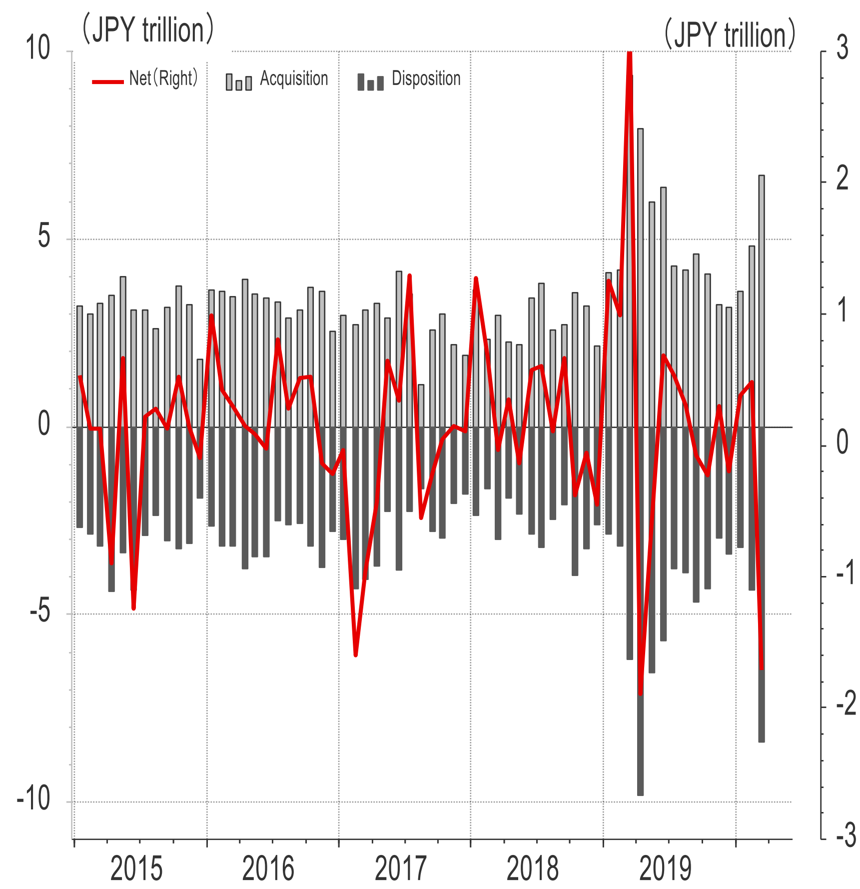
JPYEUR: Japanese investors to Eurozone by country

+Buying, - Selling

Germany securities flows



French securities flows



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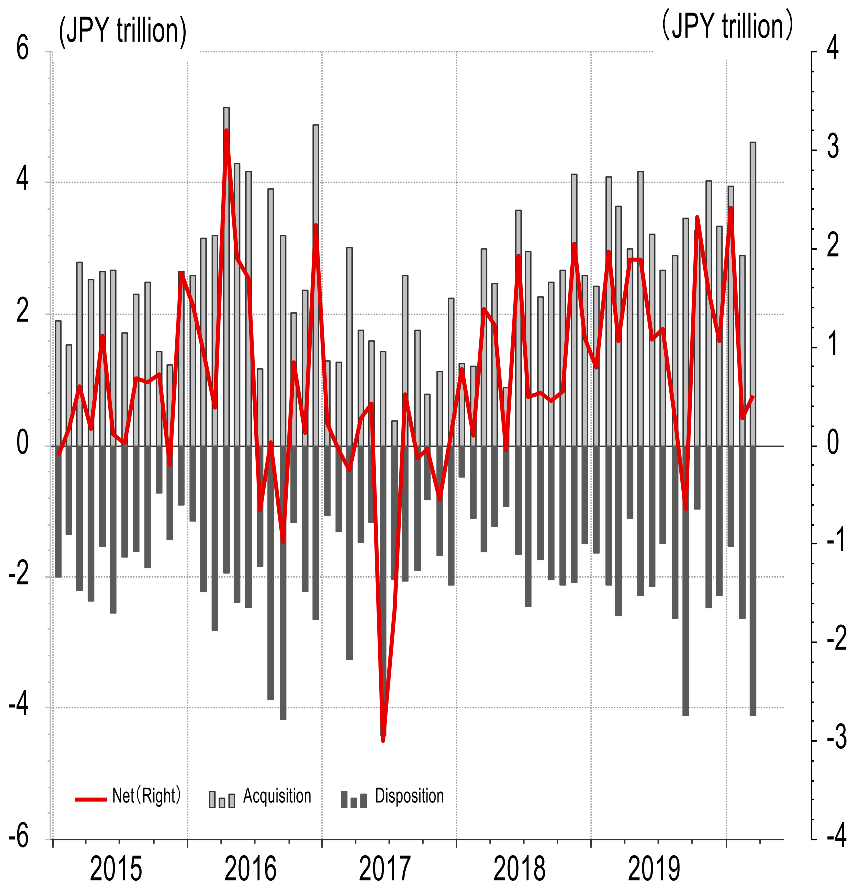
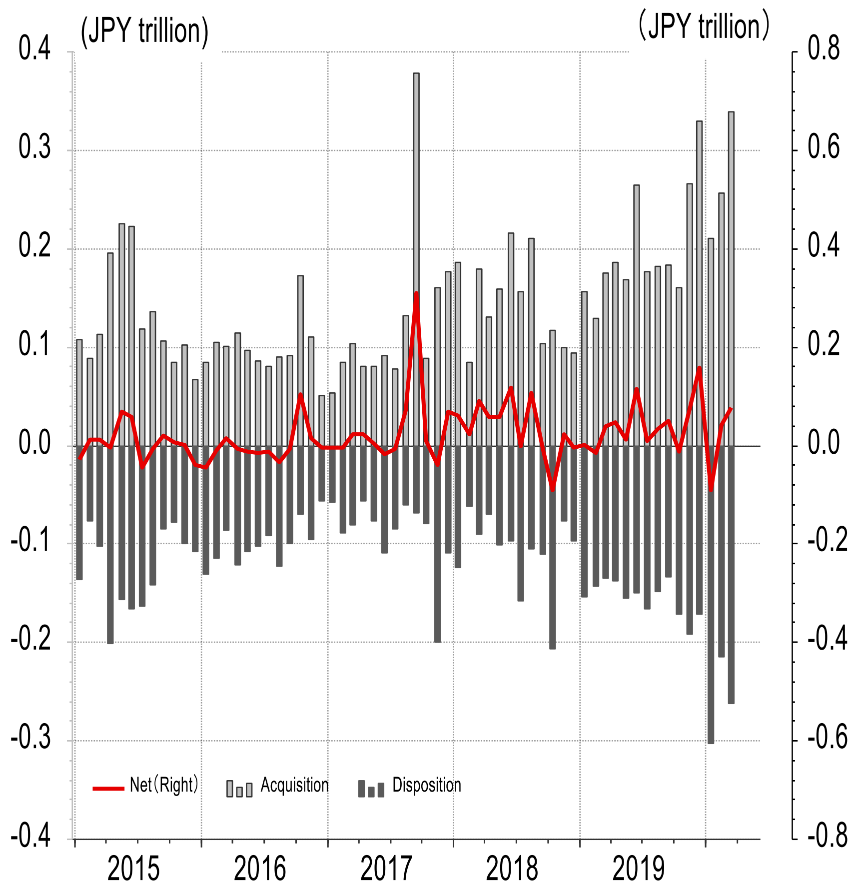
Investors flows to/from Japan: China

+Buying, - Selling

Inward securities flows (Overseas investors)



Outward securities flows (Japanese)



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JPY rates outlooks

JPY Swap rates outlook

(%)	2020 Q2	Q3	Q4	2021 Q1
2Y	0.00	0.00	0.00	0.05
5Y	0.00	0.05	0.10	0.20
7Y	0.05	0.05	0.10	0.20
10Y	0.10	0.15	0.20	0.30
20Y	0.30	0.40	0.50	0.60

JPY Swap rates

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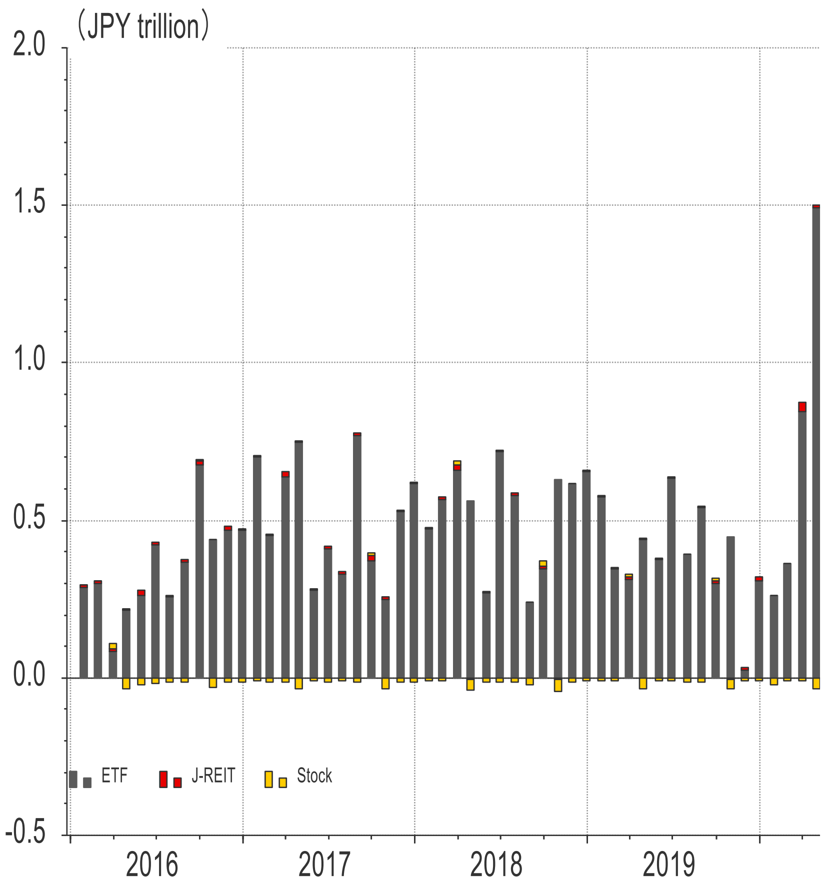
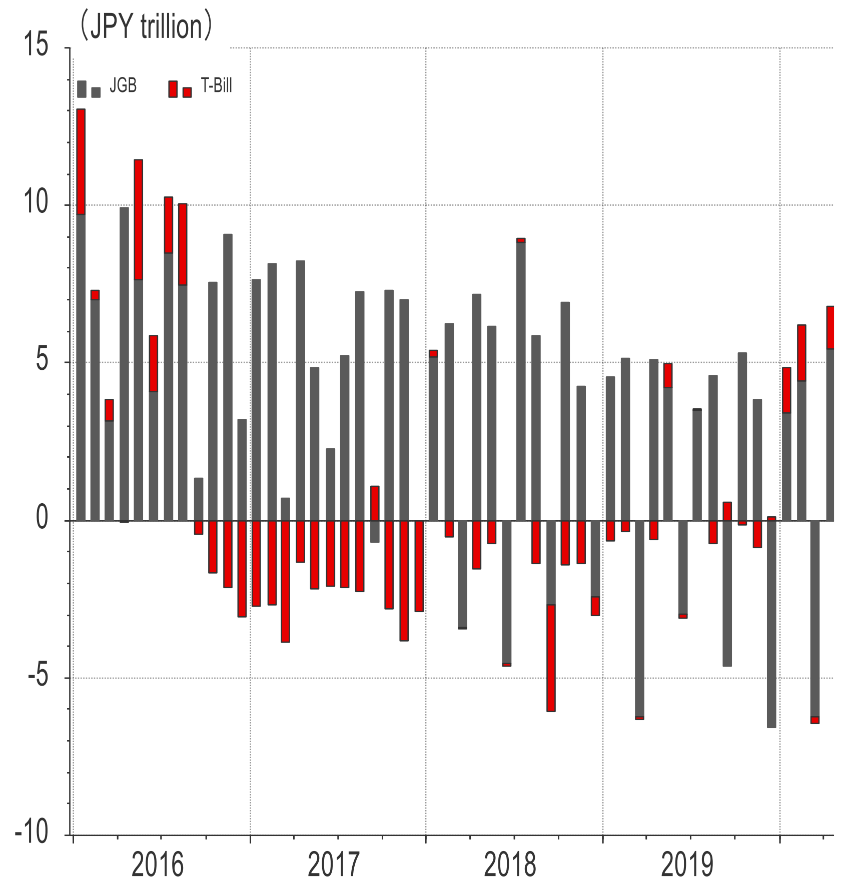
BoJ's operations in equities and bonds

Equity related operations



Bond operations

+Buying, - Selling



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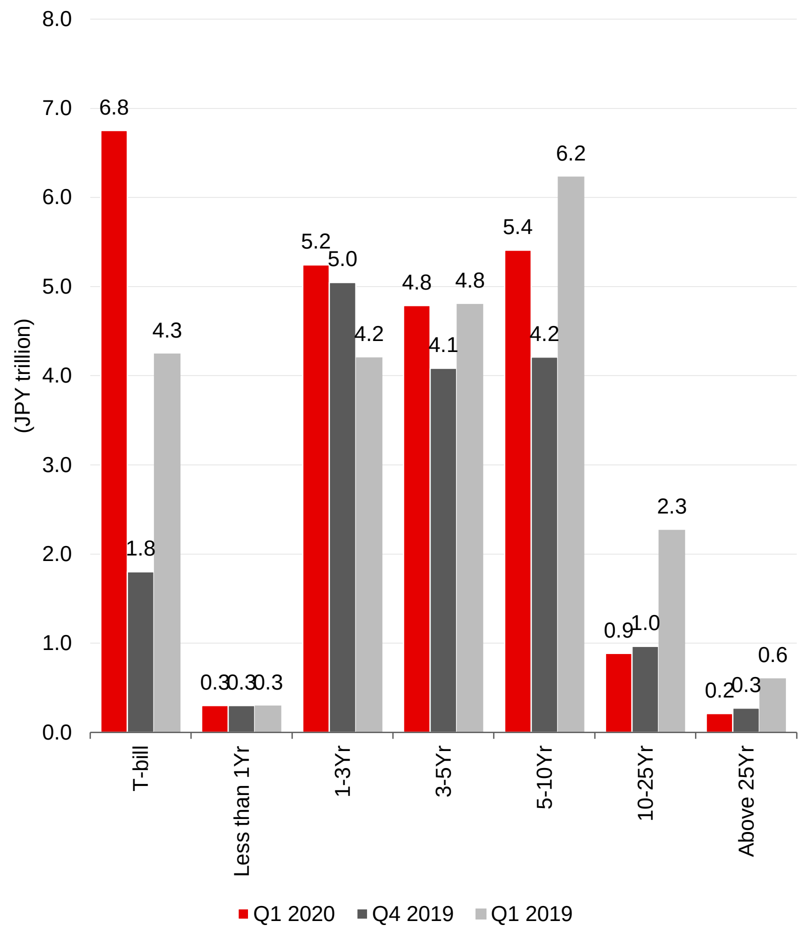
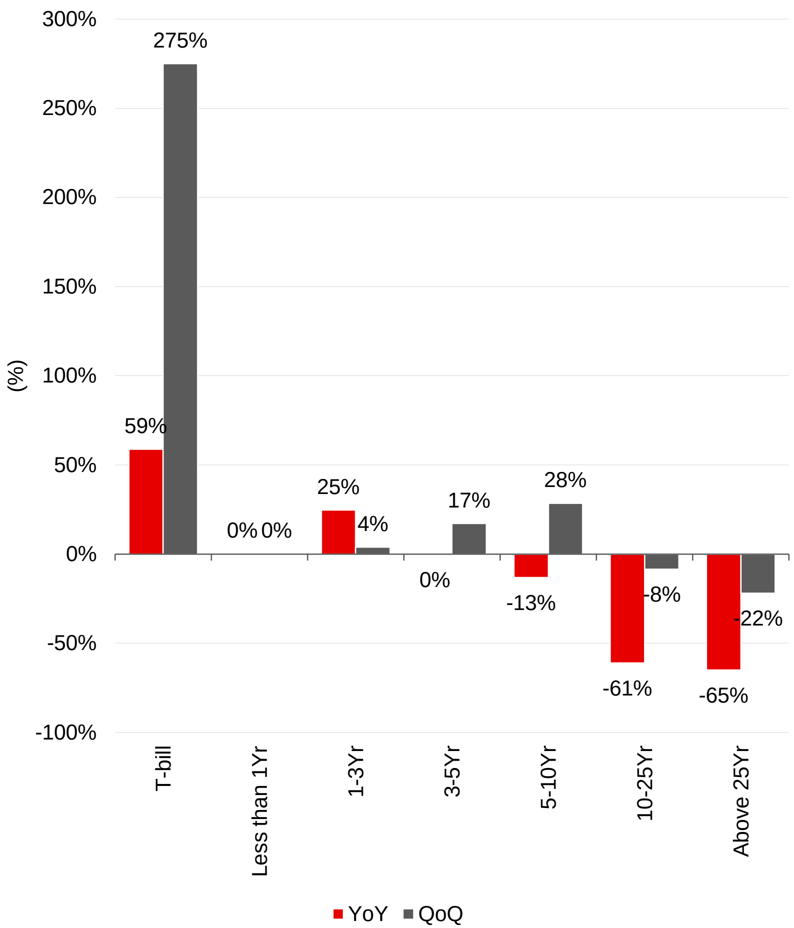
BoJ flows - JPY yield curve operations in Q1 2020

JGB purchase operation results



JGB purchase operation changes



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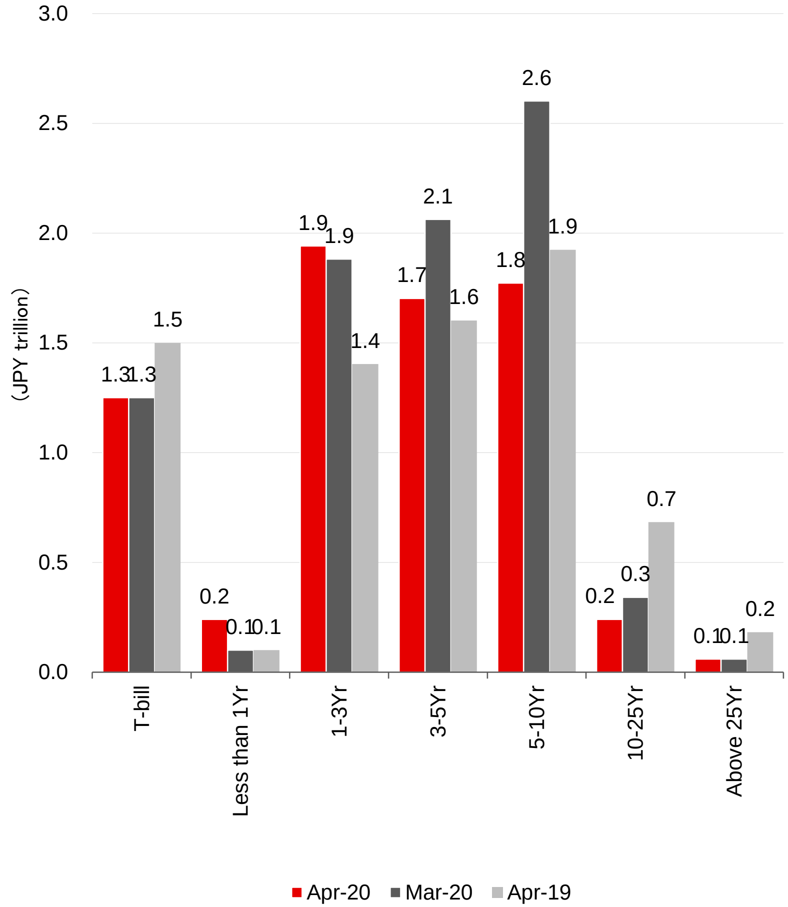
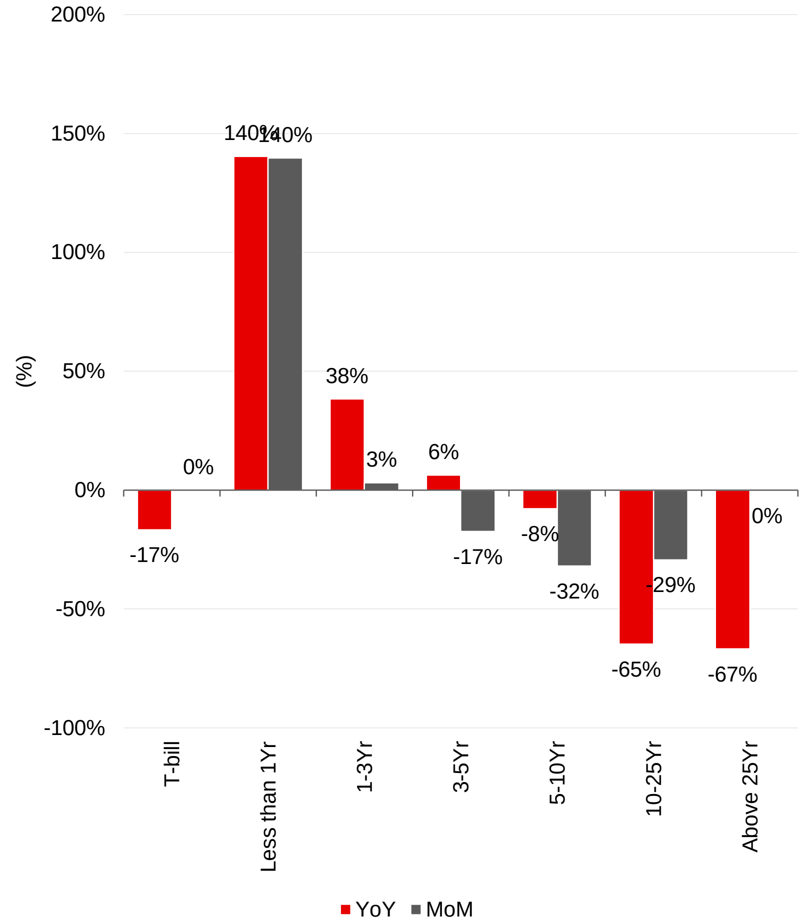
BoJ flows - JPY yield curve operations in April 2020

JGB purchase operation results



JGB purchase operation changes



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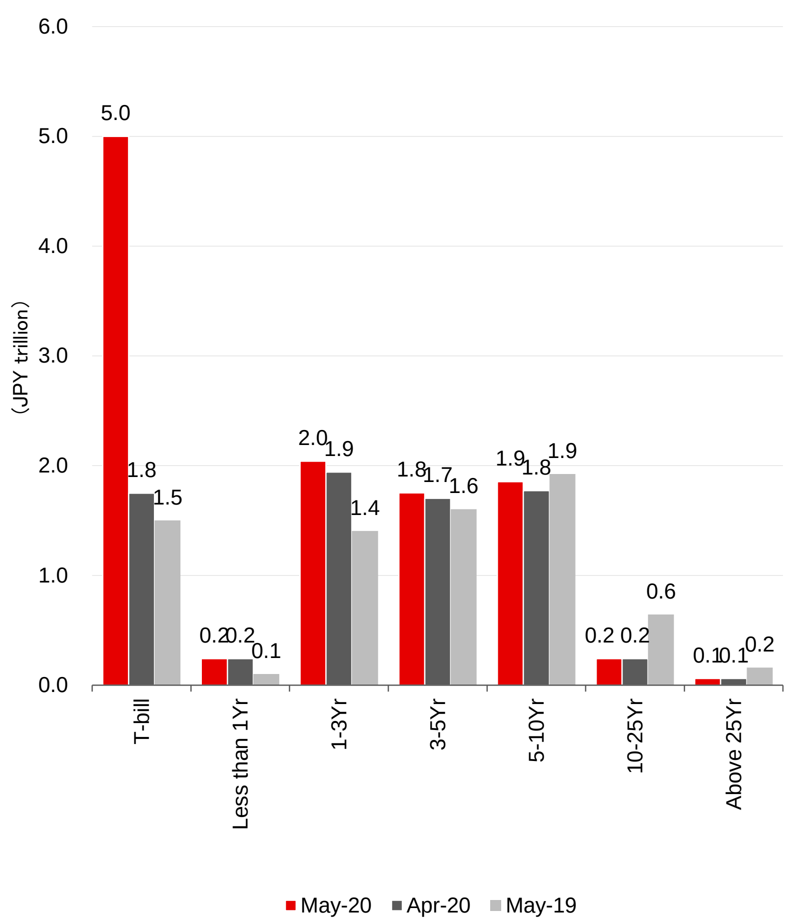
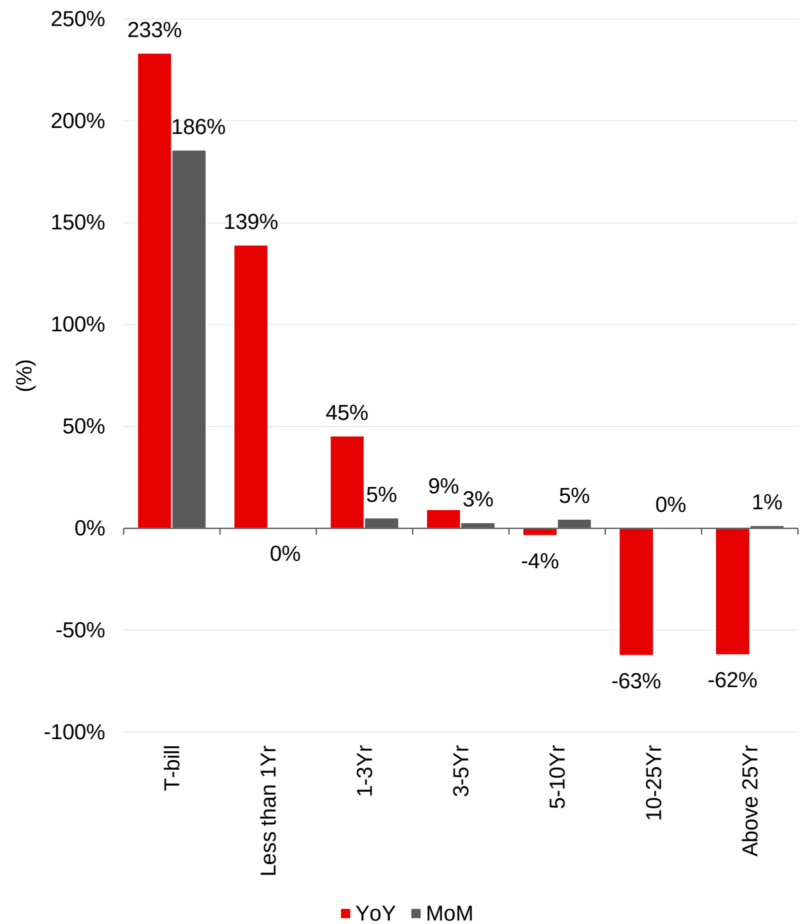
BoJ flows - JPY yield curve operations in May 2020

JGB purchase operation results



JGB purchase operation changes



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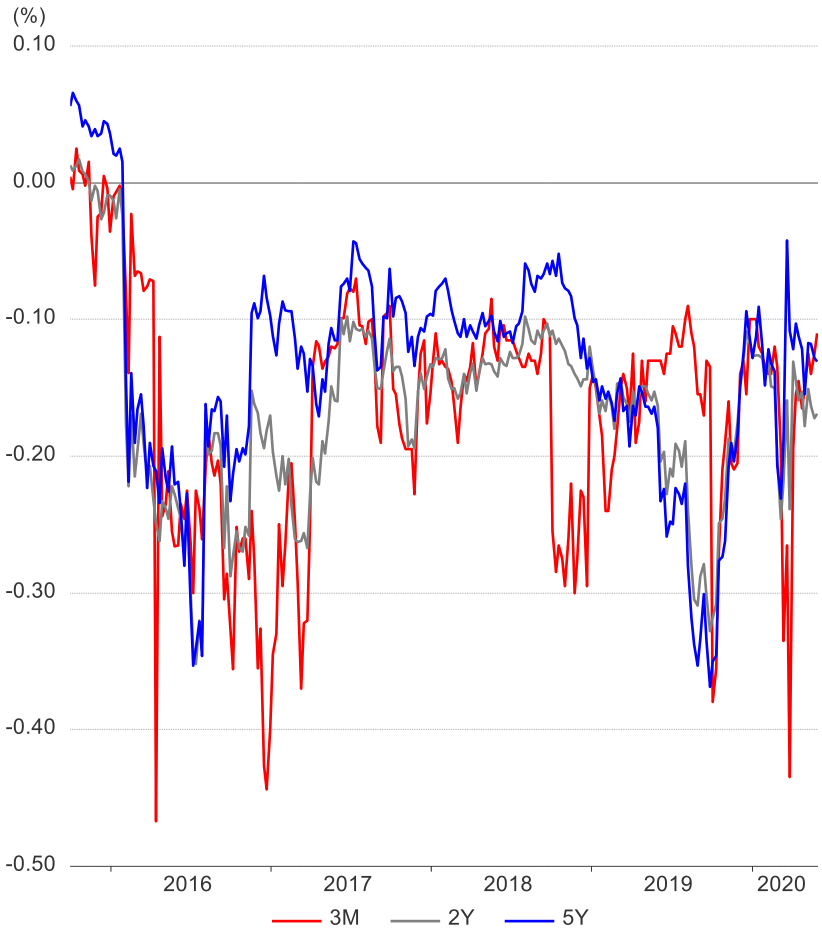
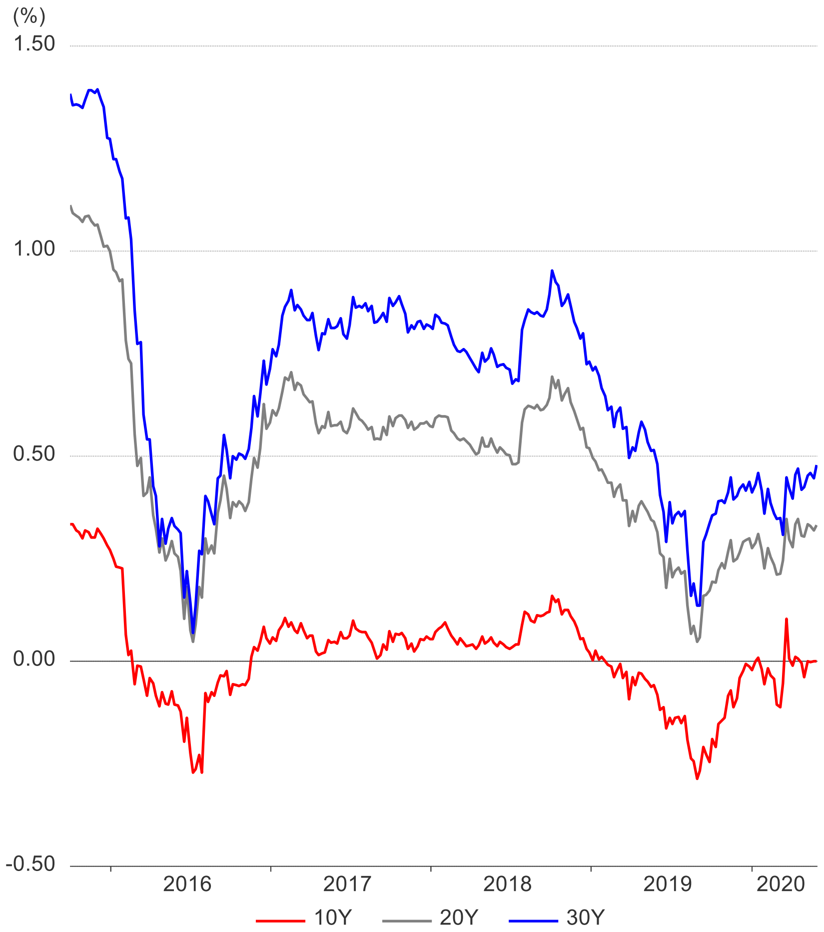
JGB market reactions

3M, 2Y and 5Y



10Y, 20Y and 30Y



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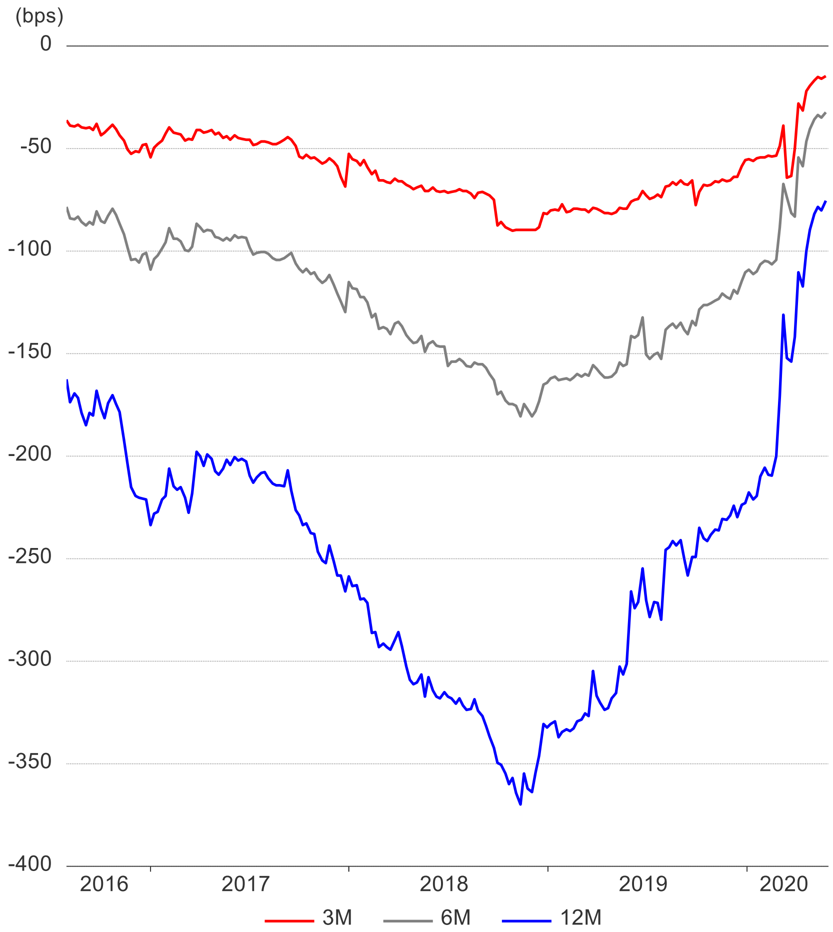
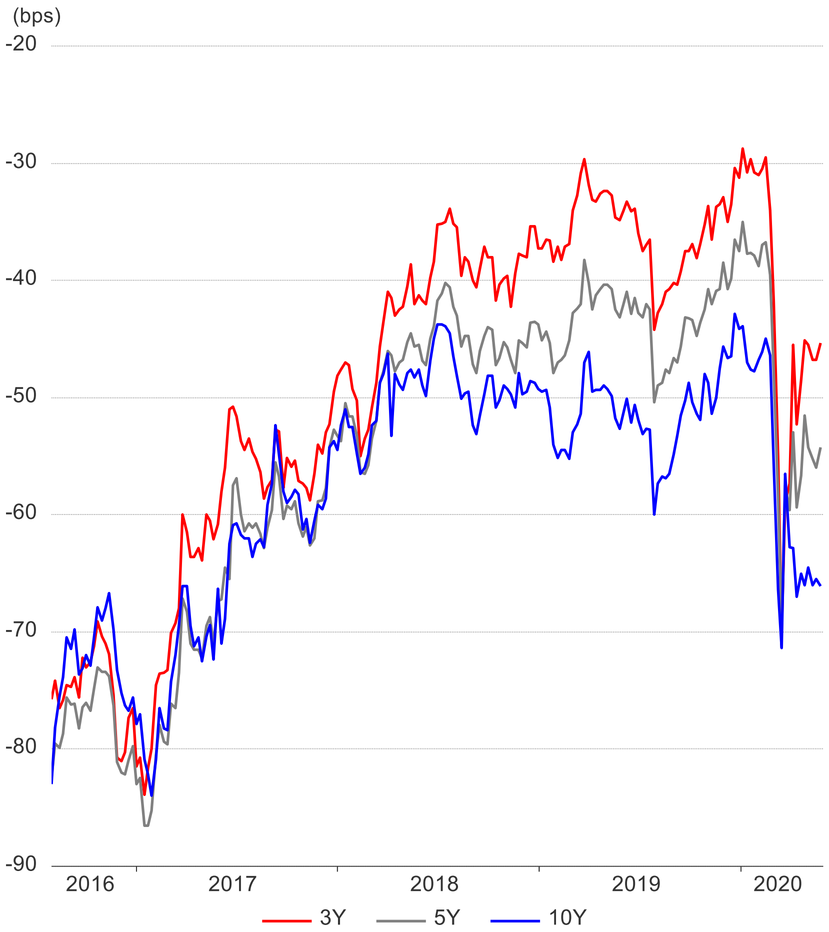
USD/JPY currency swaps

USD/JPY forward points (3-12M)



USD/JPY basis swap (3-10Y)



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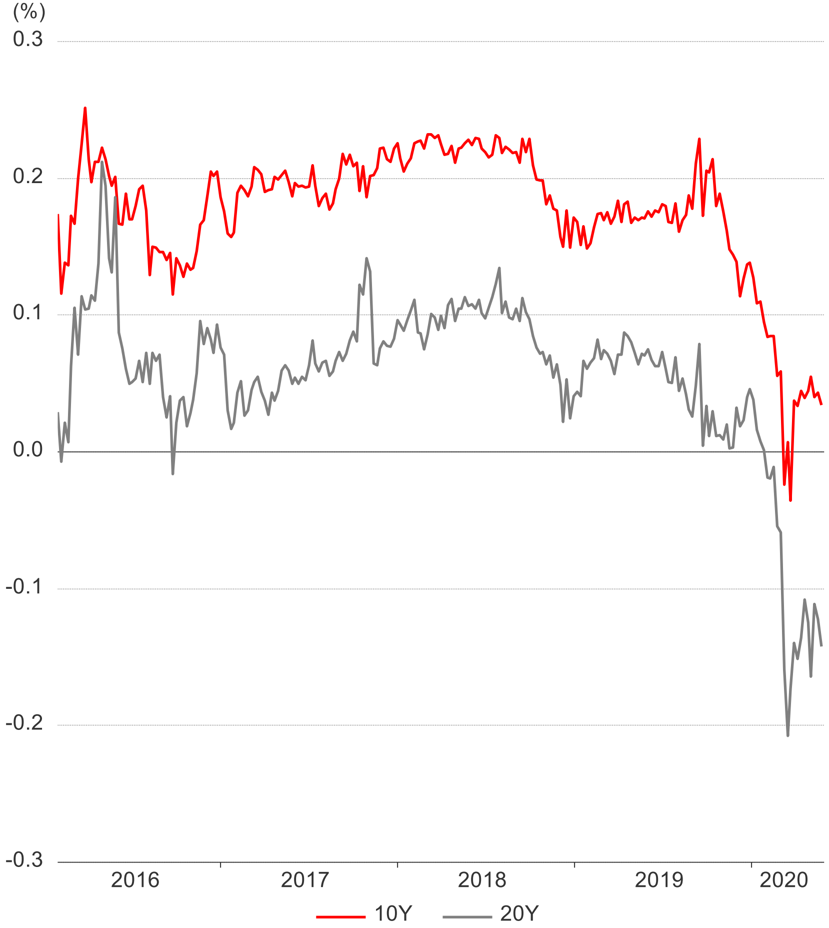
JPY swap spreads

2Y, 5Y

10Y, 20Y



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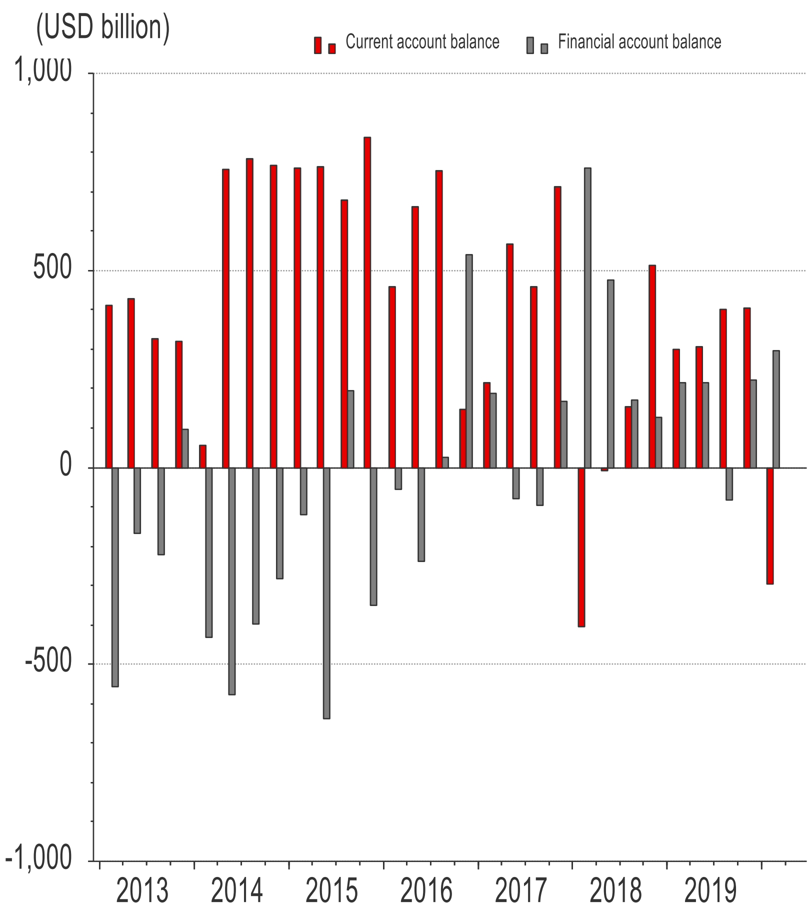
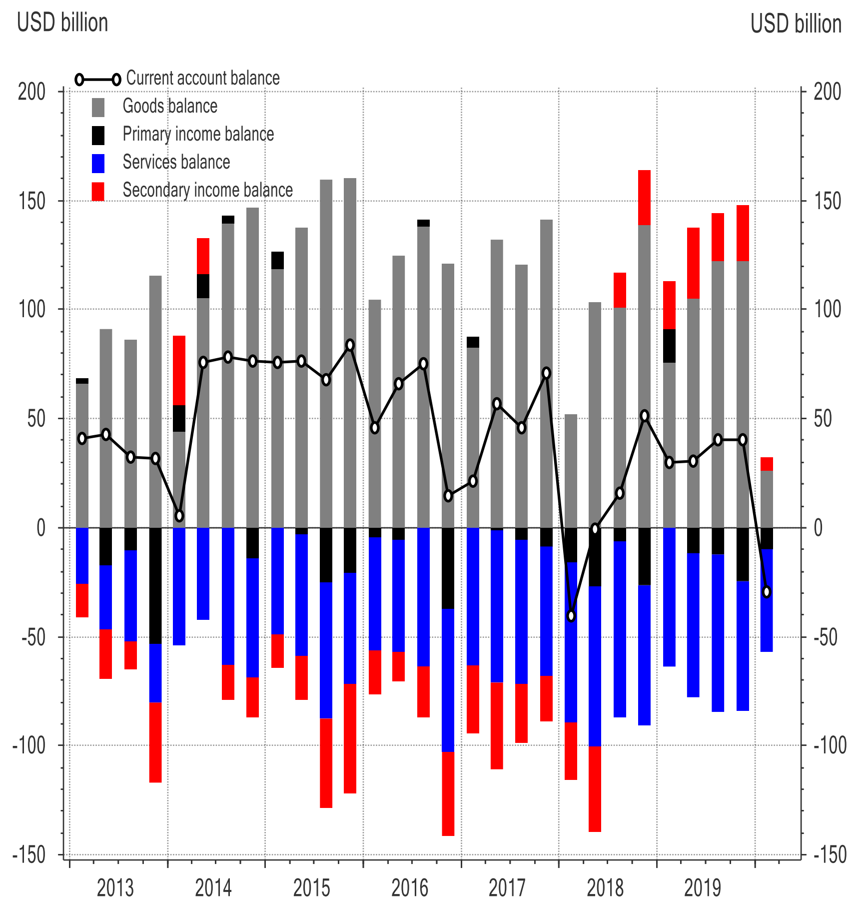
China and RMB

China - Balance of Payment

Balance of payment



Current account balances



Source:Refinitiv Datastream

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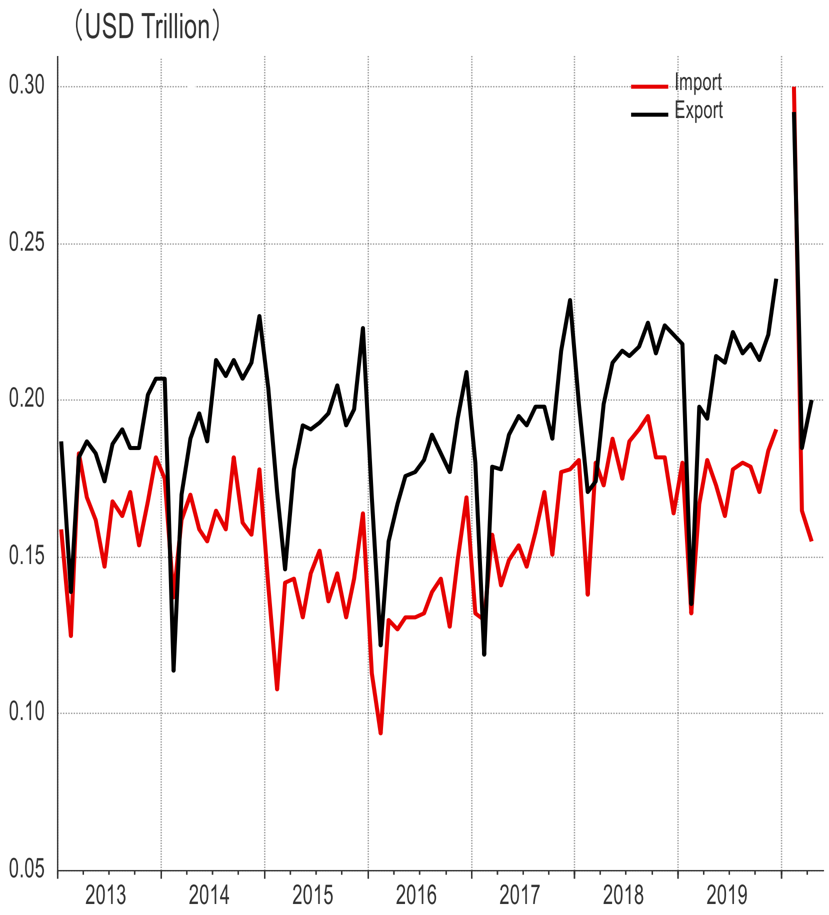
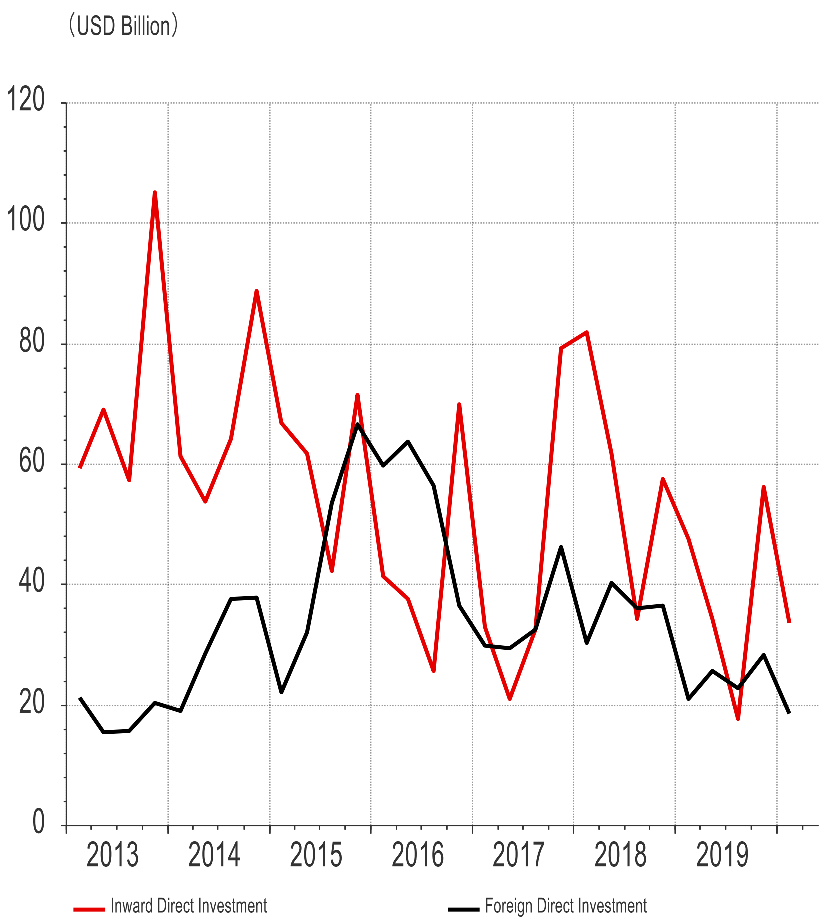
China - Trades and services

Export and import



Investment accounts



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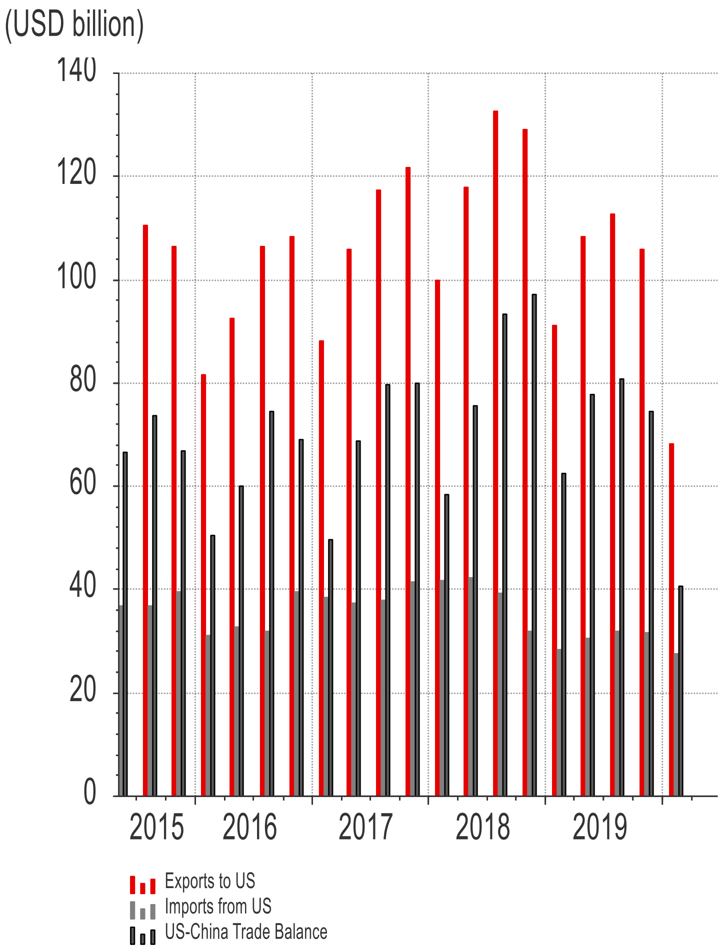
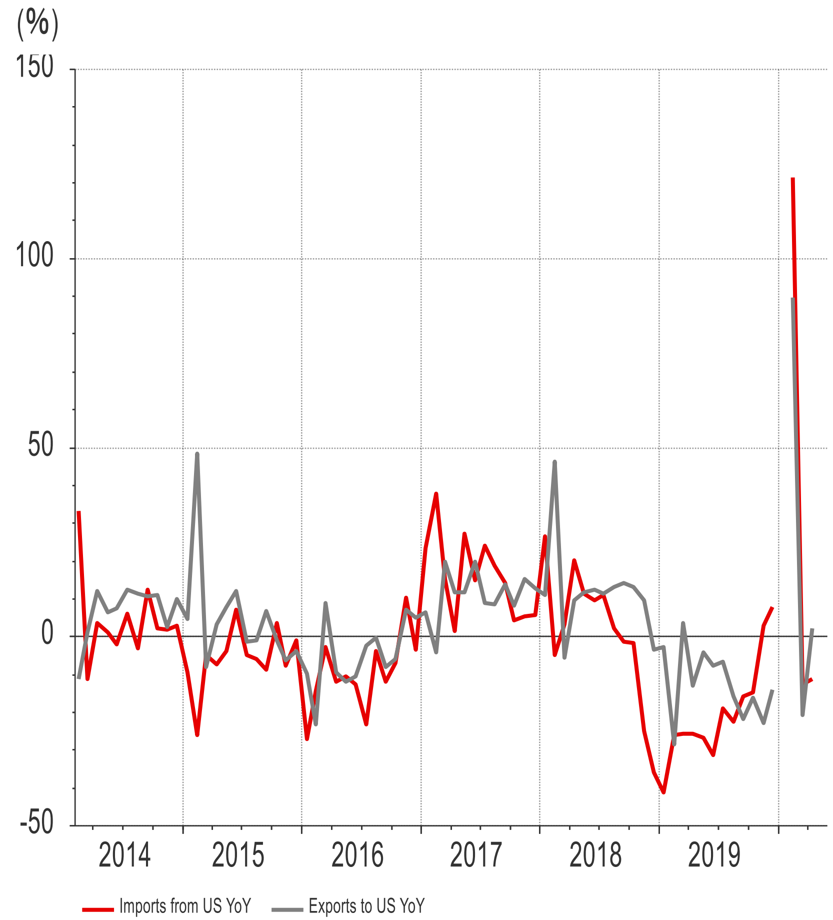
US-China trade talks

Chinese trade accounts against the US



Export and import against the US



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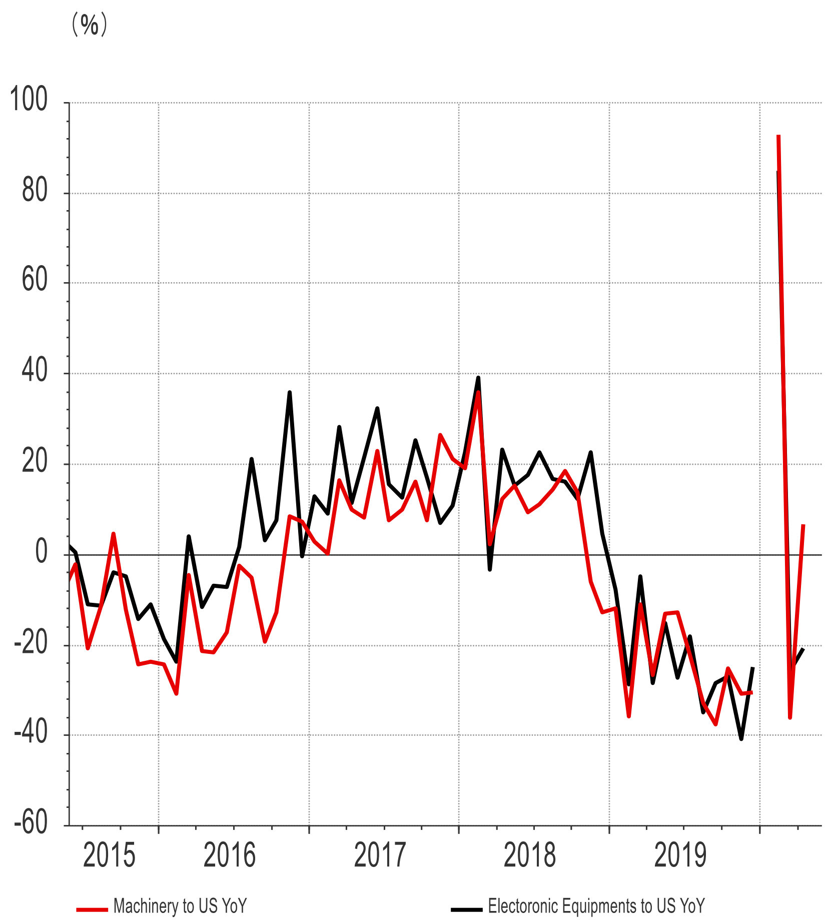
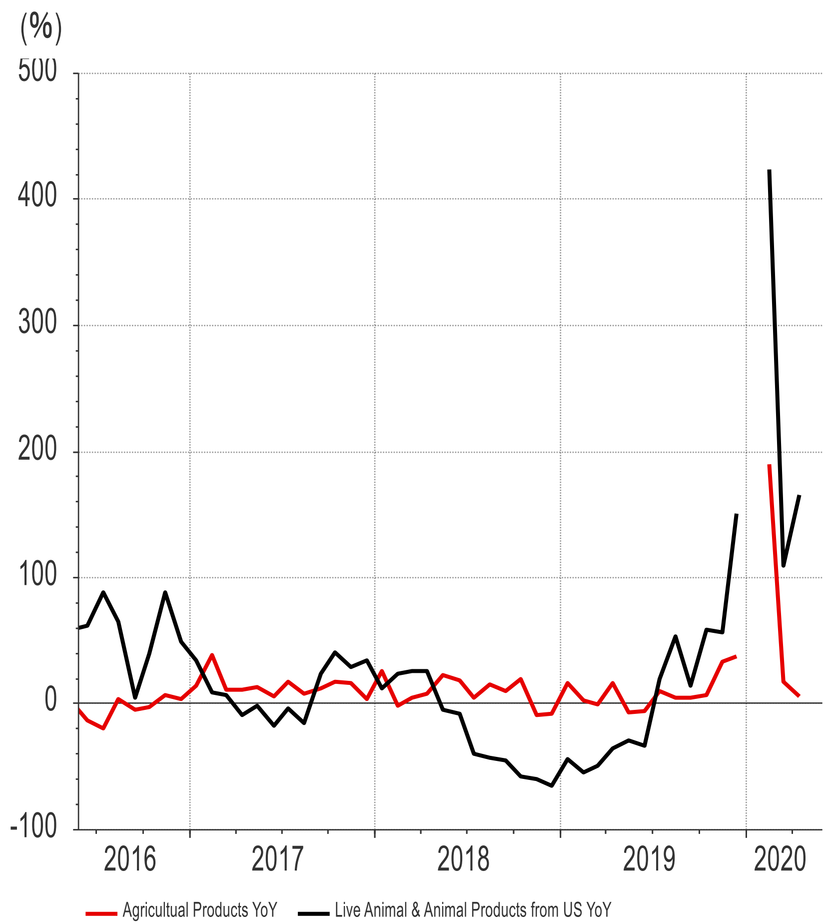
US-China trade talks

Chinese export to the US in Machinery sector



Chinese import from the US



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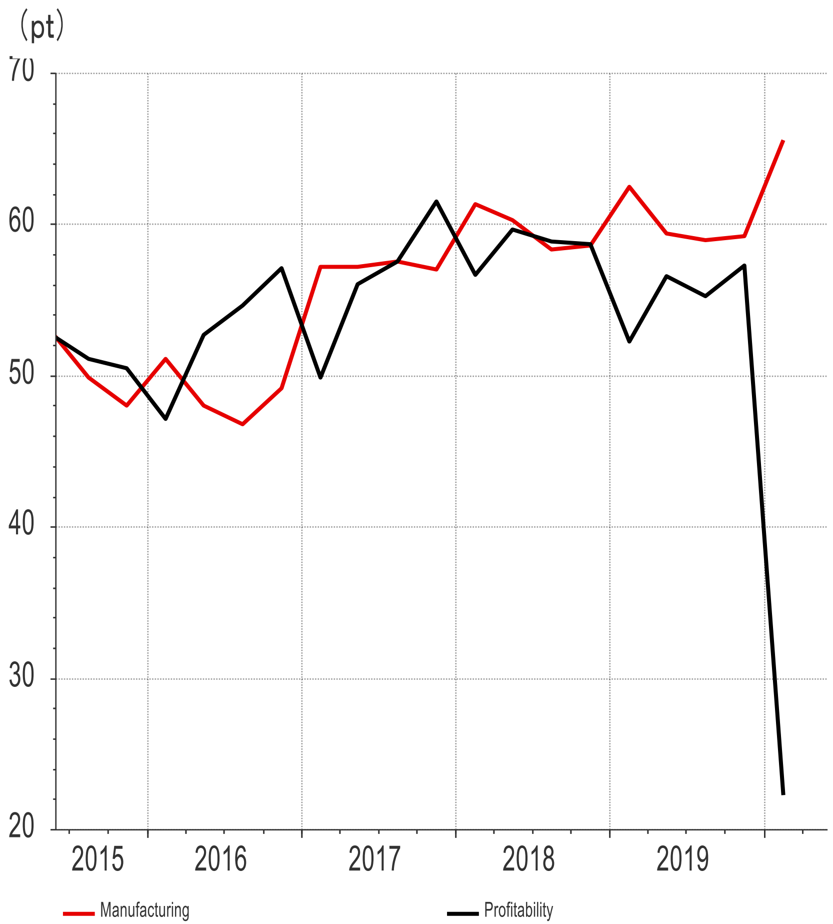
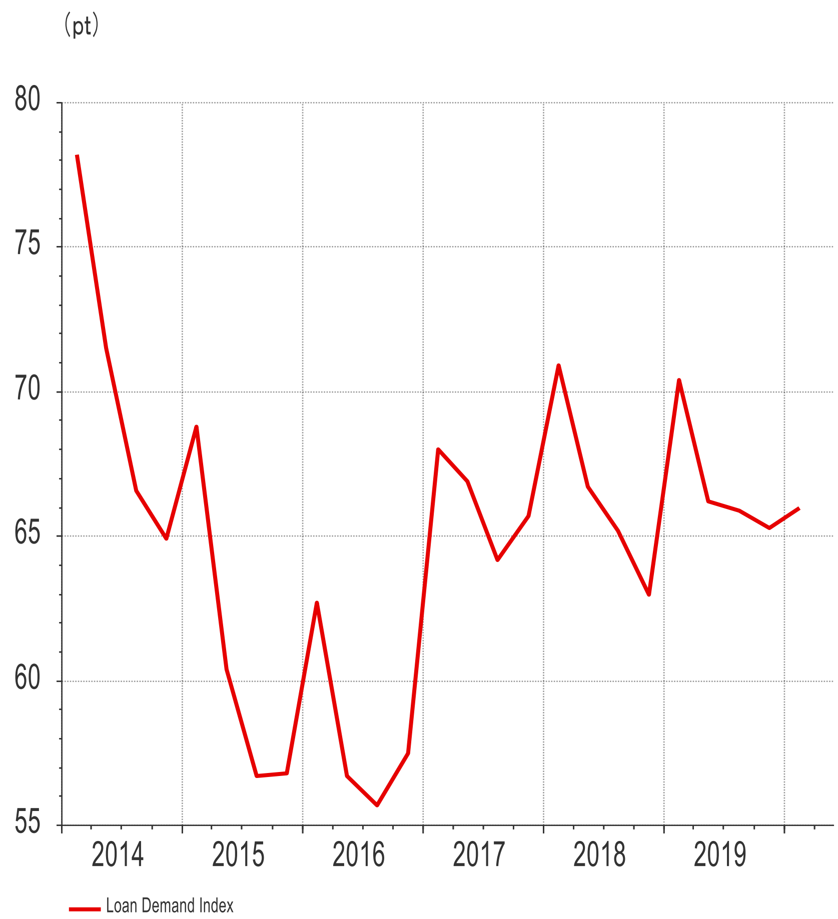
PBoC survey: Comparatively stable

Manufacturers sentiments and profits



Loan demands



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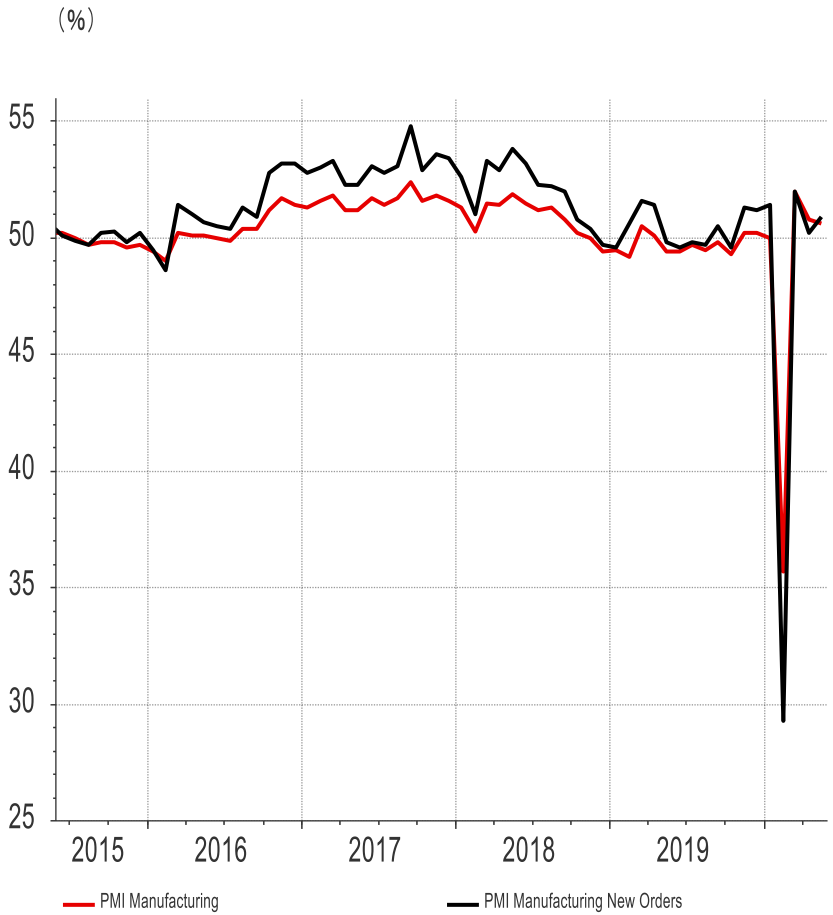
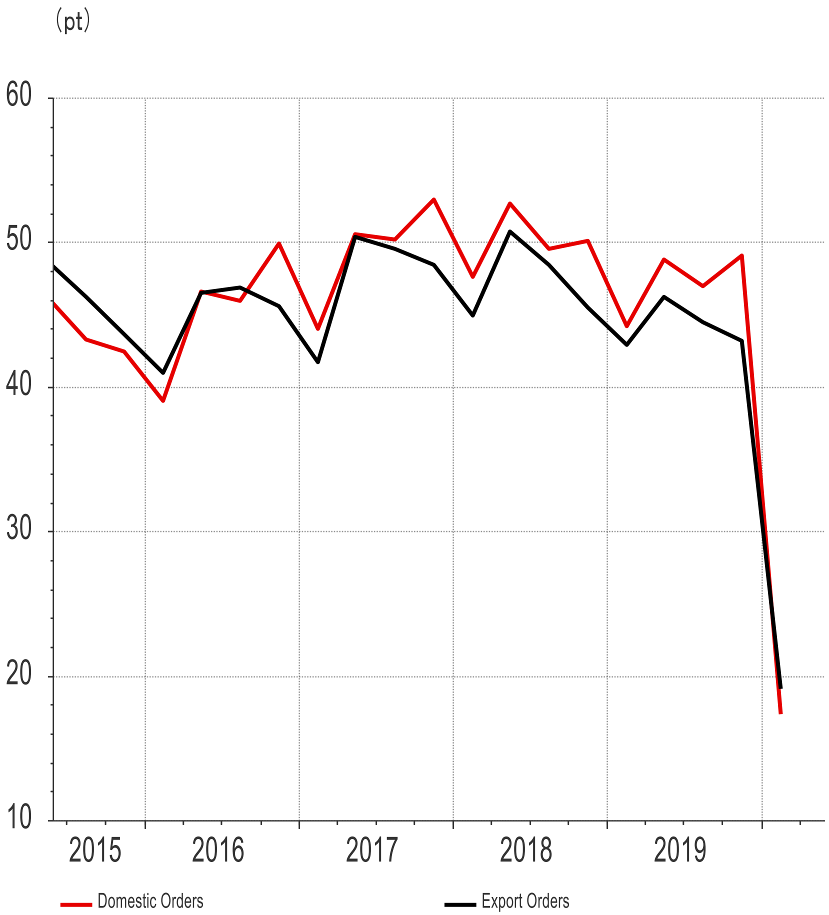
PBoC survey: Gradual improvement thanks to policy efforts

Manufacturing PMI and New orders



Manufacturing domestic and exporter's orders



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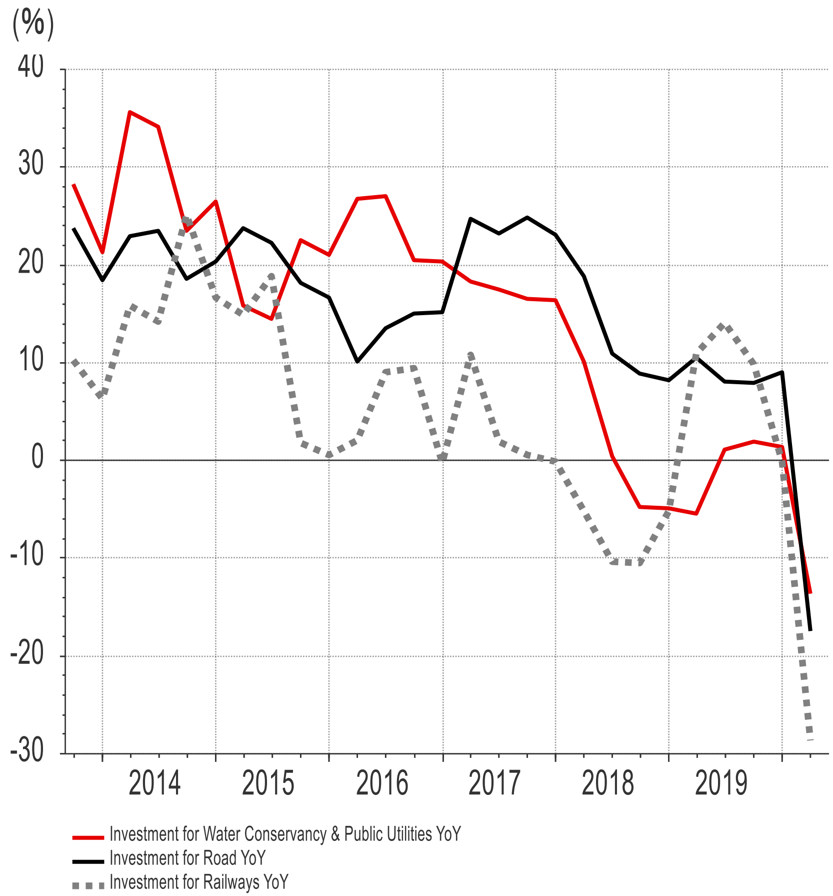
China – Investment growth room thanks to infrastructural investment

Investments and developments

Infrastructural investment



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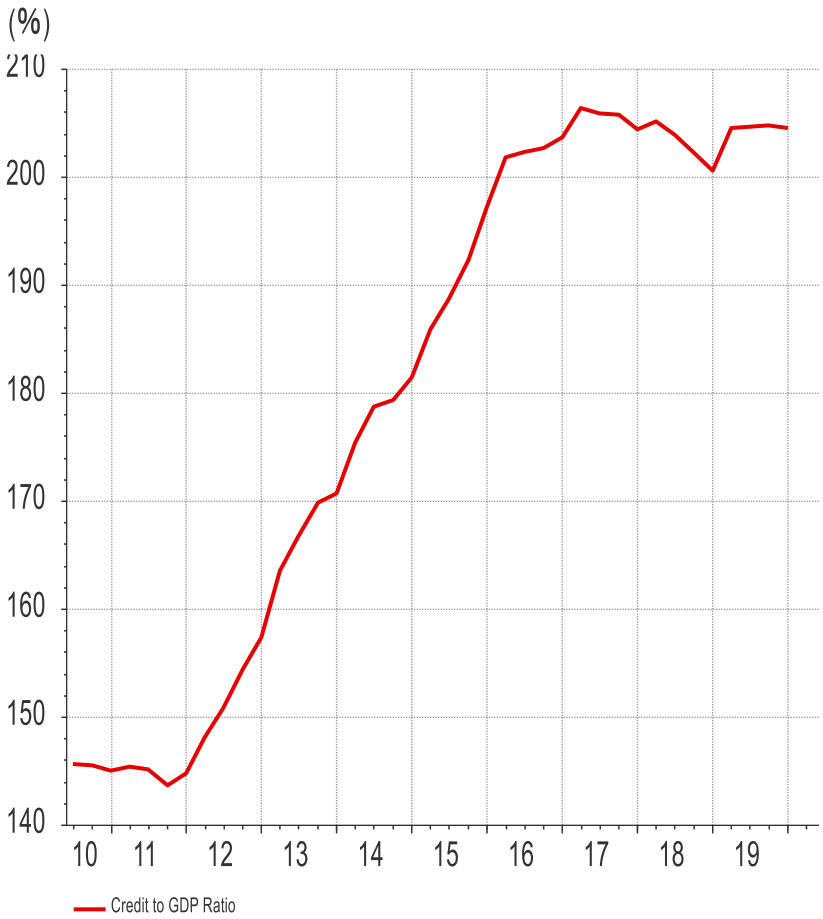
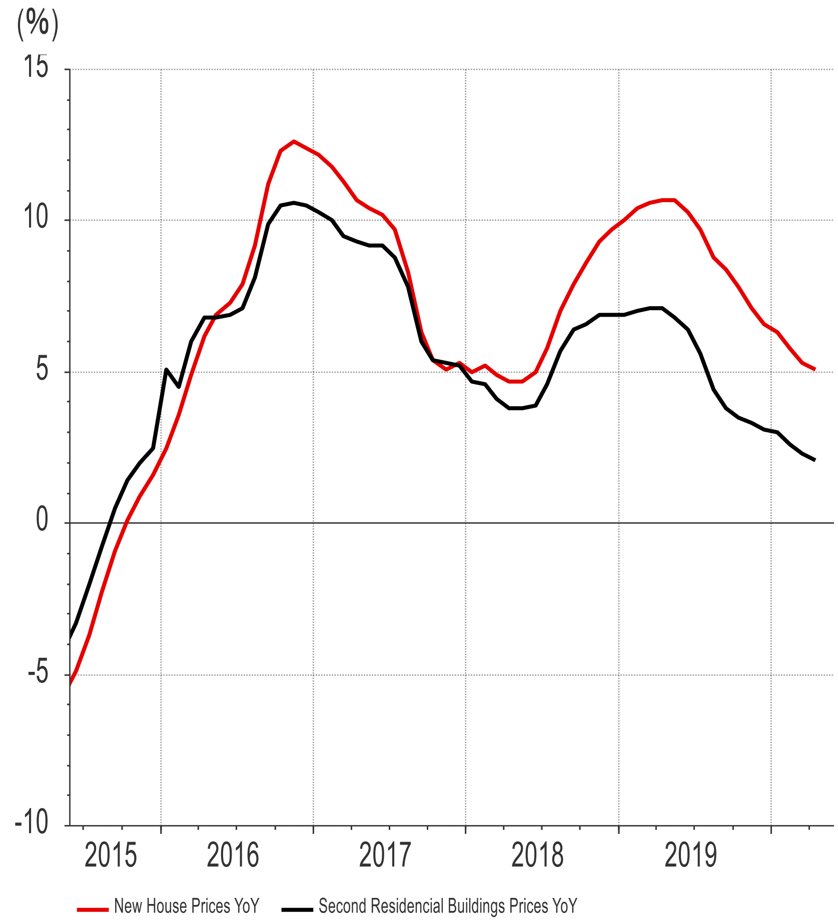
China - Corporate debt and real estate markets

Corporate debt versus nominal GDP



Residential property prices



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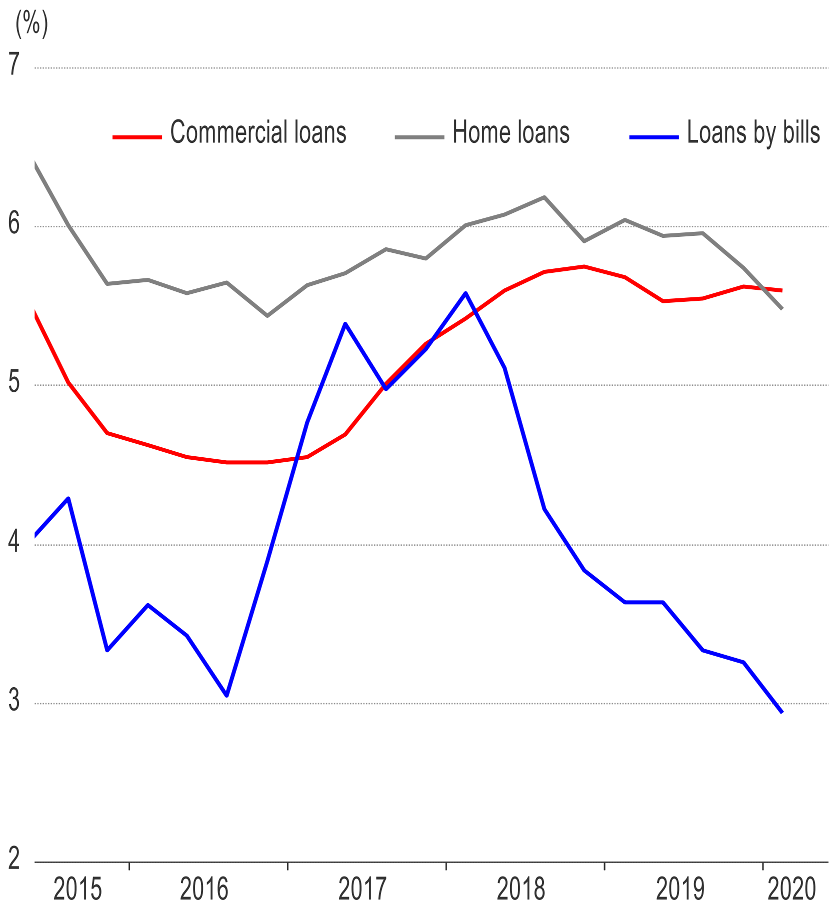
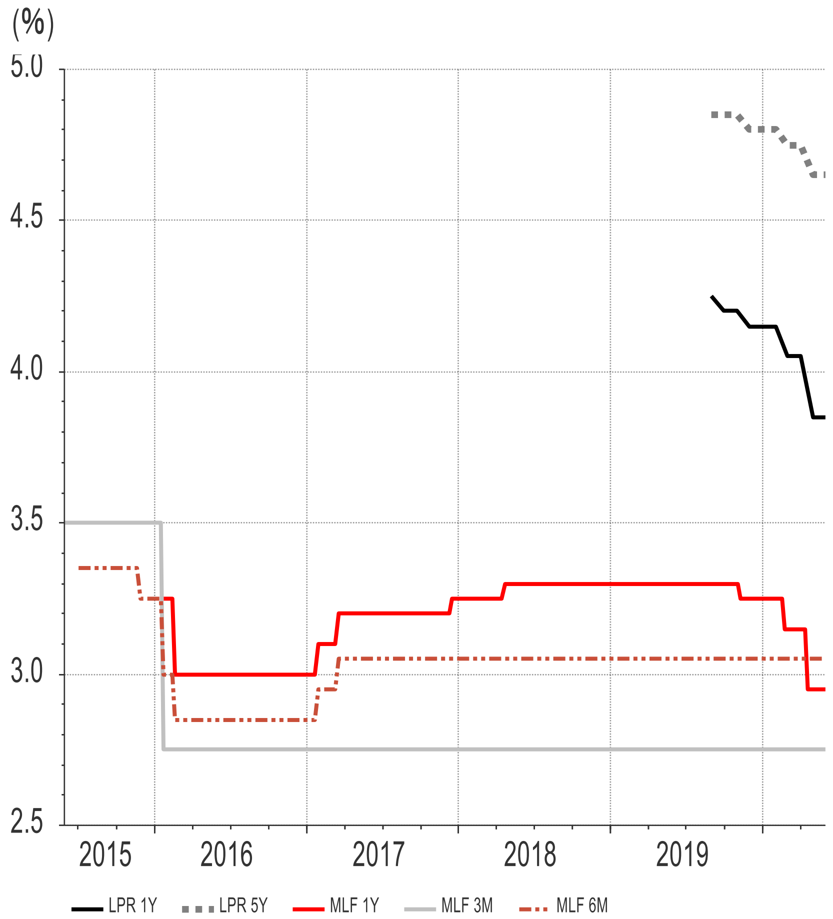
China: Lending and policy rates

Lending rates



Policy rates



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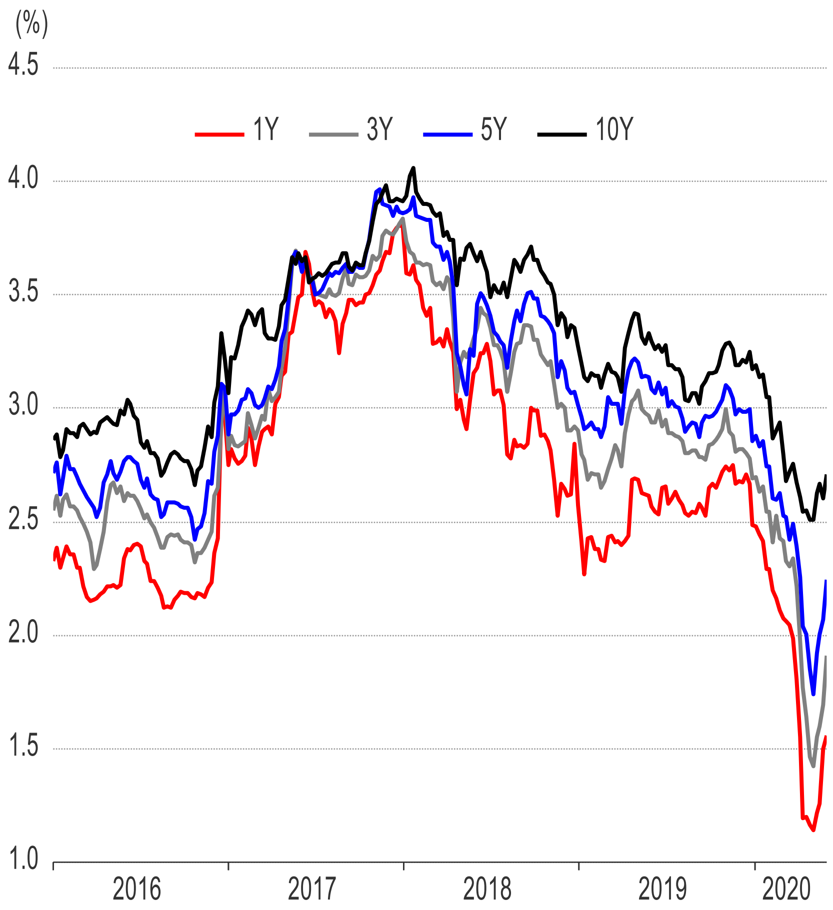
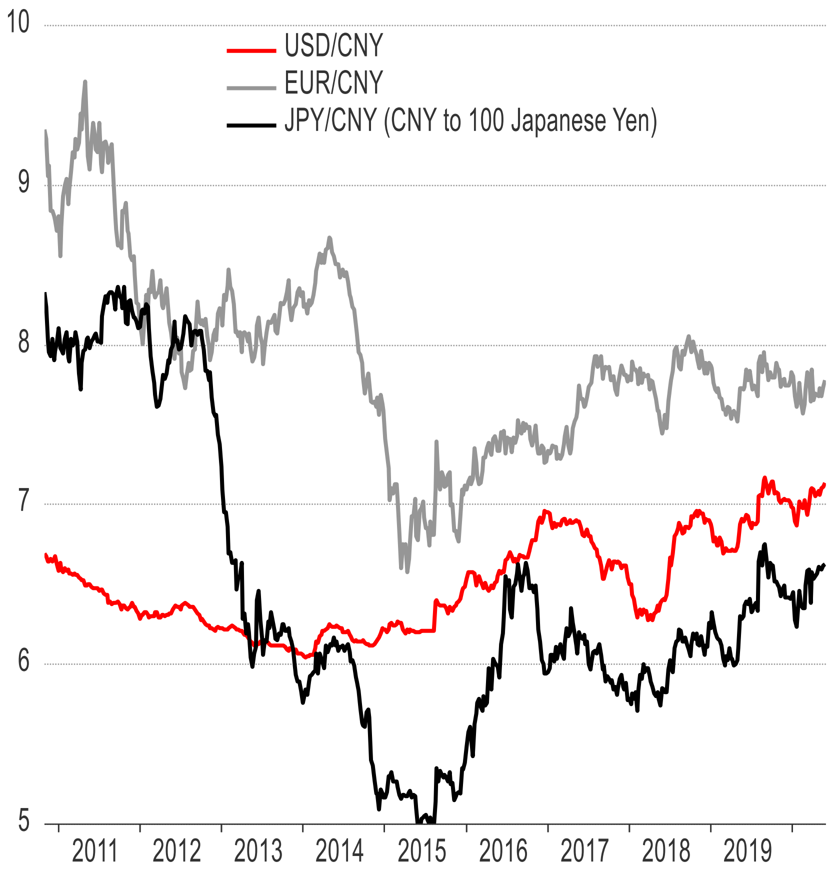
China – Govie rates and FX

Chinese governmental bond rates



RMB rates



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Takahiro Sekido, Japan Strategist

Research coverage

Global JPY strategy

Research background

Chief Economist Japan and Executive Director at CLSA Asia Pacific and Credit Agricore, where he oversaw macro research of the Japanese and European economies and outlook of monetary, fiscal and FX policy.

Deputy director for macro financial market risk analysis, deputy director & resident economist for Asia in Singapore (2006-2009), global economist for Governor (2005) and chief of fiscal Analysis (2004) at Bank of Japan for over a decade.

Academic background

Either lecturers or adjunct professors at Beijing Foreign Study University (2017-2018), Saitama University in Japan (2012), Nan-yang Technology in Singapore (2009), Monash University in Malaysia (2008). He has master degree (Business, Fin Econ & Accountancy) at the Univ. Illinois and bachelor (Economics) at Keio University, Tokyo.

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(Data sources) BoJ, MoF, CAO, Toshin Association, Bloomberg and Refinitive

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