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Yen outlook:
From carry trade to fiscal worries

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Apollo Global Management

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Unless otherwise noted, information as of August 2026.

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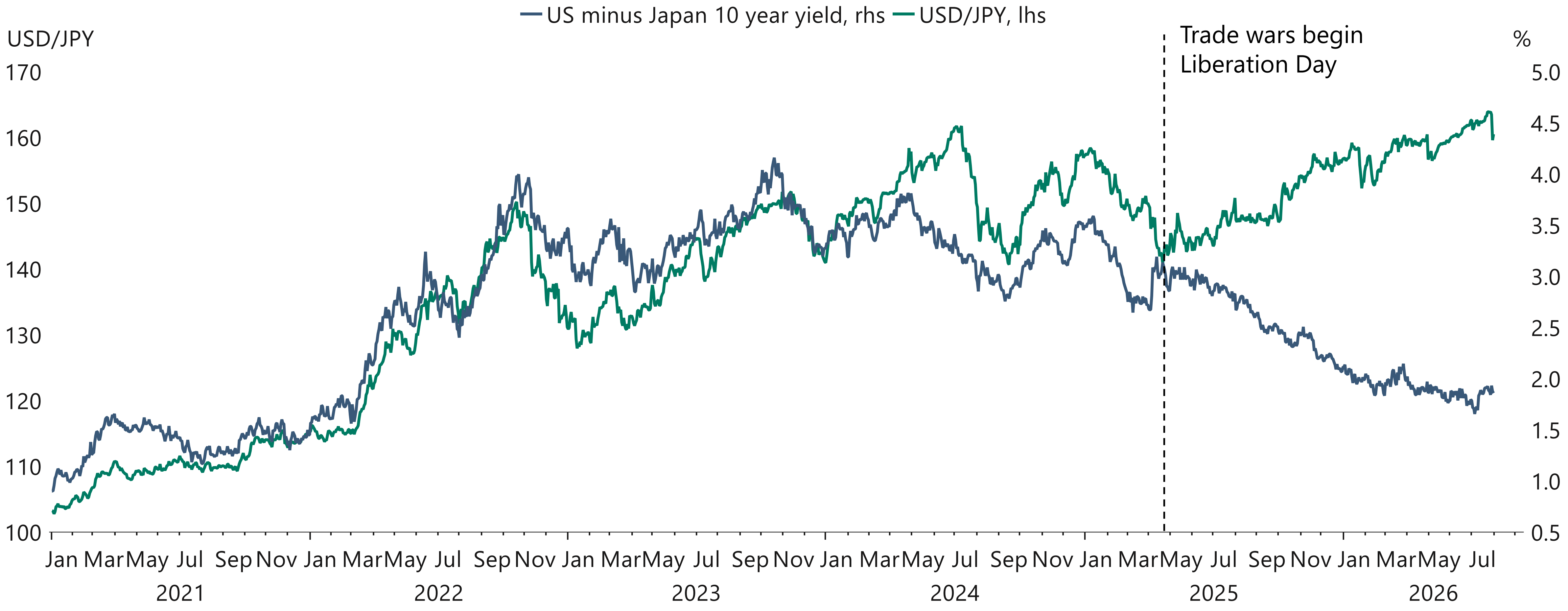
Japan: A new regime for the yen

1995 - April 2025		April 2025 - today
Yen carry trade: USDJPY driven by interest rate differentials	**April 2025: Trade wars begin:** Volatility increases. Headline risks increase. More difficult to manage carry trades. →	Yen carry trade is over: USDJPY driven by fiscal worries

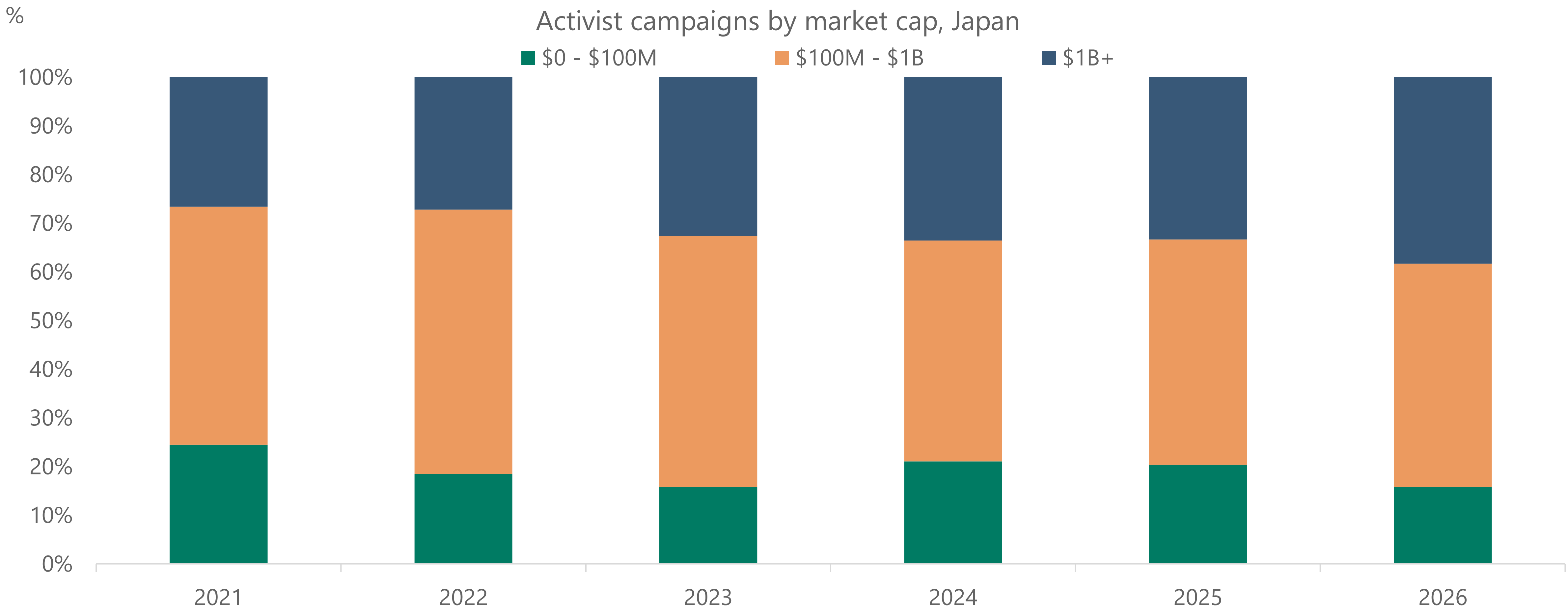
USDJPY stopped following interest rates after Liberation Day in April 2025



Source: Bloomberg, Macrobond, Apollo Chief Economist

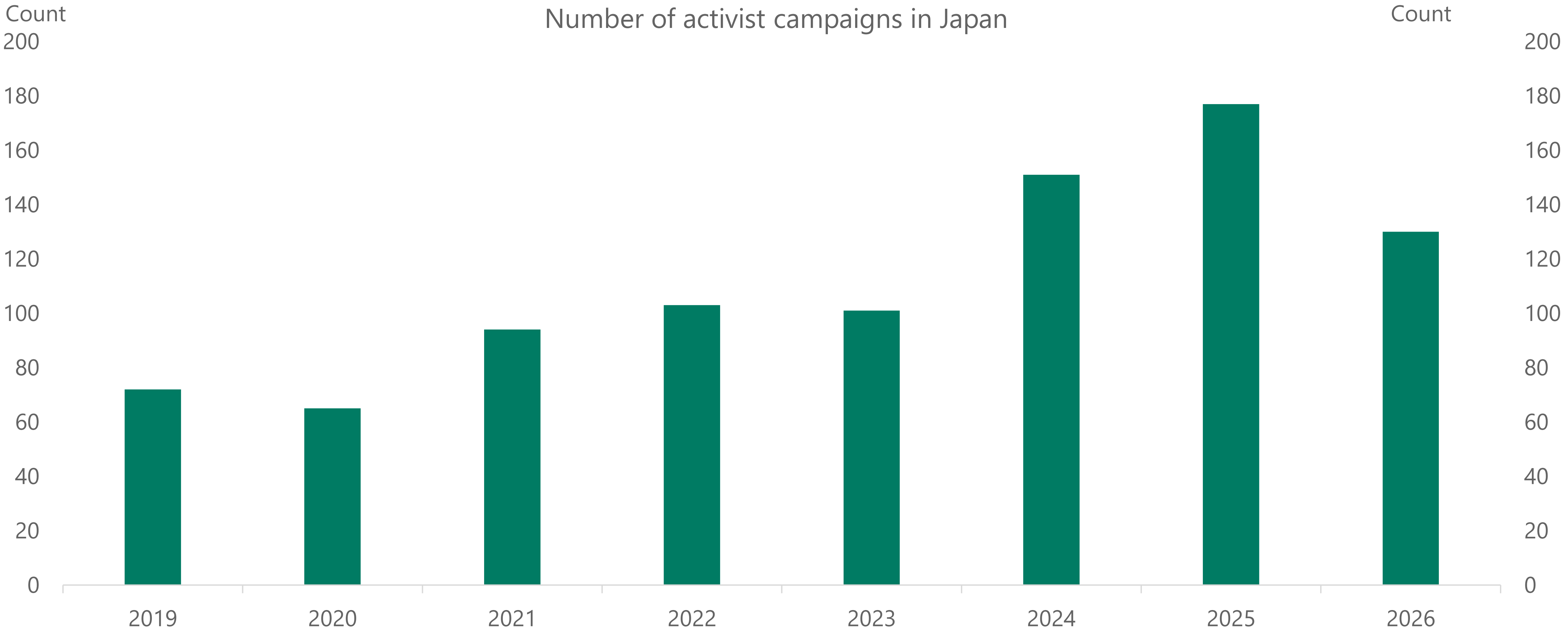
Macro

Rising activist pressure on Japan's large-cap companies



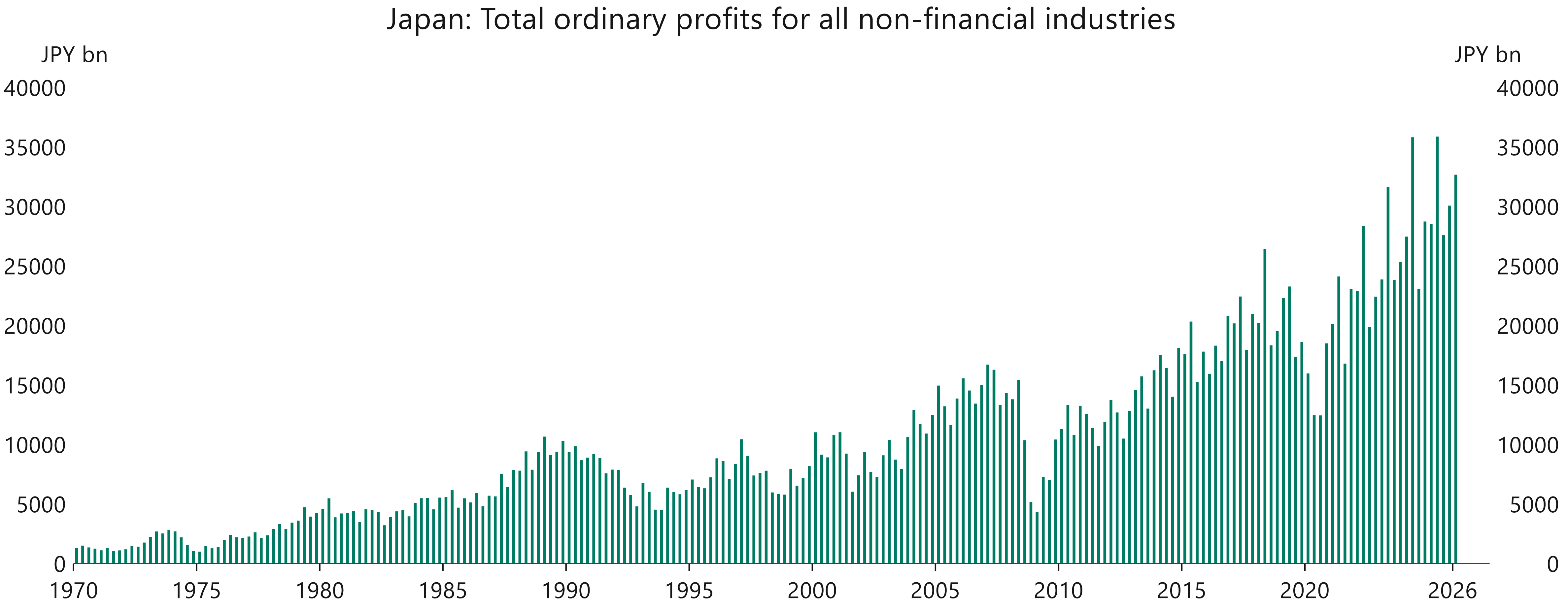
Source: Bloomberg, Apollo Chief Economist

Rise in shareholder activist campaigns in Japan



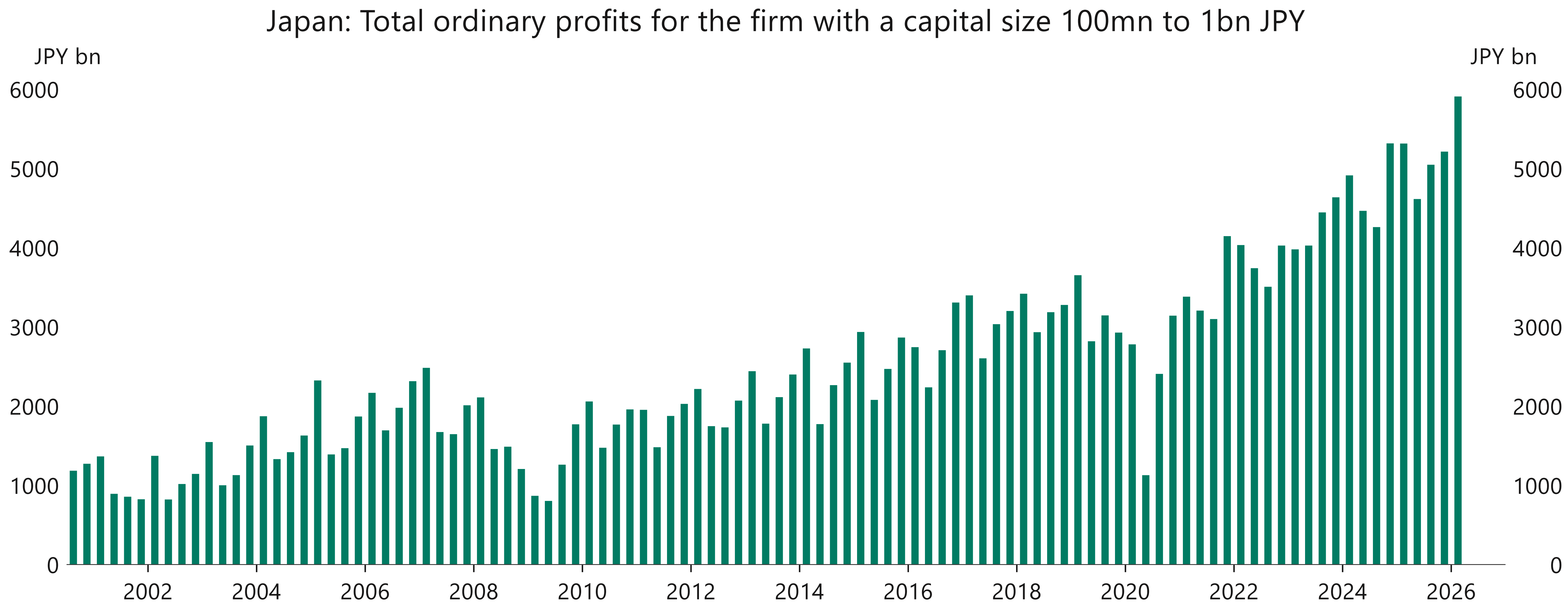
Source: Bloomberg, Apollo Chief Economist. Note: Activist campaigns refer to instances where shareholders actively engage with companies through proposals, public pressure or board representation to influence corporate decisions.

Japan: Corporate profits for all industries rising



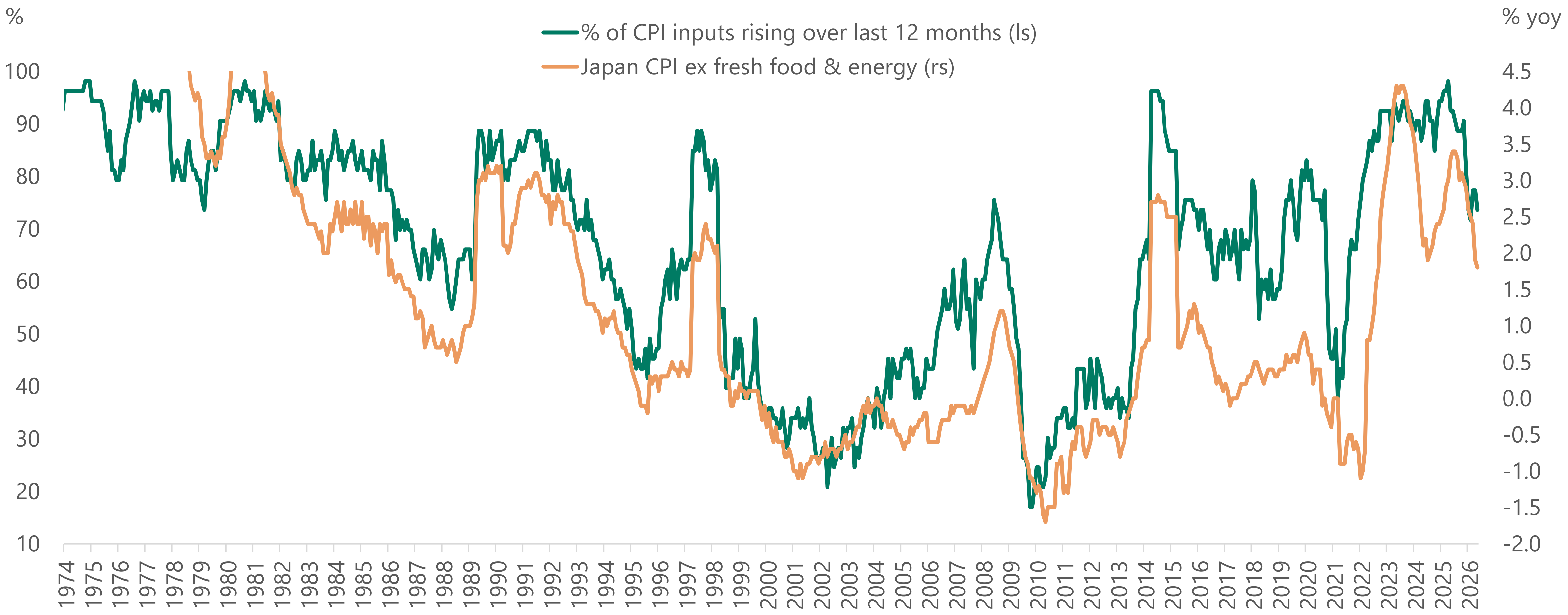
Source: Ministry of Finance Japan, Bloomberg, Macrobond, Apollo Chief Economist

Japan: Medium size corporate profits rising



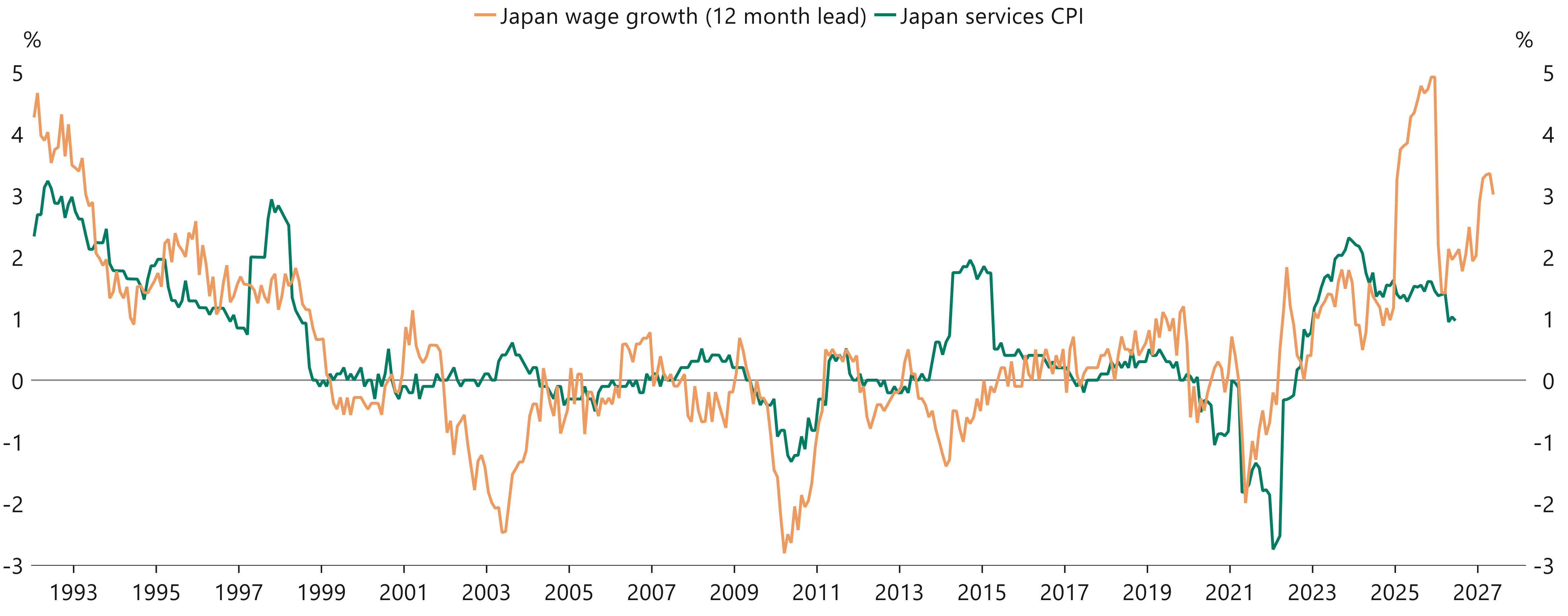
Source: Ministry of Finance Japab, Bloomberg,, Macrobond, Apollo Chief Economist

Japanese inflation still high



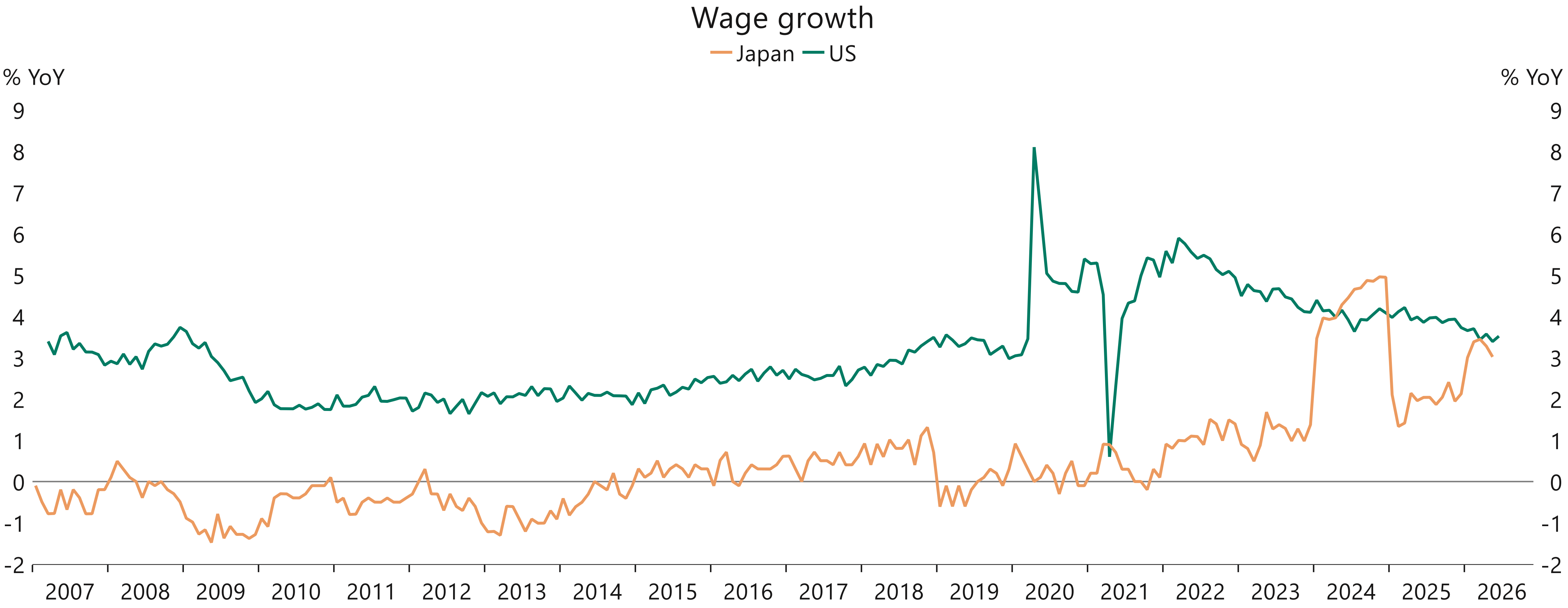
Source: Bloomberg, Apollo Chief Economist

Japan: Continued strength in services inflation



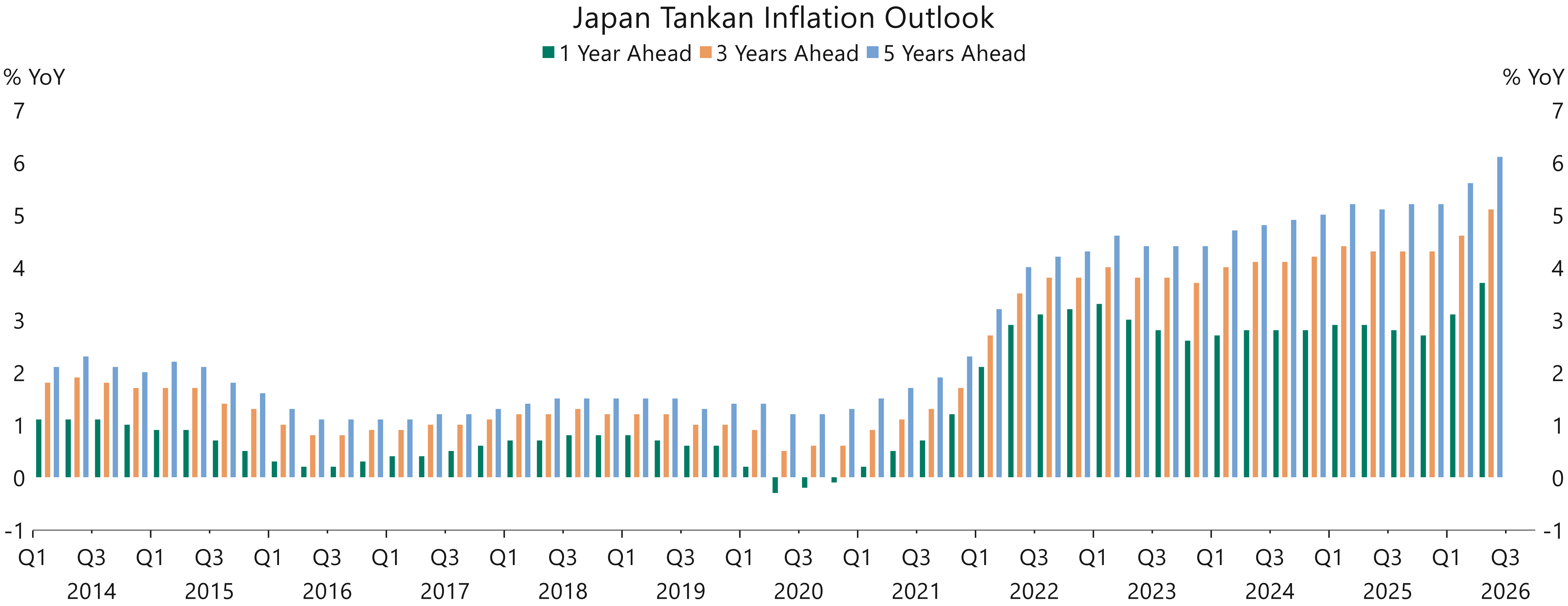
Source: Japanese Statistics Bureau, Ministry of Internal Affairs & Communications, Japanese Ministry of Health, Labour & Welfare, Macrobond, Apollo Chief Economist

Wage growth in Japan has been trending higher in recent years



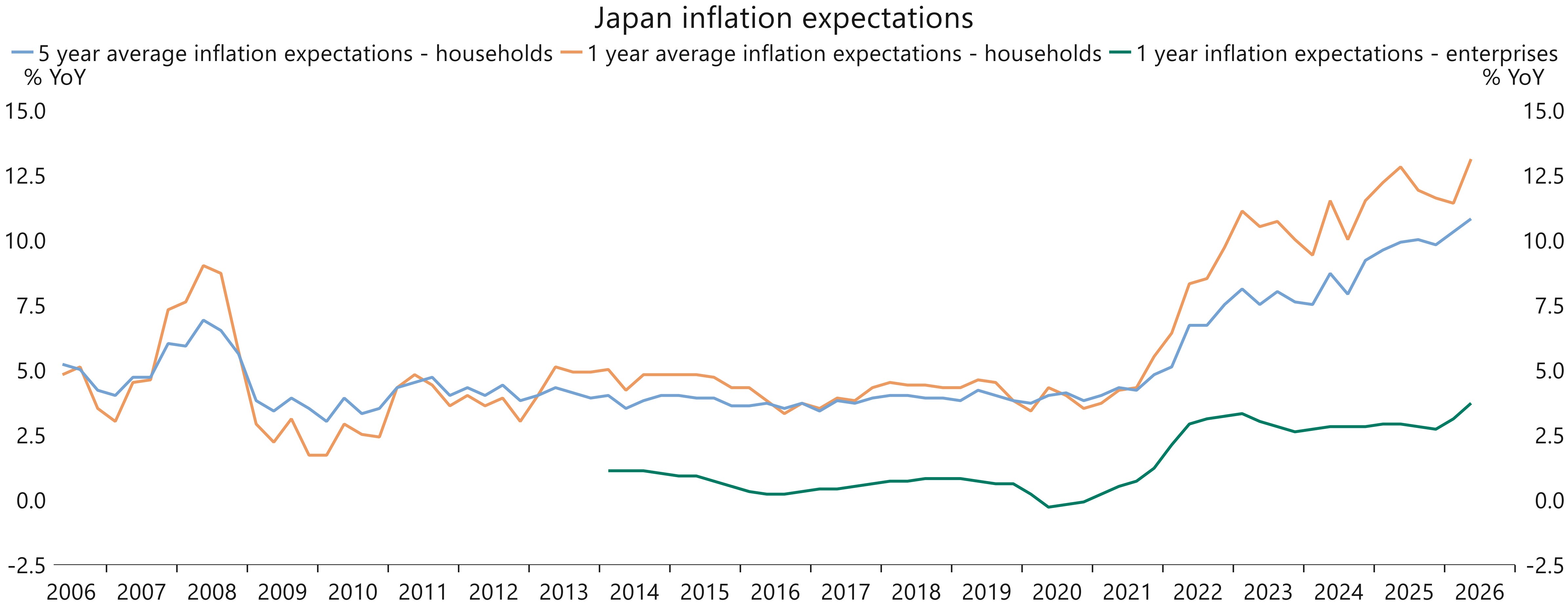
Source: U.S. Bureau of Labor Statistics (BLS), Japanese Ministry of Health, Labour & Welfare, Macrobond, Apollo Chief Economist

Japan: Inflation expectations rising



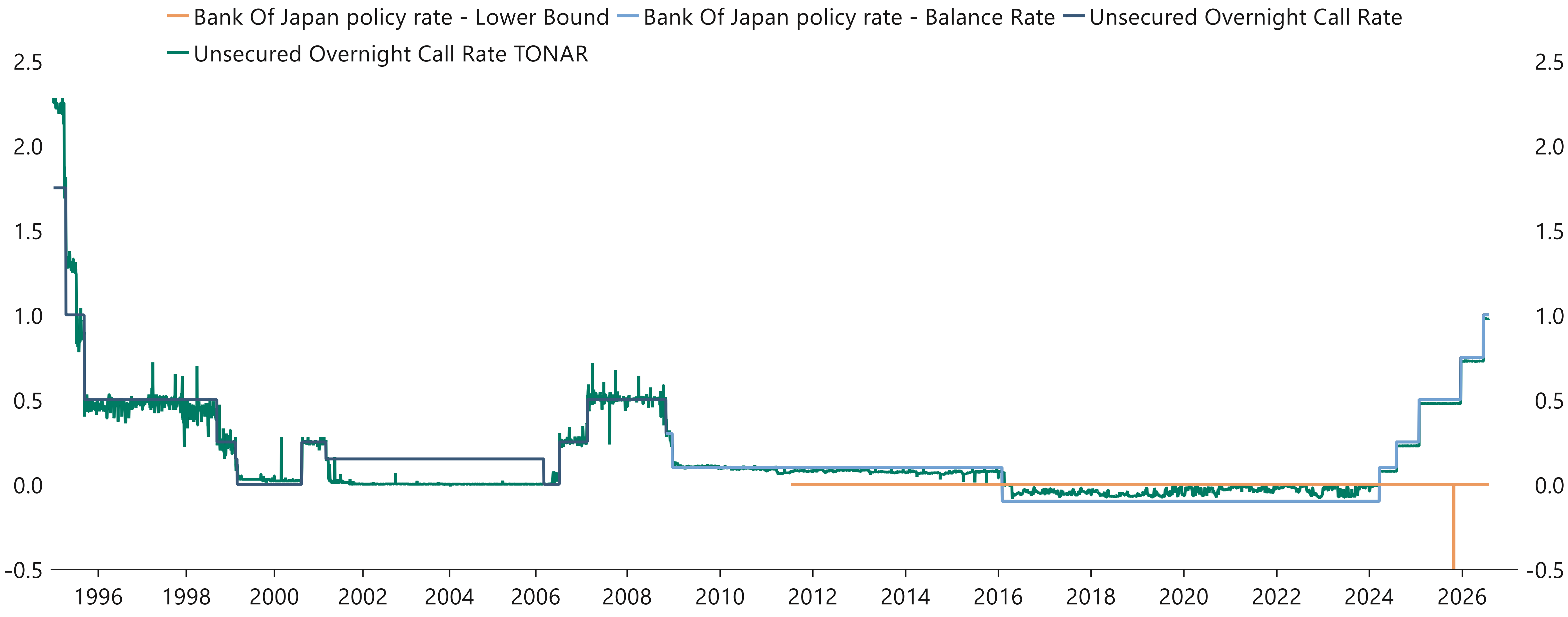
Source: Bank of Japan (BOJ), Macrobond, Apollo Chief Economist

Japanese inflation expectations elevated and sticky



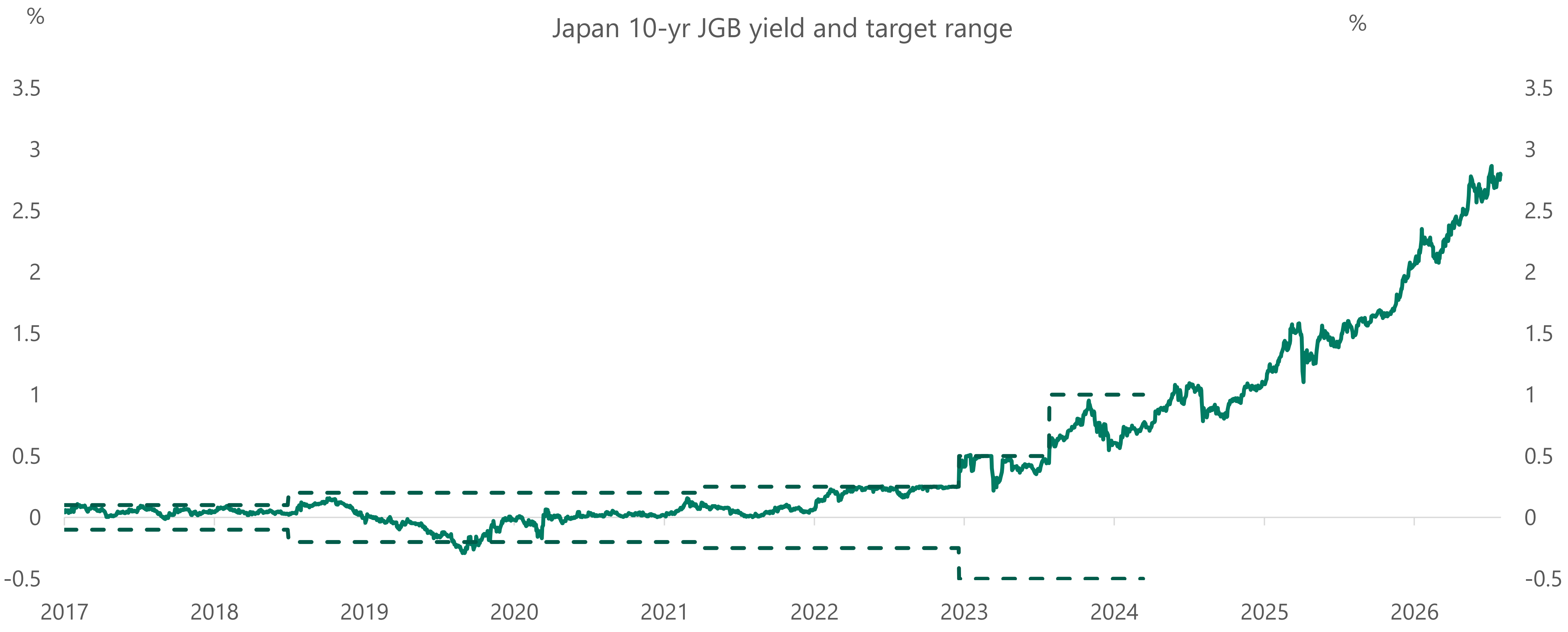
Source: Bank of Japan (BOJ), Bloomberg, Macrobond, Apollo Chief Economist

Yield levels rising in Japan



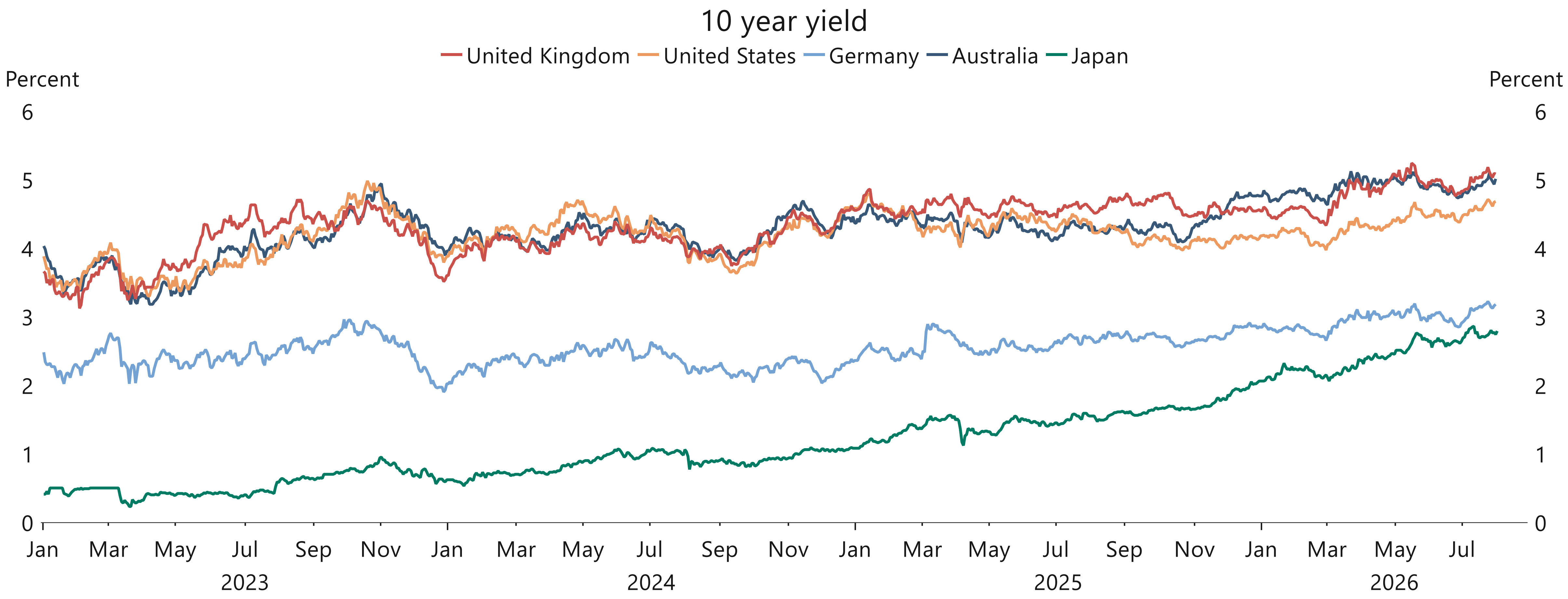
Source: <Property Source not found.>, Macrobond, Apollo Chief Economist

Yield levels rising in Japan



Source: Bloomberg, Apollo Chief Economist

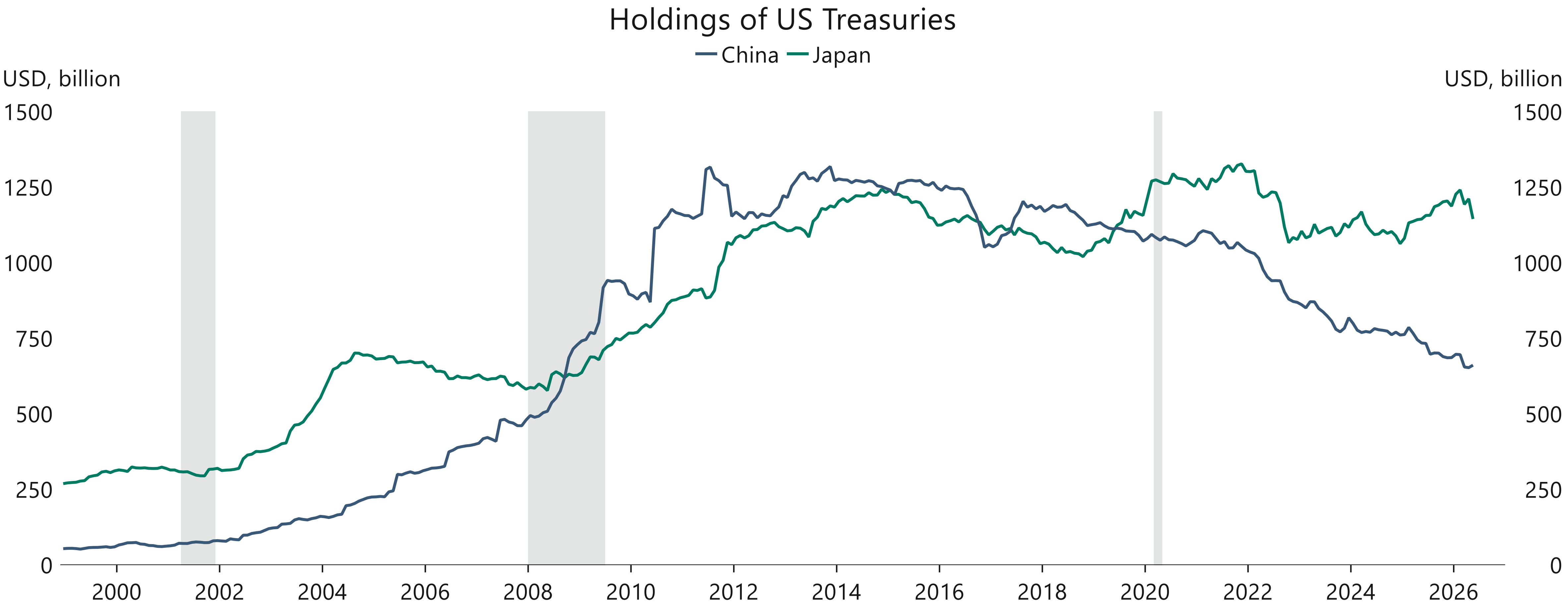
Long-term interest rising in Japan. But still low relative to the rest of the world



Source: Macrobond Financial AB, U.S. Department of Treasury, Macrobond, Apollo Chief Economist

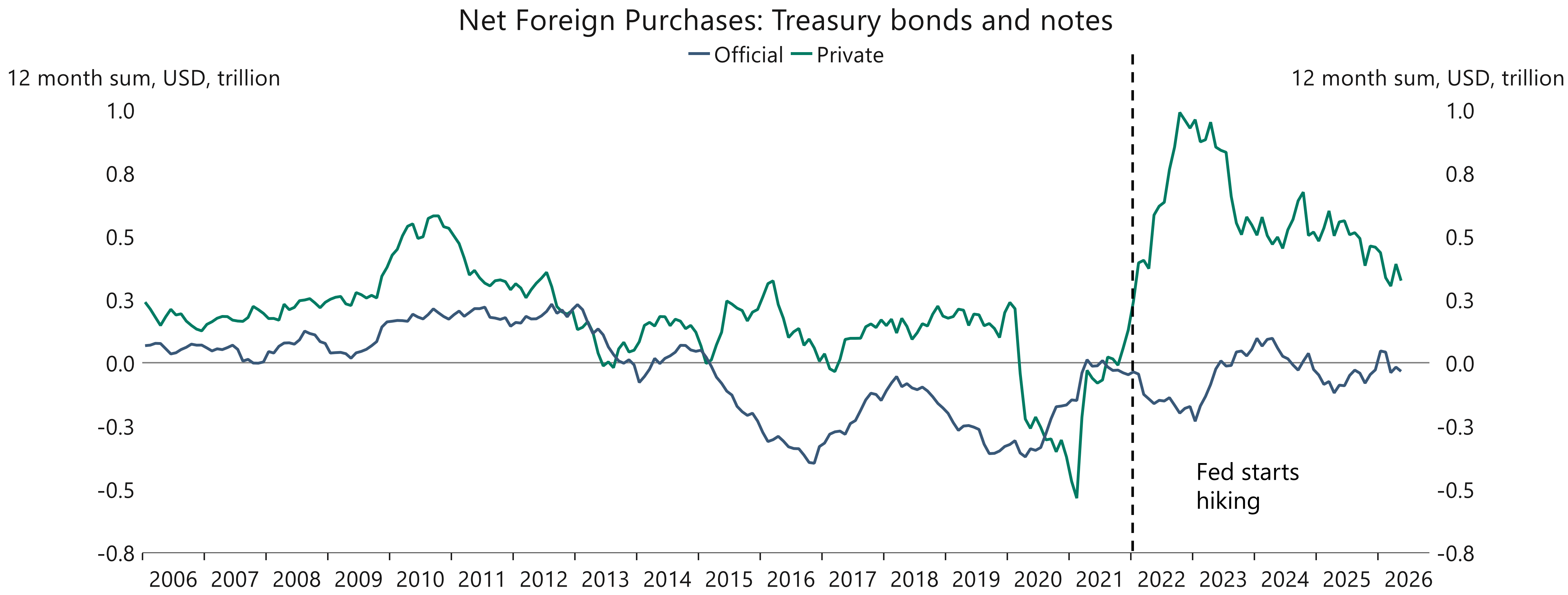
Japanese demand for US Treasuries

Japanese holdings of US Treasuries have been constant at around $1.2trn for the past decade



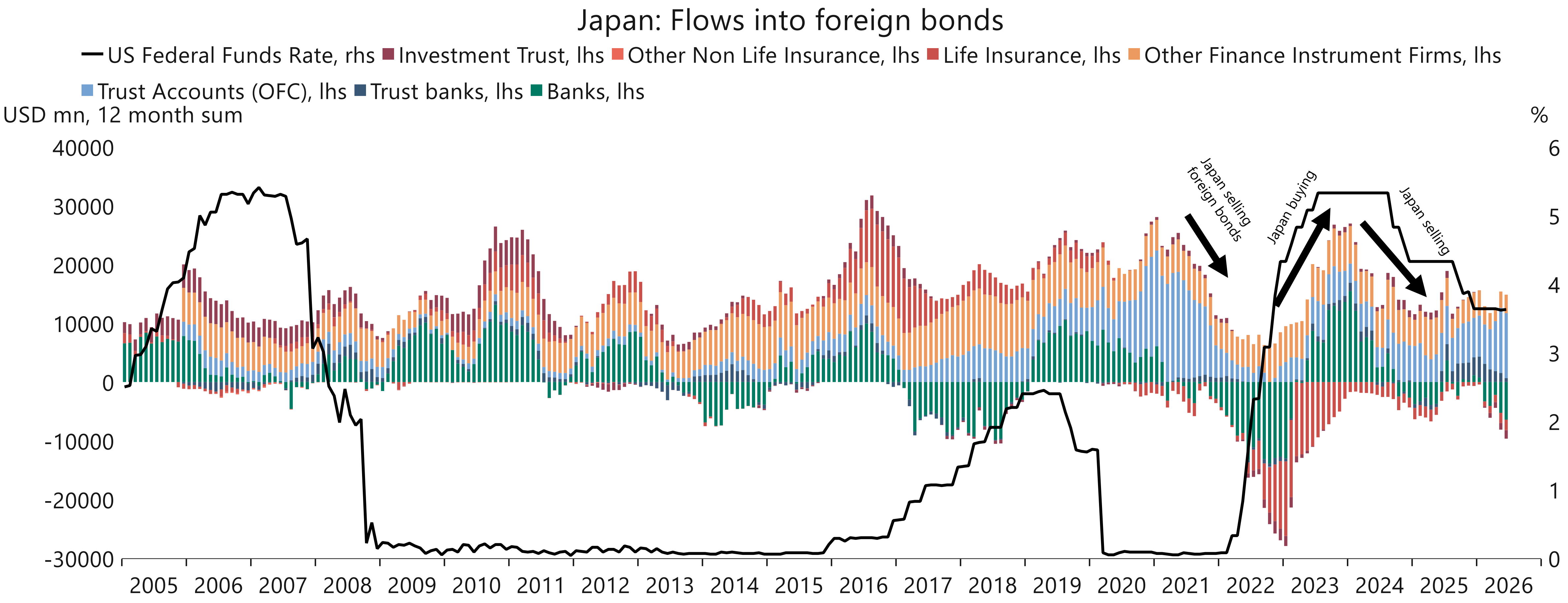
Source: U.S. Department of Treasury, Macrobond, Apollo Chief Economist

Foreign private investors started buying Treasuries when the Fed started hiking in early 2022



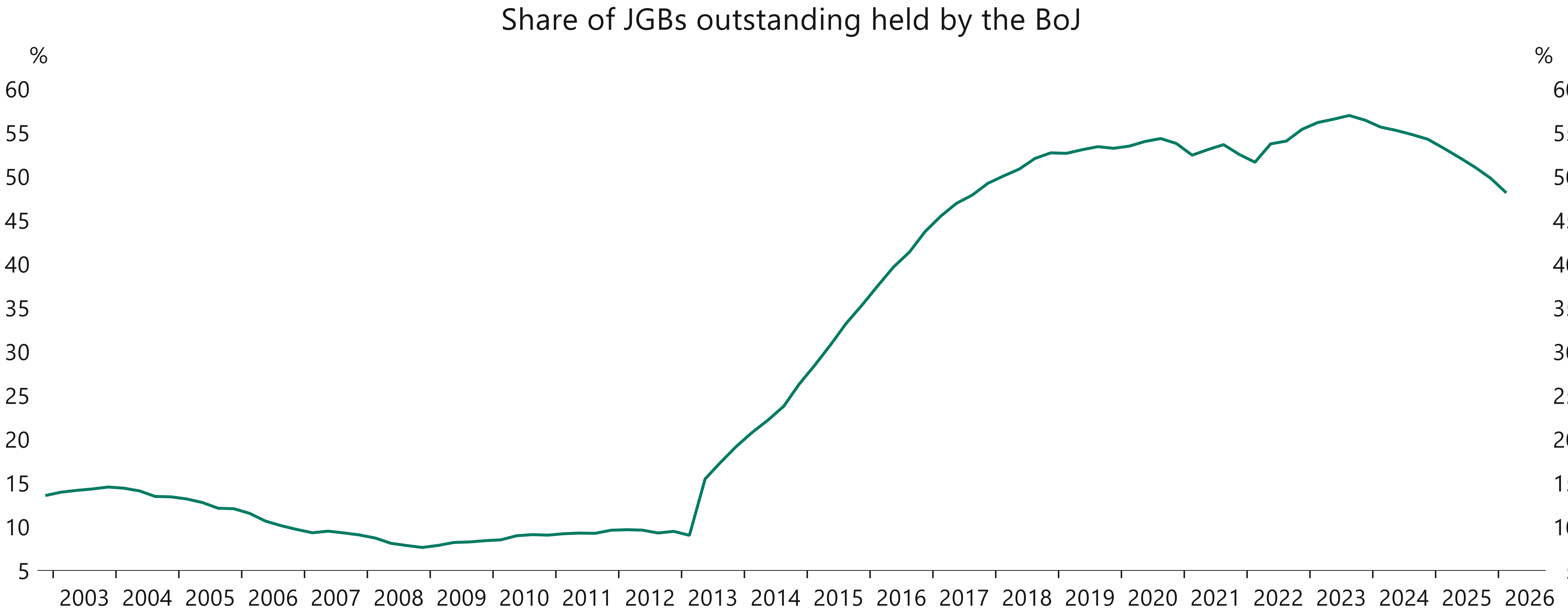
Source: U.S. Department of Treasury, Macrobond, Apollo Chief Economist

Japan: Net flows into foreign bonds are sensitive to interest rates



Source: Bloomberg, Macrobond, Apollo Chief Economist

The BoJ owns about 50% of Japanese government bonds outstanding



Source: BoJ, Bloomberg, Macrobond, Apollo Chief Economist

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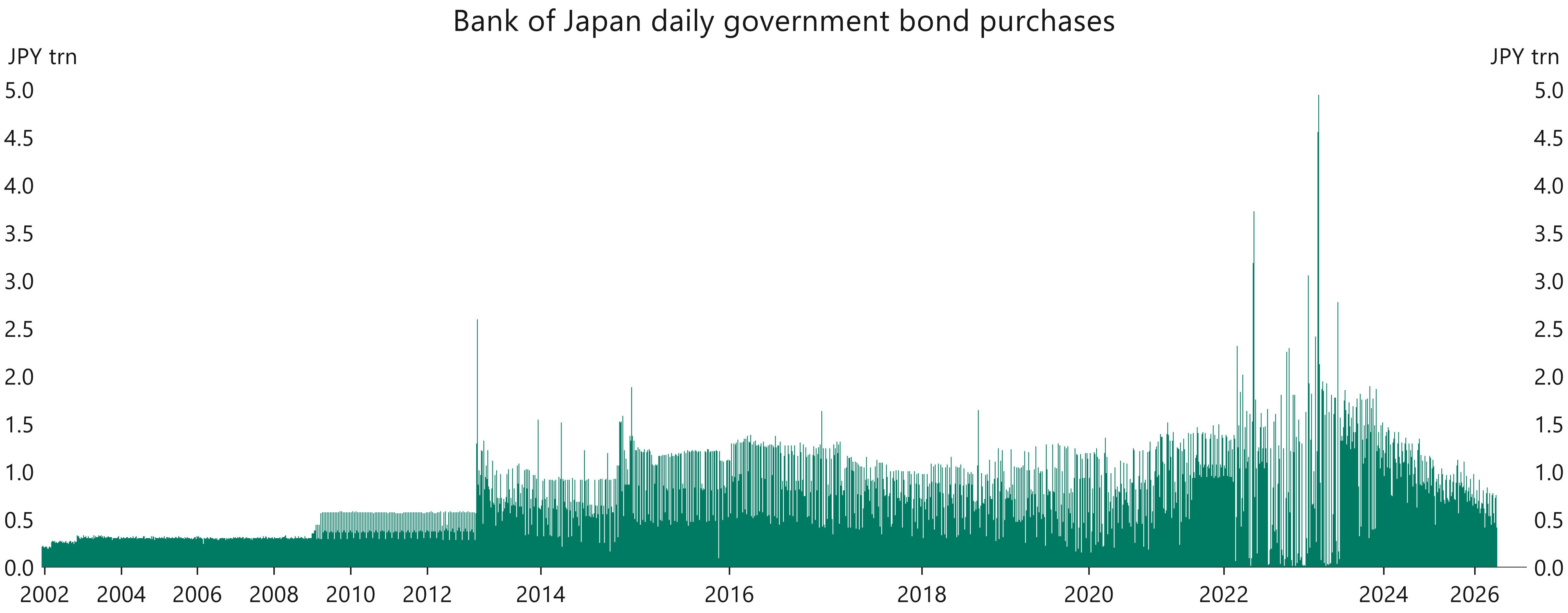
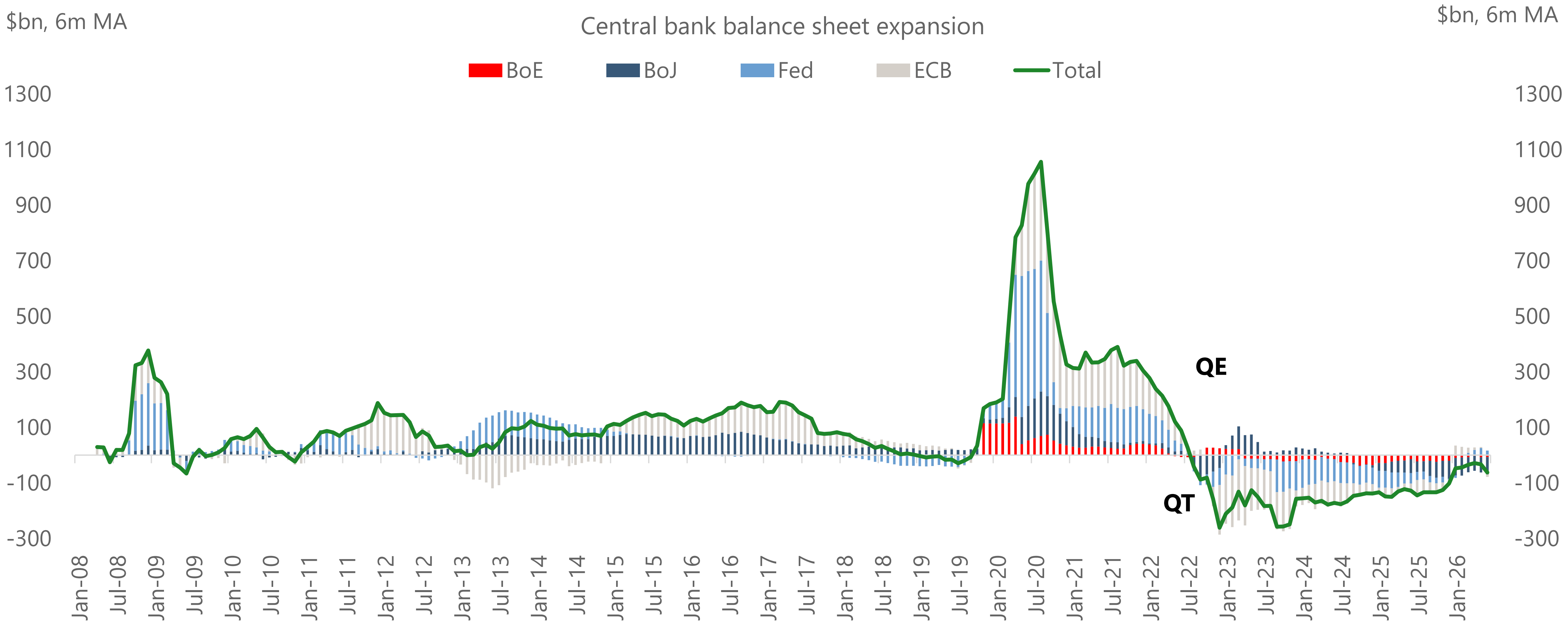
BoJ JGB purchases and holdings

BoJ: Steady buying of JGBs for more than a decade but starting to slow down



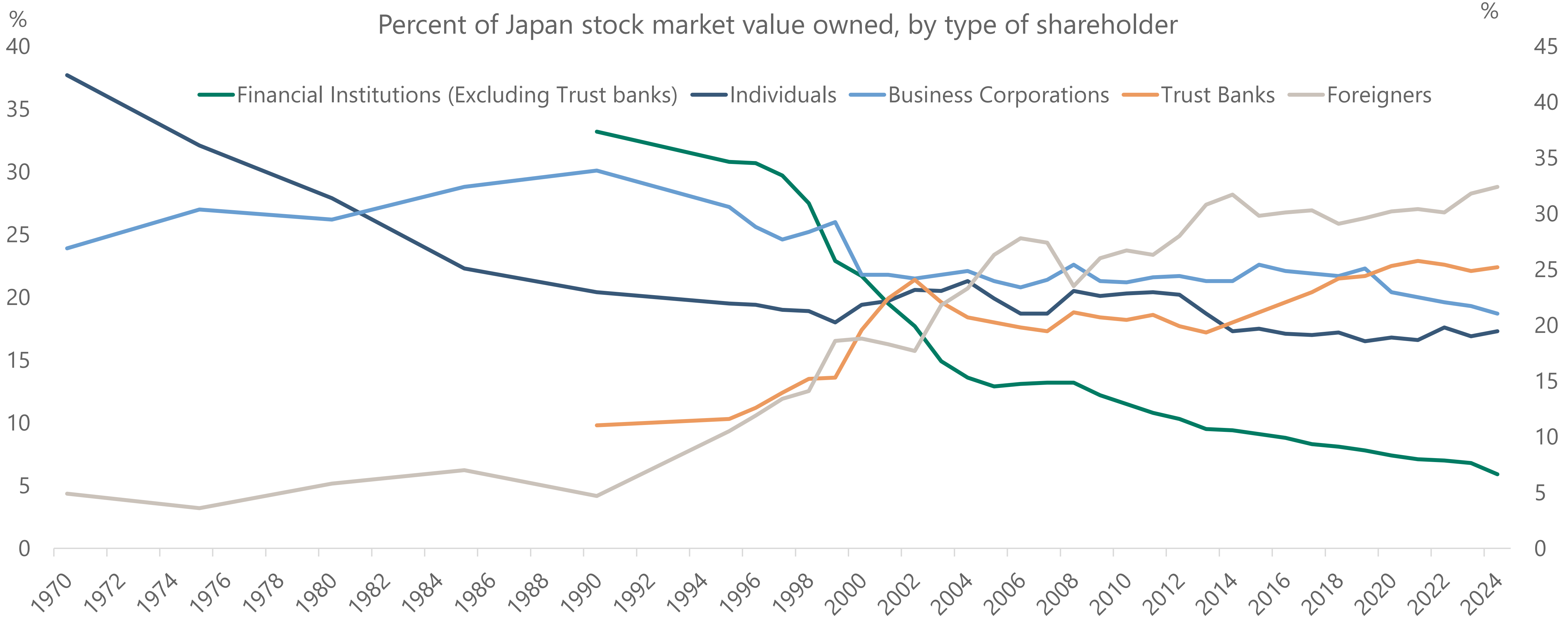
Source: Bloomberg, Macrobond, Apollo Chief Economist

G4 central bank balance sheets



Source: Bloomberg, Apollo Chief Economist

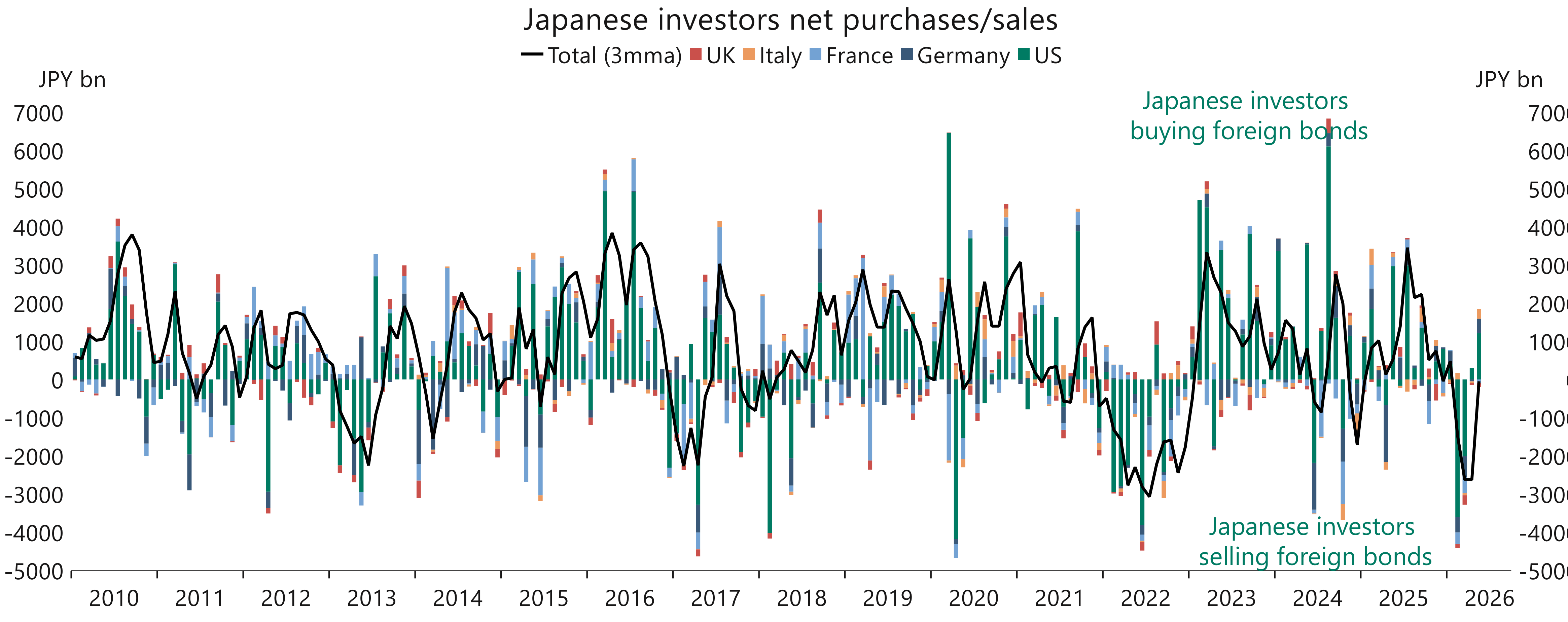
Foreigners own 33% of Japanese equities, up from 5% in 1990



Source: Tokyo Stock Exchange Shareownership Survey, Apollo Chief Economist. Note: The number of Trust Banks are included in that of City & Regional Banks in and before 1985 Survey.

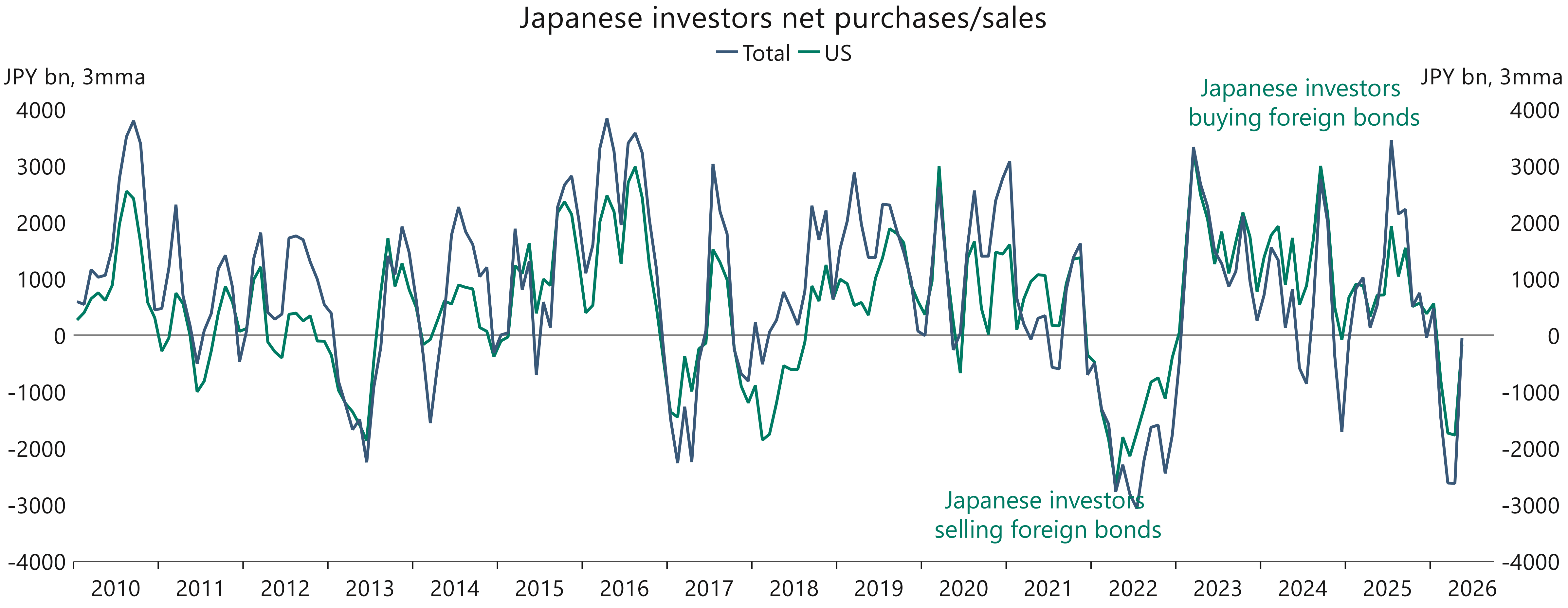
Bond flows in and out of Japan

Japanese net purchases of foreign bonds



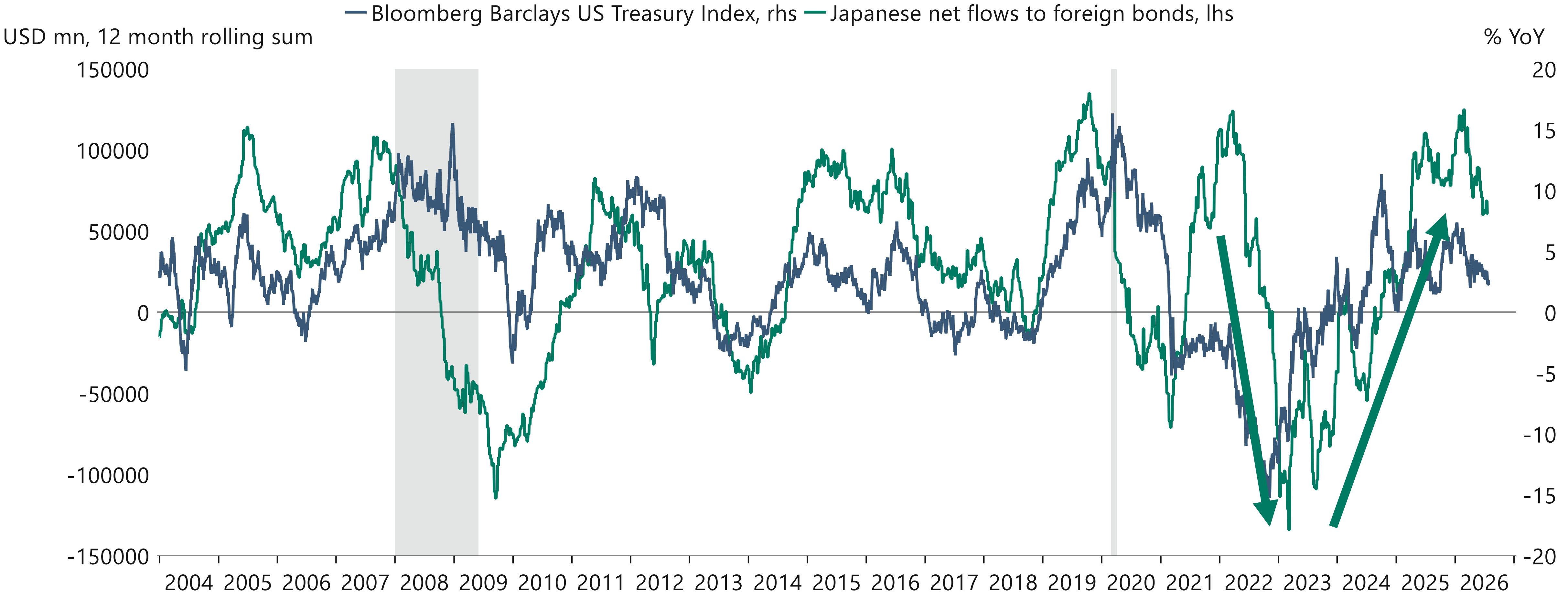
Source: Ministry of Finance Japan, Bloomberg, Macrobond, Apollo Chief Economist

Japanese investors' net purchases of US Treasuries



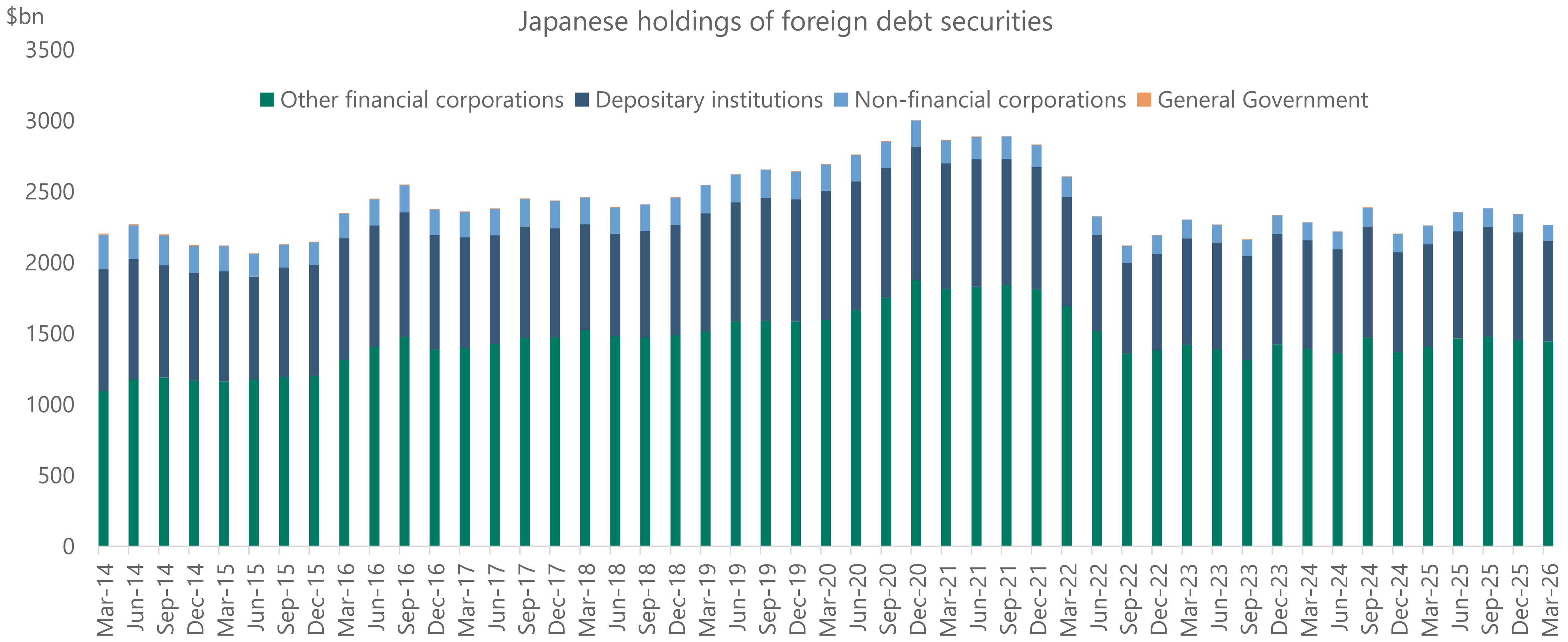
Source: Ministry of Finance Japan, Bloomberg, Macrobond, Apollo Chief Economist

Initially, when US rates went up, Japanese investors started selling foreign fixed income. But when foreign yields were higher, Japanese investors came back



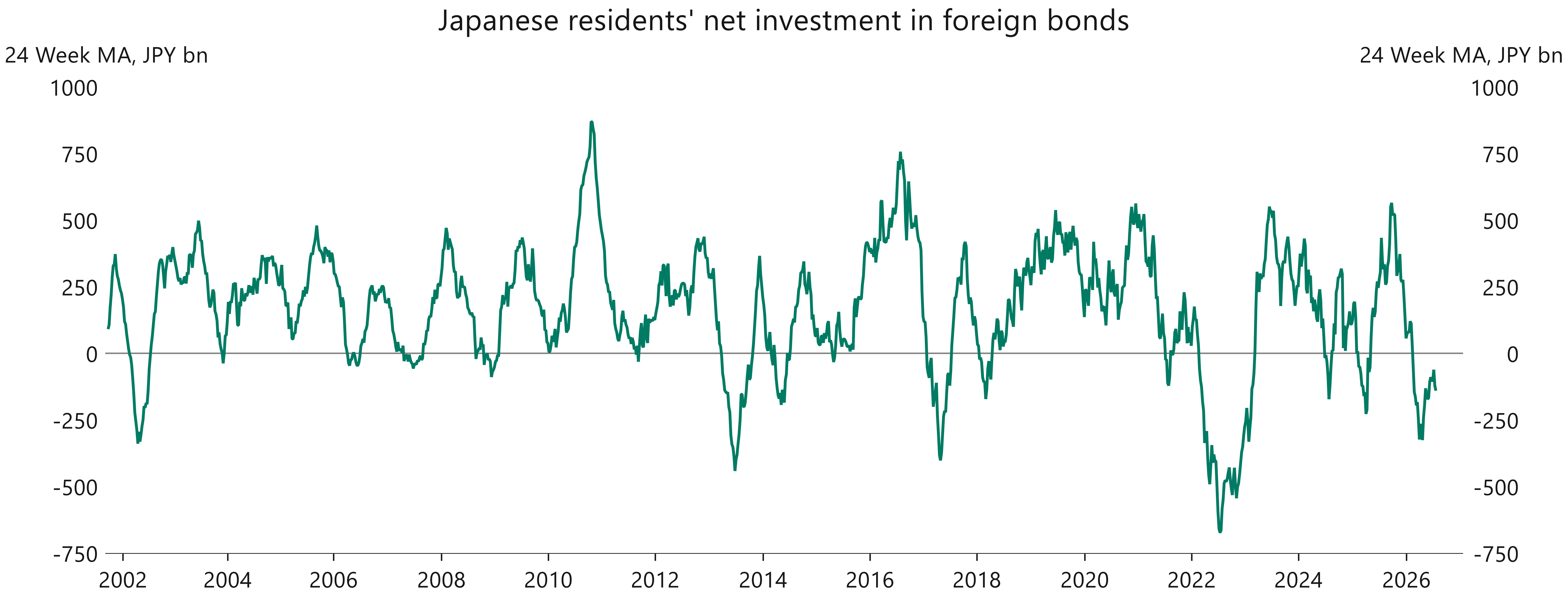
Source: Bloomberg, Macrobond, Apollo Chief Economist

Japanese banks and real money investors are main holders of foreign debt securities



Source: Ministry of Finance Japan, Bloomberg, Apollo Chief Economist

Japan net purchases of foreign bonds



Source: Bloomberg, Macrobond, Apollo Chief Economist

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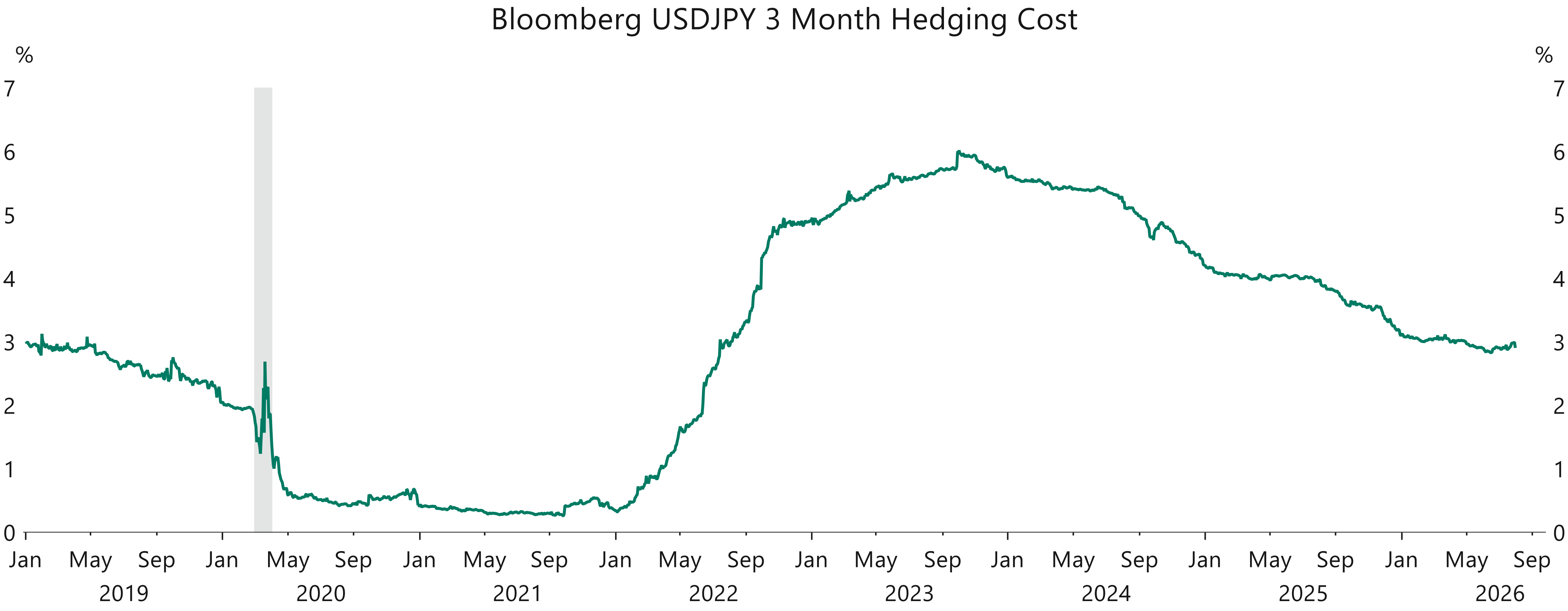
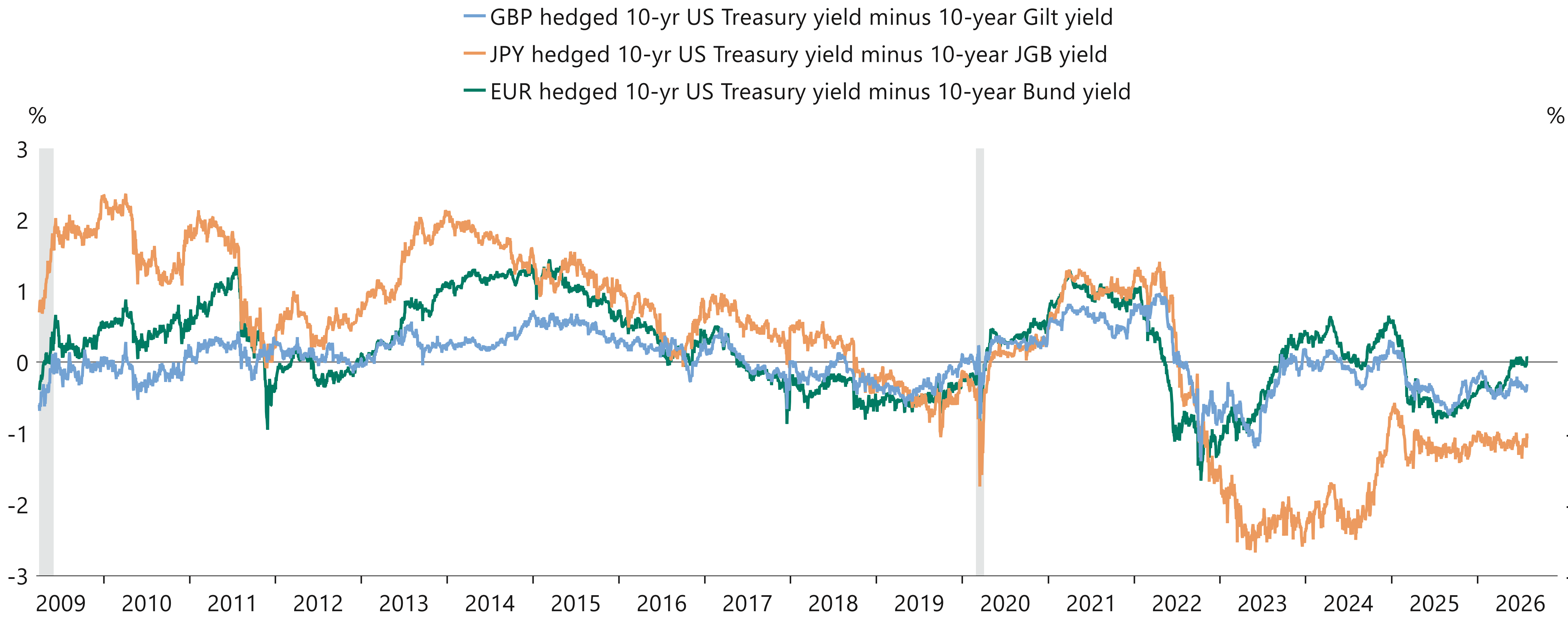
Hedging costs

Dollar-hedging costs are high for Japanese investors



Source: Bloomberg, Macrobond, Apollo Chief Economist

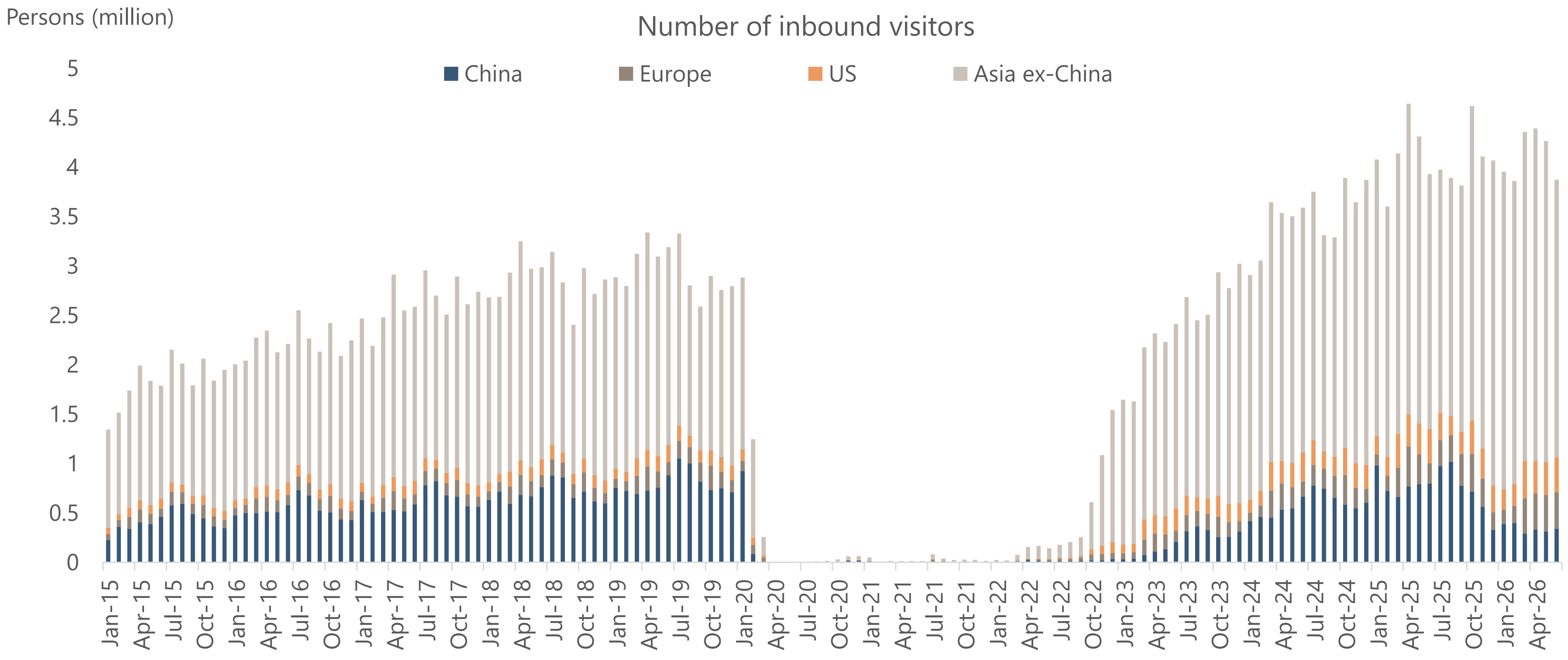
Negative returns for Japanese investors holding JPY-hedged Treasury yields



Source: Bloomberg, Macrobond, Apollo Chief Economist

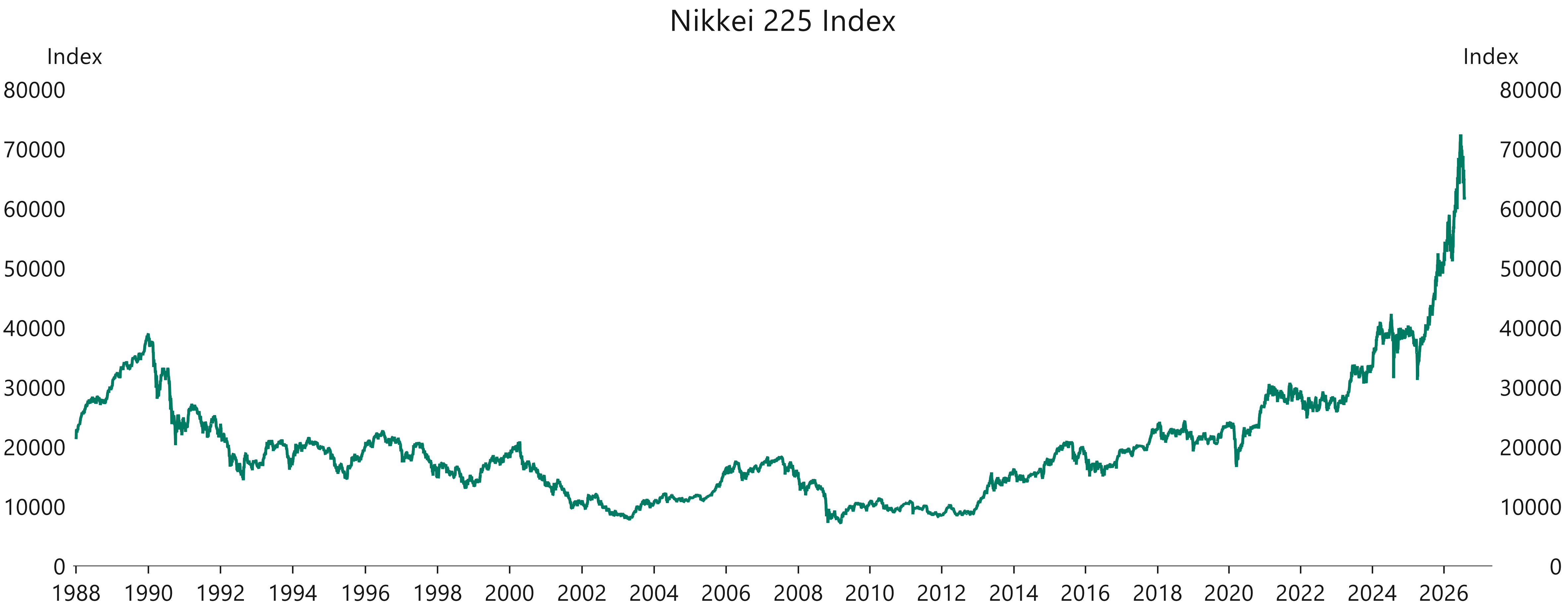
Other indicators for Japan

Tourism: International visitors coming back to Japan, partly driven by the weak yen



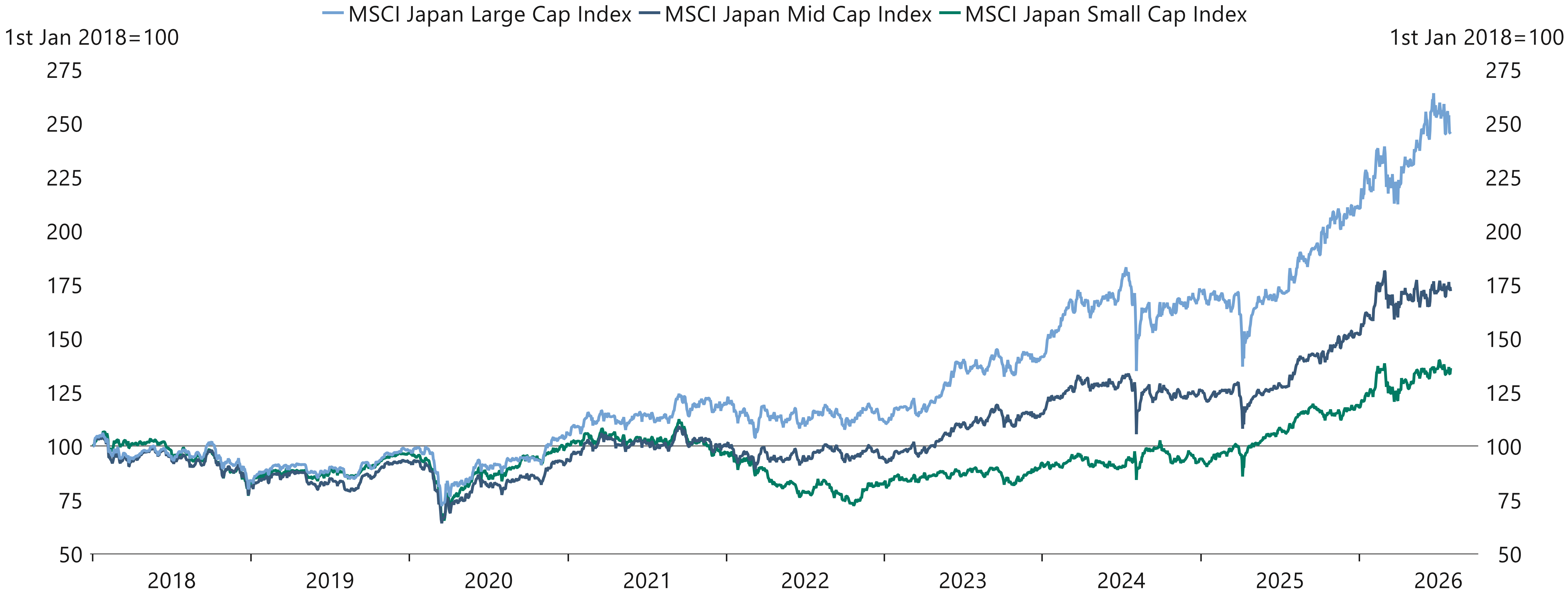
Source: Japan National Tourism Organization, Bloomberg, Apollo Chief Economist

Nikkei 225 index has increased to levels beyond what was seen in 1989



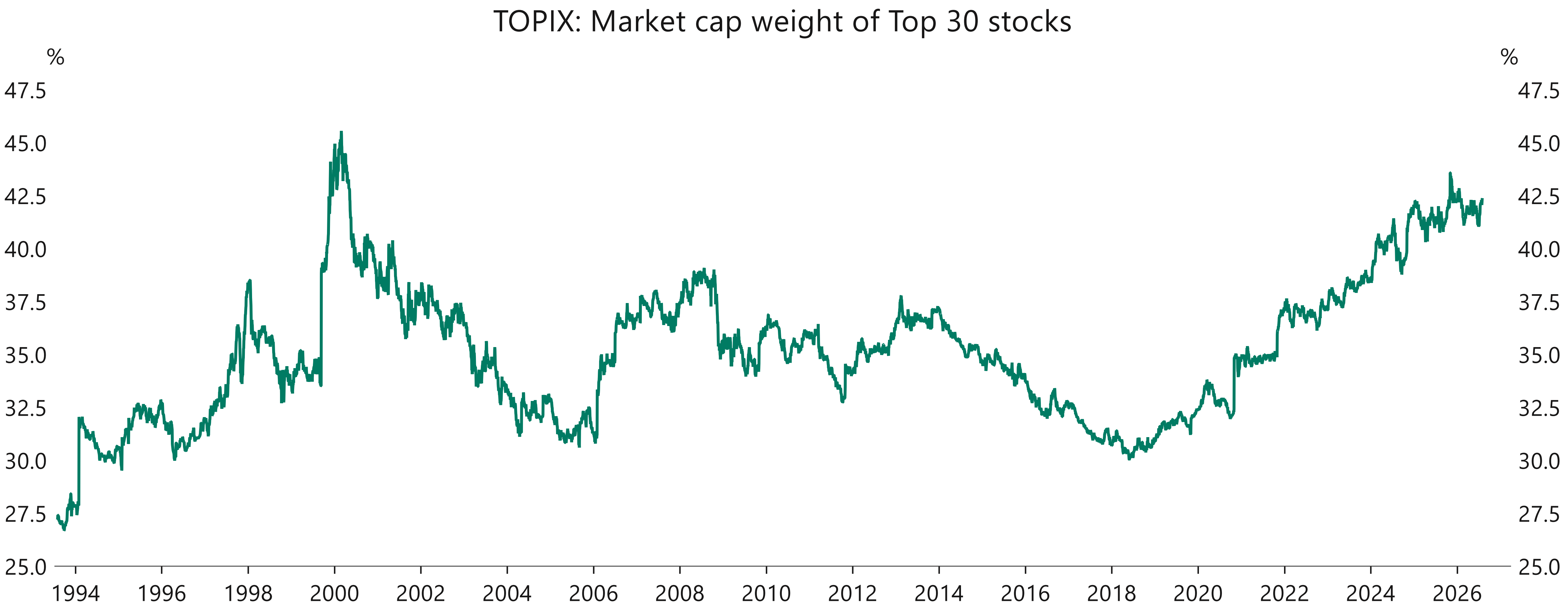
Source: Nikkei Inc., Macrobond, Apollo Chief Economist

Large cap stocks outperforming in Japan



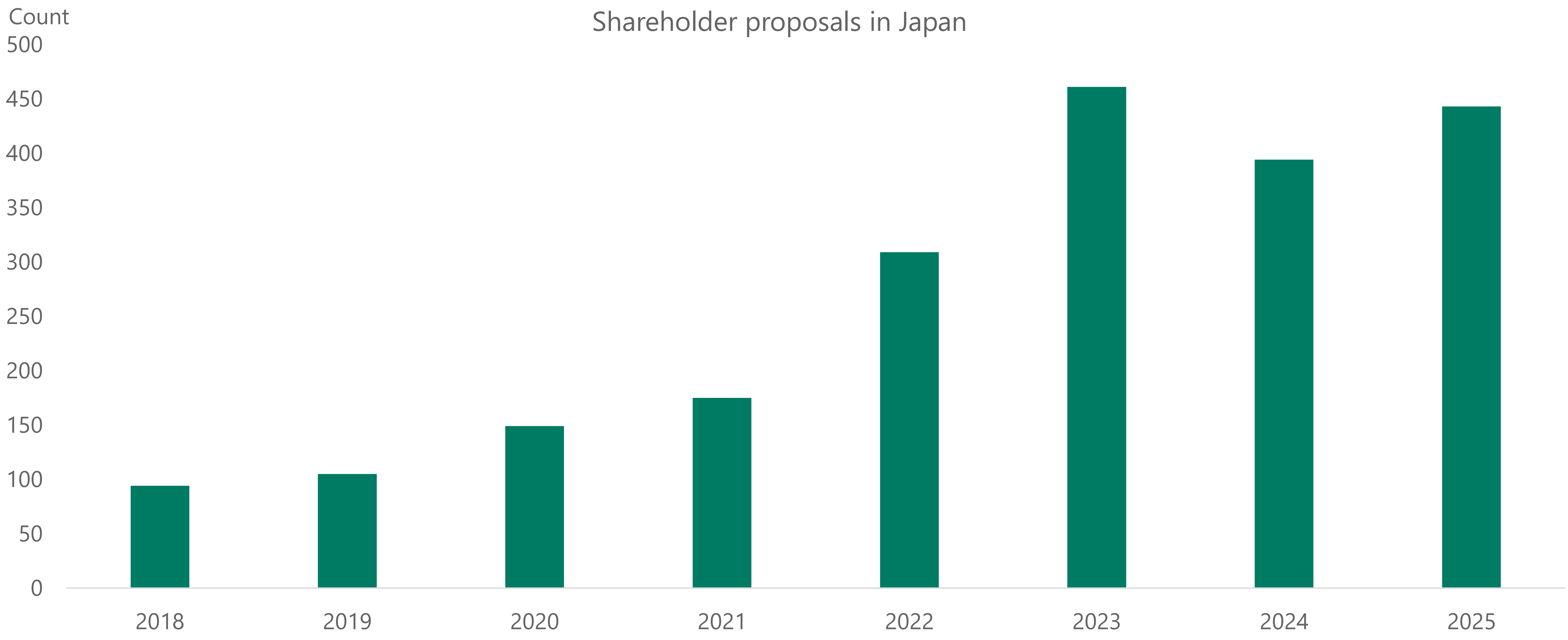
Source: Bloomberg, Macrobond, Apollo Chief Economist

Concentration in the Japanese stock market



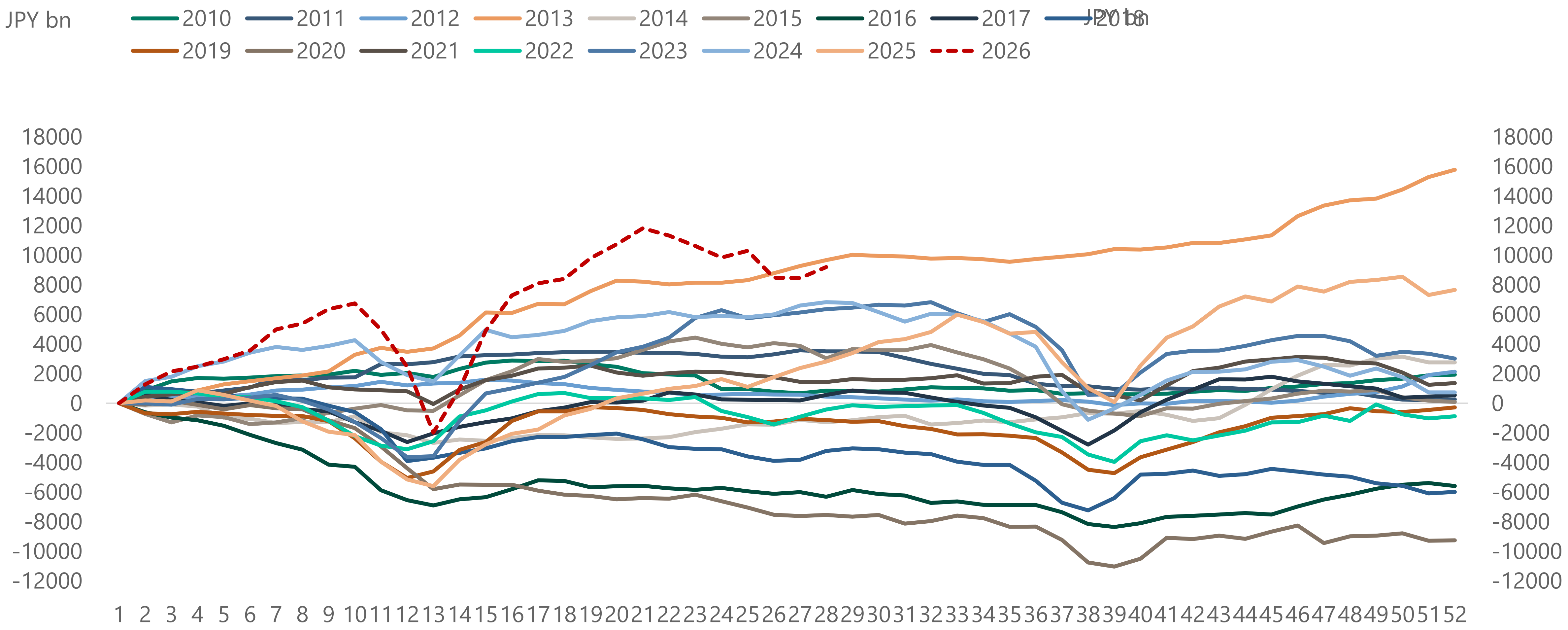
Source: Bloomberg, Macrobond, Apollo Chief Economist

Shareholder proposals have increased in Japan



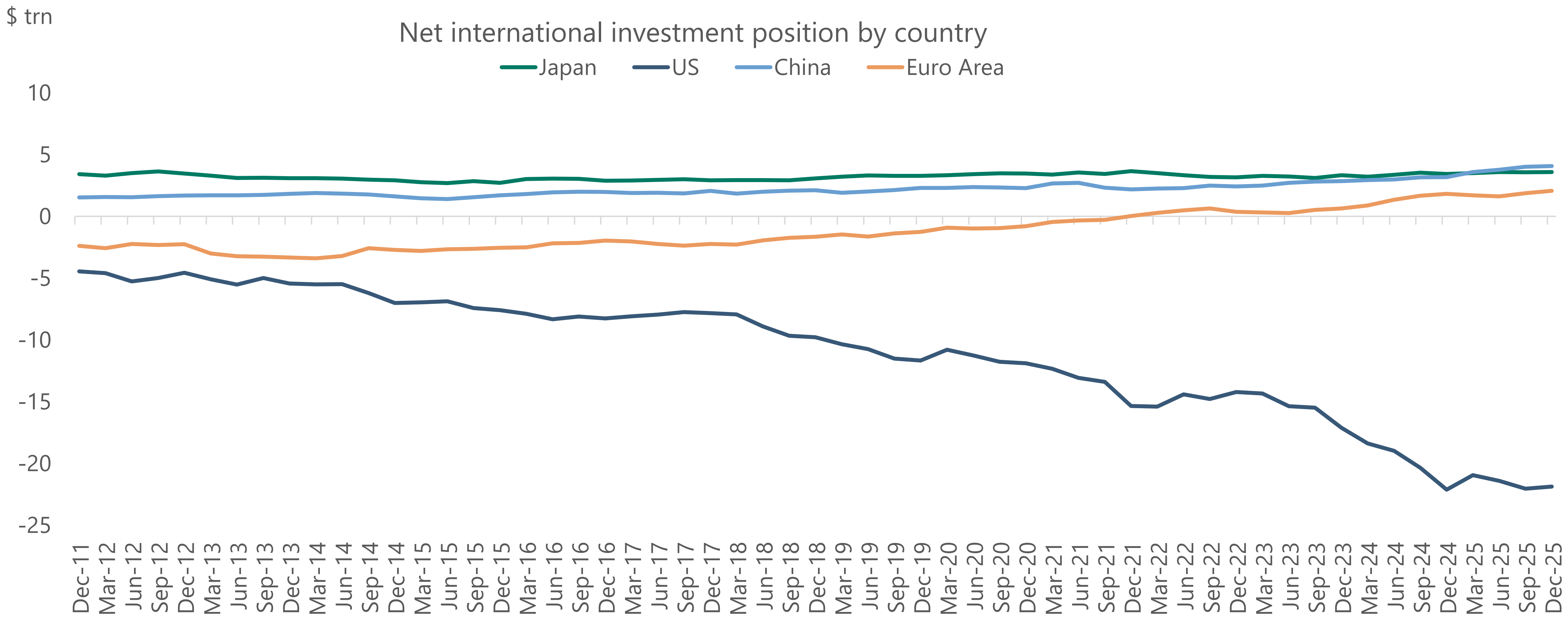
Source: Bloomberg, Apollo Chief Economist. Note: Shareholder proposals include Approve Name Change, Approve Statutory Auditor, Business Operations, Charter/Bylaw Amendment, Climate Change Risk, Decrease Authorized Stock, Director Compensation, Discharge Directors, Dividend/Profit Distribution, Elect Director, Extend Poison Pill (Shareholder Rights Plan), Methane/Greenhouse Gas Emissions, Other Auditor Related, Other Board Related, Other Capital Structure, Other Compensation, Other Governance, Remove Director, Remove Poison Pill (Shareholder Rights Plan), Share Repurchase Related proposals

Cumulative net purchases of Japanese stocks by foreigners



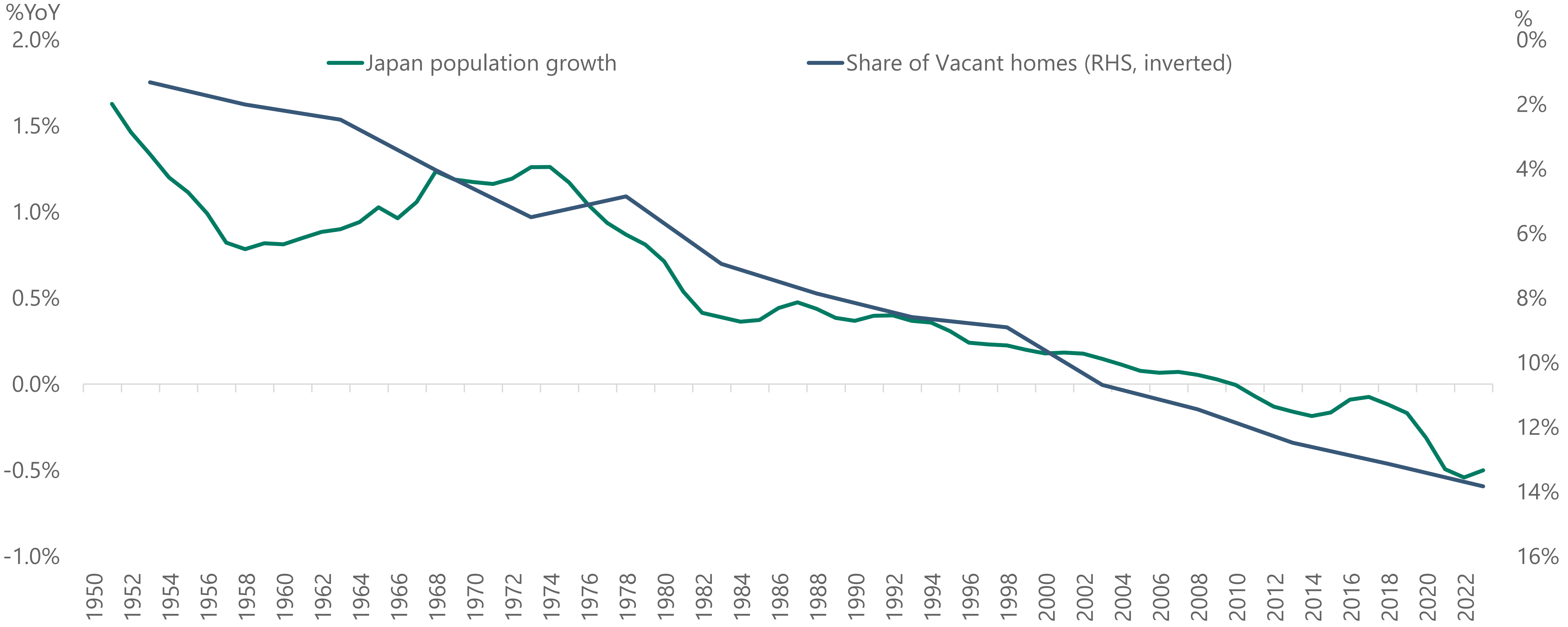
Source: Ministry of Finance Japan, Bloomberg, Apollo Chief Economist.

Japan has the largest positive NIIP in the world



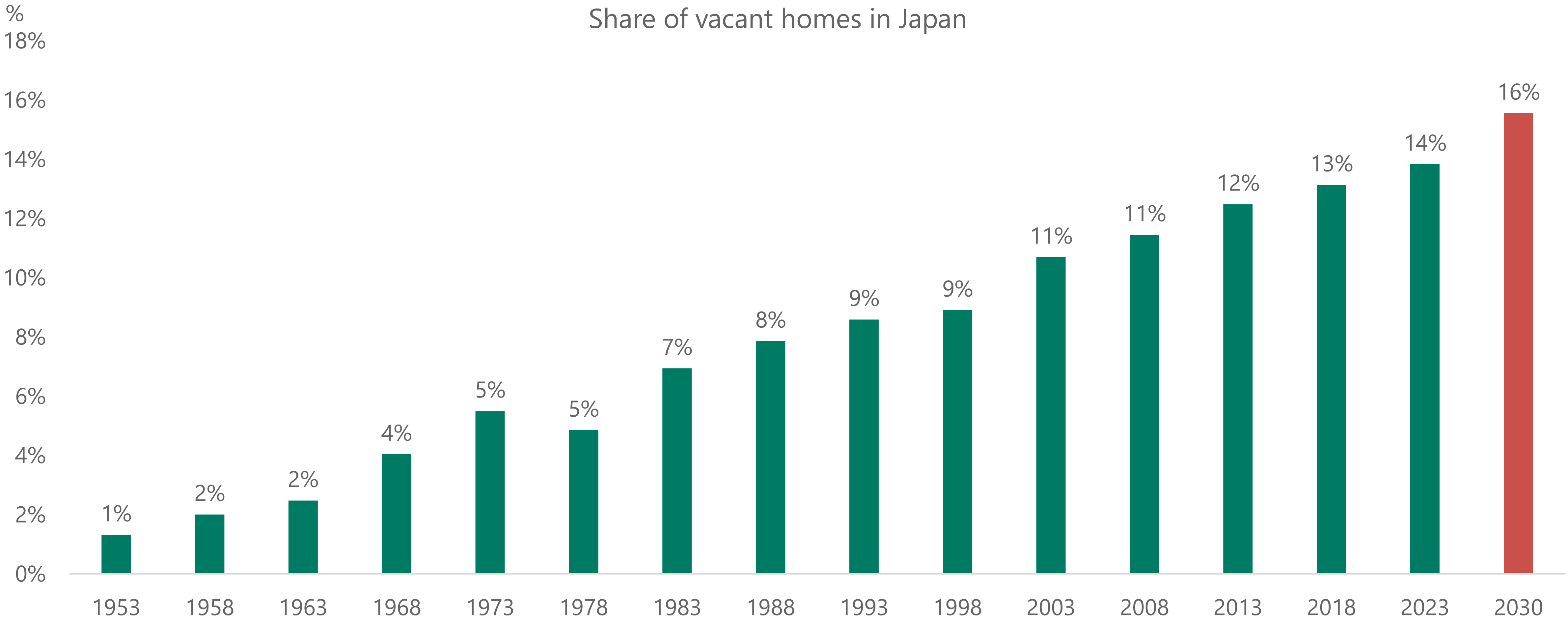
Source: The IMF, Bloomberg, Apollo Chief Economist (Data as of Q3 2024)

Declining population growth leading to a rise in share of vacant homes in Japan



Source: UN, Haver Analytics, Apollo Chief Economist

Share of vacant homes rising in Japan



Source: Japanese Ministry of Health, Labour & Welfare, United Nations Department of Economic & Social Affairs (UNDESA), Macrobond, Apollo Chief Economist. Note: 2030 forecast based on UN population growth estimates

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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D. in Economics and has studied at the University of Copenhagen and Princeton University.