

# Japan Inbound Capital Intelligence

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## MARKET CONTEXT · JAPAN INBOUND CAPITAL INTELLIGENCE #004

### The yen and rates

**Sources:** [Ministry of Finance, minister's press conference](#), 2026-09-25; [Bank of Japan statement](#), 2026-09-18; [Federal Reserve FOMC statement](#), 2026-09-16; [CFTC Traders in Financial Futures](#), 2026-09-25; [FXEmpire forward rates](#), 2026-09-28; [MOF JGB yields](#), 2026-09-25; [MOF intervention schedule](#), accessed 2026-09-28

**What moved.** On 25 September Finance Minister Katayama disclosed that President Trump raised concern about the weak yen at the Japan–US summit, and that Prime Minister Takaichi said an undervalued yen is a problem. Japan's top currency official, Mimura, told Reuters the message was "very clear" and markets "should take it literally". The BOJ had raised its rate to 1.25% by a 7–2 vote. Its statement commits to further hikes but to no date. Asada and Sato dissented, arguing the economy and prices had not accelerated enough. The Fed raised its range to 3.75–4.00% on 16 September.

Fast money read the BOJ as soft. Leveraged funds flipped from a net short of 53,255 yen contracts (futures and options combined) to a net long of 20,069 in the week to 15 September. They cut that to 4,472 a week later, a 78% fall. Asset managers stayed long, at 42,498 contracts after a 22% trim. TONA futures (contracts on Japan's overnight rate) priced an 11.5% chance of an October hike and 67.6% by December, as of 25 September. USD/JPY traded about 157 on 28 September. The 10-year JGB closed at 3.071% on 25 September, up from 2.981% on hike day.

**How this changes the entry maths for a USD investor.** Hedging now pays a dollar buyer. The 3-month USD/JPY forward sits about ¥1.15 below spot. A dollar investor who owns yen assets and sells yen forward earns about 0.73% a quarter, roughly 2.9% a year. That is a little wider than the 2.625-point gap between the Fed midpoint and the BOJ rate. For this reader, "hedging cost" is the wrong phrase; it is a hedging pickup. Staying unhedged is a bet that USD/JPY falls below about 156.05 by late December. With both governments leaning on the yen, that bet is live. But it gives up about 2.9% a year of certain carry, and the leveraged money that would push it has just stepped back [S]. On the asset side, a 3.07% 10-year JGB raises the discount rate on Japanese real assets; the hedge pickup partly offsets that for a dollar buyer [S]. JPY Hedging BoJ Policy Fed Rate Path

**EUR and SGD investors.** The same logic applies wherever the home rate sits above the BOJ's 1.25%: the forward sits below spot, and the hedger collects the gap. The size of the pickup depends on each currency's own forward, so check it before setting hedge ratios.

**How to act:** MOF publishes intervention data for 27 August to 28 September on 30 September at 19:00 JST. A non-zero figure means Tokyo intervened at some point in that period; the daily

breakdown due 2–9 November shows whether it came after the reported 18 September rate check. Zero means talk only. Re-check hedge ratios after it. The next BOJ meeting is 28 October. The default for dollar buyers is to hedge with 3-month forwards and collect the carry. Stay unhedged only with a conviction that USD/JPY breaks below about 156 within the quarter.

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