

Daiwa's View

BOJ's QT and JGB market—Landing point indicated by maturities of JGBs purchased under June interim assessment

- Media report based on sources in the know maintaining expectations for a rate hike in June or July
- Key points for interim QT assessment at June meeting: Maturity composition of JGBs purchased will be as important as amounts purchased
- BOJ's QT and the rise in JGB yields are matters of global concern

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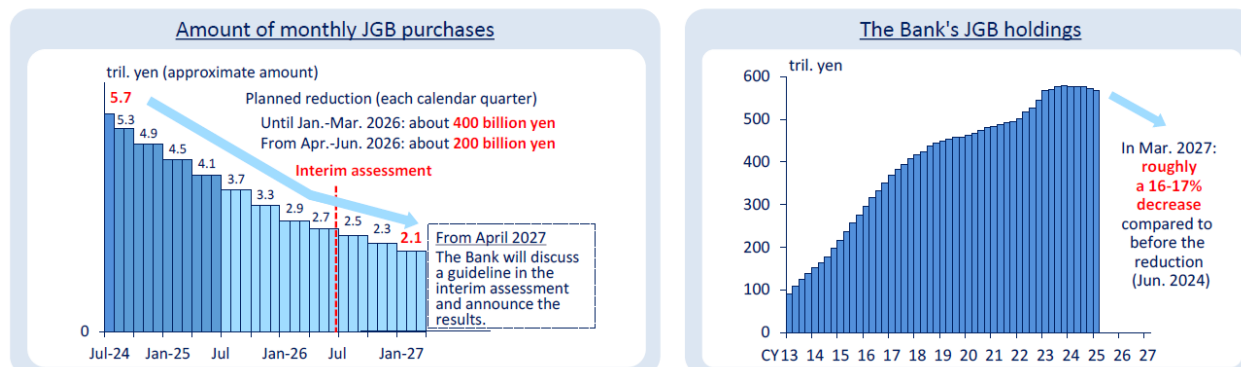
Focus gradually shifts to whether there will be a rate hike at June meeting

Citing multiple sources familiar with the matter, on the evening of the 14th, Bloomberg reported that the BOJ is considering significant upward revisions to its inflation outlook in the *Outlook for Economic Activity and Prices* report to be released at its April Monetary Policy Meeting (MPM). Market expectations for a rate hike in April have decreased significantly since Governor Ueda's speech at the annual meeting of the Trust Companies Association of Japan. However, the media report can be seen as a communication strategy by the BOJ to strike a balance by forgoing a rate hike while revising its inflation outlook upwards. In fact, market pricing for a rate hike in June and July has risen slightly. During the rate hike phases of January and December 2025, the BOJ tried to reduce surprises by raising market expectations for a rate hike through media reports based on sources in the know, as well as speeches by the Governor and deputy governors before the MPM. With about two weeks remaining until the April MPM and the situation in the Middle East being extremely fluid, we cannot draw premature conclusions. However, unless the BOJ sends signals for a rate hike (incl. signals at Governor Ueda's press conference after the G20), the market's focus will gradually shift to whether or not there will be a rate hike at the June meeting.

Interim assessment of QT to be released at June MPM

An interim assessment regarding the reduction of the BOJ's balance sheet (QT) is also scheduled to be announced at the June MPM. To summarize the QT plan decided on so far, at the July 2024 MPM, it was decided to reduce JGB purchases, previously conducted at a pace of about ¥5.7tn/month, by ¥400bn each quarter. Subsequently, at the interim assessment in June 2025, it was decided to slow the pace of reduction from FY26 onwards, from ¥400bn each quarter to ¥200bn. The plan for FY27 and beyond is scheduled to be decided through an interim assessment at the June 2026 MPM. Under the current plan, the amount of JGBs to be purchased is scheduled to decrease to about ¥2.1tn/month at the end of FY26 (Mar 2027).

Chart 1: QT Schedule
Reduction in a Predictable Manner



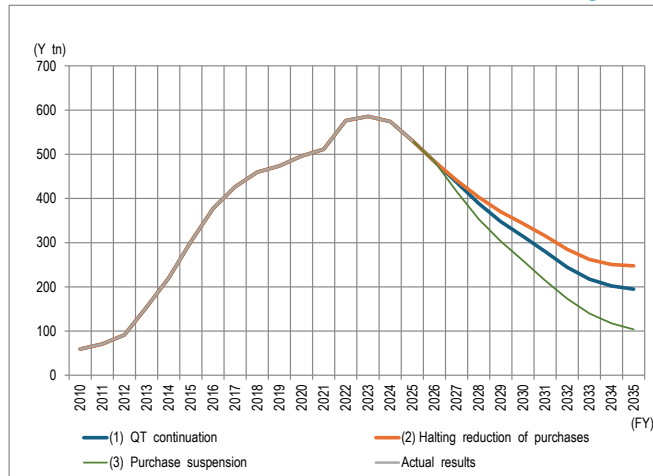
Source: Reprinted from BOJ materials.

QT simulations for FY27 and beyond: BOJ's JGB holdings and share of total amount outstanding

If QT proceeds based on the current plan, the BOJ's JGB holdings are expected to fall to Y483tn at the end of FY26, representing about 43% of the total amount outstanding.

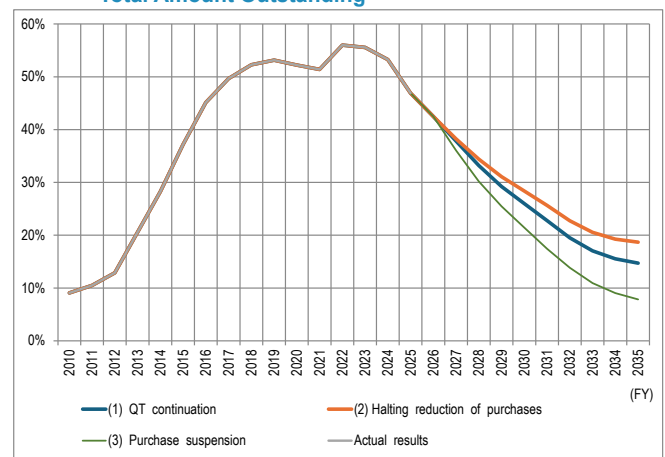
In our previous report¹, we ran simulations of the BOJ's JGB holdings and its share of the total amount outstanding based on multiple scenarios of the amounts purchased after the BOJ's currently published QT plan. This time, we conducted simulations based on the figures as of March 2026. The scenarios we set are as follows: (1) a scenario in which QT continues, with reductions of Y200bn maintained each quarter in FY27, and monthly purchases of Y1.3tn maintained from FY28 onwards, (2) a scenario in which the reductions in purchases are stopped, with reductions stopped from FY27 onwards, and monthly purchases of Y2.1tn maintained from FY27 onwards, and (3) a scenario in which purchases are suspended, with JGB purchases suspended from FY27 onwards. While the third scenario is considerably hawkish, the second one is somewhat dovish. (The first scenario represents the status quo.)

Chart 2: QT Simulations for Amount of BOJ's JGB Holdings



Source: BOJ, MOF, Cabinet Office; compiled by Daiwa.

Chart 3: QT Simulations for Share of BOJ's JGB Holdings to Total Amount Outstanding



Source: BOJ, MOF, Cabinet Office; compiled by Daiwa.

In Scenario (1), the BOJ's JGB holdings would decrease to Y314tn (26% of the total amount outstanding) at the end of FY30, and then fall to Y195tn (14.7%) at the end of FY35. In Scenario (2), these figures would be Y343tn (28.4%) at the end of FY30, and Y248tn (18.7%) at the end of FY35. In Scenario (3), the BOJ's JGB holdings are estimated to decrease to Y259tn (21.4%) at the end of FY30, and then to Y104tn (7.8%) at the end of FY35.

Maturities of JGBs purchased during QT

These simulations do not take into account changes in the maturity composition of JGBs purchased, and they are based on the assumption that purchases will be conducted according to the current ratios. Looking at the average remaining maturity of JGBs purchased in actual purchase operations in the past shows that there has been a moderate trend towards longer maturities since the start of QT in the summer of 2024. Looking at purchases by maturity zone shows that a factor behind this is that the pace of reductions in superlong JGBs has been more cautious compared to medium- and long-term JGBs. Notably, there have been absolutely no reductions in purchases of JGBs with over 25 years left to maturity since the start of QT. Consequently, the share of the total amount outstanding JGBs accounted for by BOJ purchases has already fallen below 30% in the zones up to 10 years, but it stands at 34.3% in the zones over 10 years and up to 25 years. Furthermore, in the zones of over 25 years, the purchase ratio, which was initially 12%, has risen to 20%, partly due to reductions in issuance.

¹ Shun Otani (21 Oct 2025), [Daiwa's View: BOJ's quantitative tightening and optimal balance sheet debate](#).

Chart 4: Average Years to Maturity of BOJ's JGB Purchases



Source: BOJ; compiled by Daiwa.

Chart 5: BOJ's JGB Purchases Amounts and Share of Total Amount Outstanding by Maturity Zone

Zone		FY24			FY25			FY26	
		Aug-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
Up to 1 yr	(Ybn)	150.0	150.0	150.0	100.0	100.0	100.0	100.0	100.0
	(%)	-	-	-	-	-	-	-	-
1-3yr	(Ybn)	1,400.0	1,300.0	1,200.0	1,100.0	975.0	900.0	810.0	765.0
	(%)	<53.8>	<50.0>	<46.2>	<42.3>	<37.5>	<34.6>	<28.9>	<27.3>
3-5yr	(Ybn)	1,500.0	1,300.0	1,200.0	1,100.0	975.0	840.0	735.0	690.0
	(%)	<65.2>	<56.5>	<52.2>	<45.8>	<40.6>	<35.0>	<29.4>	<27.6>
5-10yr	(Ybn)	1,600.0	1,500.0	1,300.0	1,200.0	1,050.0	915.0	780.0	720.0
	(%)	<61.5>	<57.7>	<50.0>	<46.2>	<40.4>	<35.2>	<30.0>	<27.7>
10-25yr	(Ybn)	450.0	450.0	450.0	405.0	405.0	345.0	285.0	240.0
	(%)	<45.0>	<45.0>	<45.0>	<40.5>	<50.6>	<43.1>	<35.6>	<34.3>
More than 25yr	(Ybn)	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0
	(%)	<12.0>	<12.0>	<12.0>	<14.3>	<16.7>	<16.7>	<16.7>	<20.0>
Inflation-indexed bonds	(Ybn)	60.0	60.0	50.0	50.0	50.0	50.0	40.0	40.0
	(%)	<72.0>	<72.0>	<60.0>	<60.0>	<60.0>	<60.0>	<48.0>	<48.0>
Total	(Ybn)	5,310.0	4,910.0	4,500.0	4,105.0	3,705.0	3,300.0	2,900.0	2,705.0

Source: BOJ; compiled by Daiwa.

In the later stages of QT, the maturity of JGBs purchased will become crucial for projecting the BOJ's future JGB holdings. Referring to a seminar with Professor Shigenori Shiratsuka at Daiwa Securities last October², Chart 6 shows the relationship between monthly purchases and remaining maturities. If perpetual purchases were made at a pace of Y2.1tn/month, and the average maturity of JGBs purchased were 5 years, future JGB holdings would be Y126tn (Y2.1tn × 12 months × 5 years). If purchases were made with an average maturity of 10 years, the amount would be Y252tn, demonstrating that the average maturity of JGBs purchased, along with the amount purchased, will have a major impact on the BOJ's JGB holdings in the future. According to [the MOF's IR materials](#), the flow-based (issuance) average maturity of JGBs for FY26 is projected to be 7.0 years. Assuming that the BOJ sets its purchase maturity at 7 years to emphasize market neutrality, purchases of Y2.1tn/month would result in holdings of Y176 trillion, and if the amount purchased were to fall to Y1.3tn/month, the landing point of JGB holdings would be Y109tn.

Chart 6: Relationship Between Monthly Purchases and Average Remaining Maturity in JGB Purchase Operations

	Monthly purchase amount	Average remaining maturity of JGBs purchased					
		5yr	6yr	7yr	8yr	9yr	10yr
	Y2.1tn	Y126tn	Y151.2tn	Y176.4tn	Y201.6tn	Y226.8tn	Y252tn
	Y1.7tn	Y102tn	Y122.4tn	Y142.8tn	Y163.2tn	Y183.6tn	Y204tn
	Y1.3tn	Y78tn	Y93.6tn	Y109.2tn	Y124.8tn	Y140.4tn	Y156tn

Source: Professor Shiratsuka's seminar materials; compiled by Daiwa.

IMF's Global Financial Stability Report and the JGB Market

On the 14th, the IMF released its [Global Financial Stability Report](#) along with its [World Economic Outlook](#). Chapter 1 discusses the shock from the war in the Middle East and its amplification risks, and Box 1.1 features a special section titled "Rising Japanese Government Bond Yields Could Affect Global Asset Allocation," which explores the impact of rising JGB yields on global markets. It points out that, as yen interest rates rise due to the BOJ's QT and regulatory responses by insurers, changes in relative value from the perspective of Japanese investors—caused by the narrowing of interest rate differentials between Japan and other countries—could have a significant impact on markets where Japanese investors have a high share as bondholders, such as Australia, Europe, and the US. The BOJ's QT and the rise in JGB yields have become matters of significant global concern. From this perspective, the interim QT assessment to be presented at the June MPM will be watched closely, not only for its outlook for the supply/demand conditions in the JGB market, but also as a signal to global markets. If the BOJ were to clarify its thinking regarding the maturities of the JGBs it is purchasing, as well as

² Eiichiro Tani and Kenji Yamamoto (8 Oct 2025). [Daiwa's View: Seminar report: "Near-Term Outlook for Monetary Policy."](#)

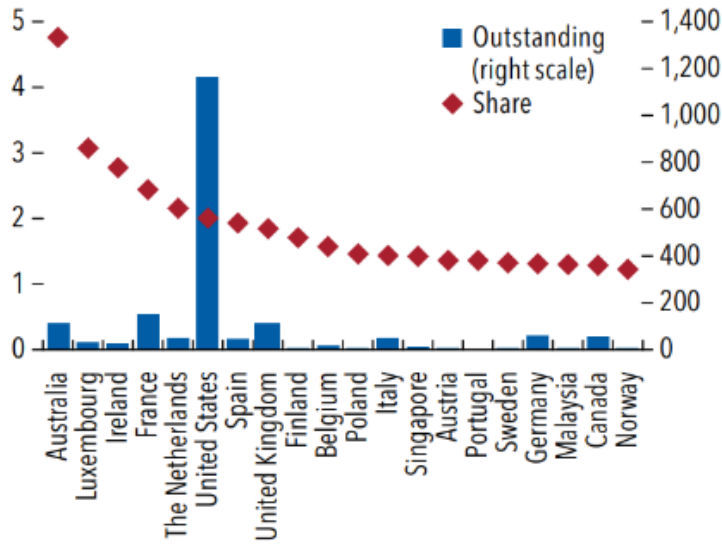
regarding the path to be taken regarding the amounts to be purchased, it is expected that this would reduce uncertainty about the final landing point for the BOJ's balance sheet, which in turn would provide a sense of reassurance to the JGB market.

Chart 7: Japan's Outstanding Debt Securities Holdings and Share to Market Cap in Major Bond Markets

Repatriation of Japanese yen could affect European markets disproportionately.

4. Japan's Outstanding Debt Securities Holdings and Share to Market Cap at the End of 2024

(Percent, left scale; billions of dollars, right scale)



Source: Reprinted from IMF's April 2026 Global Financial Stability Report.

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