

Japanese Fixed Income: Defensive Carry with Renewed Yield Appeal

Summary

- Japanese Fixed Income has repriced materially higher, restoring yield appeal across JGBs and corporate bonds.
- Lower volatility and resilient market structures continue to differentiate Japanese Fixed Income globally.

Repricing has Restored Yield Appeal

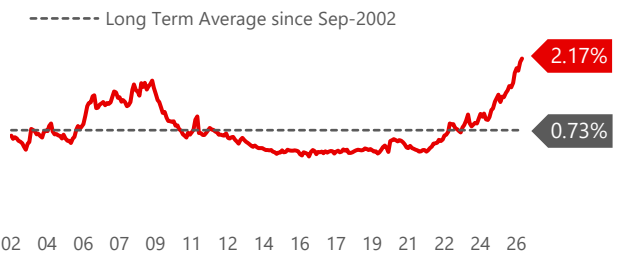
- JGB and Japanese corporate bond yields have risen well above long-term average after years of ultra-low yields.
- Higher starting yields now provide a stronger carry cushion and a more attractive entry point.

10Y JGB Yield Has Repriced Well Above Its Long-Term Average



Source: Bloomberg

Japanese Corporate Bond Yields Have Reset to Attractive Levels

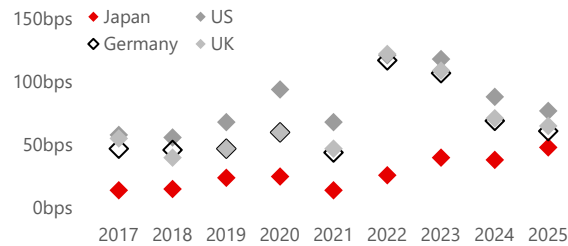


Source: Bloomberg *OAD is around 3.9yrs

Lower Volatility supports Defensive Positioning

- JGB yield volatility has remained consistently below that of major developed government bond markets.
- Japanese Corporate spread volatility has also remained lower than global peers, reinforcing its defensive profile.

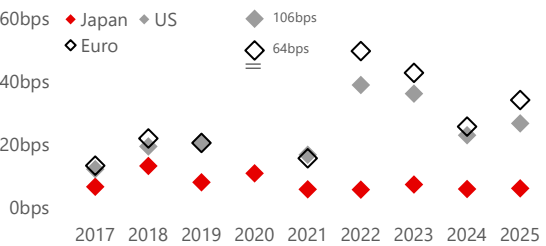
JGB Vol Remains Lower Than Global Peers



Source: Bloomberg

Note: Volatility is calculated as the annualized standard deviation of daily 10y yield changes

Japanese Corporate Spread Volatility Remains Contained



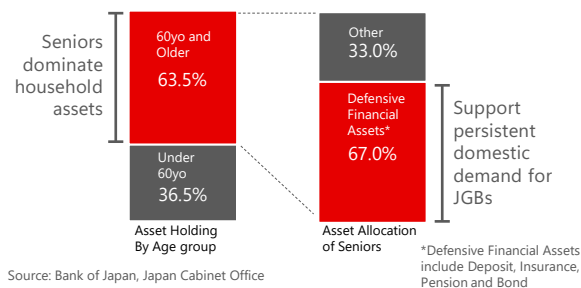
Source: Bloomberg

Note: Spread volatility is calculated as the annualized standard deviation of daily OAS changes.

Domestic Funding continues to Underpin the JGB Market

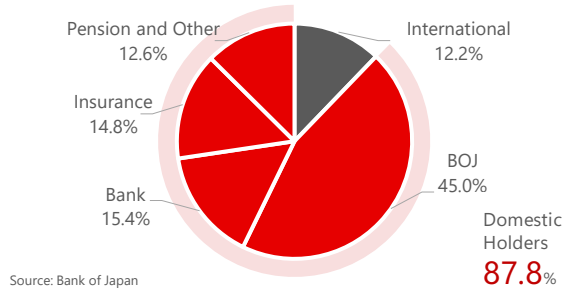
- Older households hold much of Japan's financial wealth and favour conservative, income-oriented assets.
- JGBs remain predominantly domestically funded, supporting a stable demand base for the government bond.

Older Households Favour Conservative Financial Assets



Source: Bank of Japan, Japan Cabinet Office

JGBs Continue to be Predominantly Funded Domestically



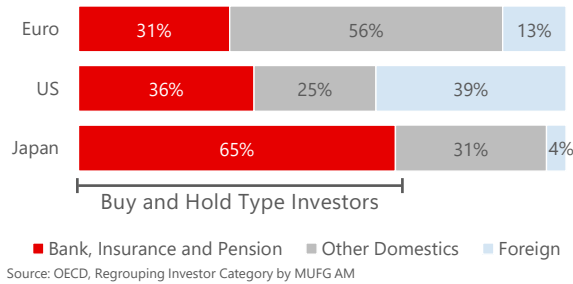
Source: Bank of Japan

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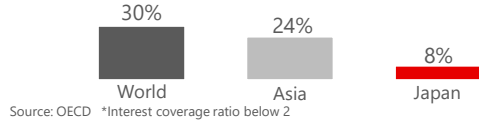
Structurally resilient Credit Market supports Japanese Corporate Bonds

- Japanese corporate bonds are largely held by domestic long-term investors, helping contain spread volatility.
- Strong interest coverage and comparatively low leverage suggest resilience against credit deterioration.

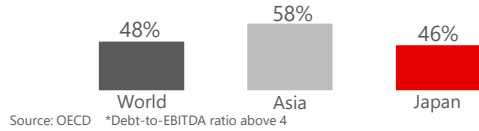
Domestic Buy-and Hold Investors Dominate the Demand



Japan Has Fewer Corporates with Weak Interest Coverage*



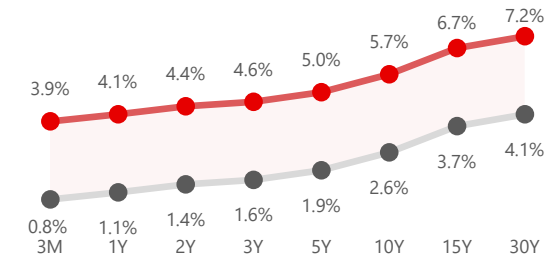
Japan Has a Lower Share of Highly Leveraged Corporates*



FX-hedged Yields enhance Global Investor Appeal

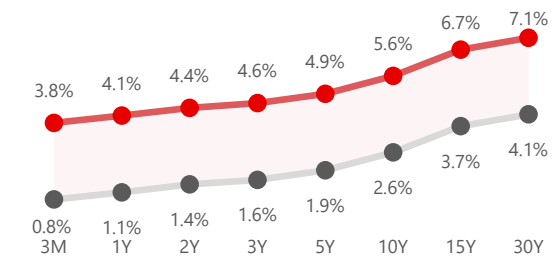
- FX-Hedged JGB yields compare favourably across investor currencies, particularly at longer maturities.
- Competitive hedged carry broadens the appeal of Japanese bonds as a defensive income allocation for global investors.

USD-Hedged JGB Yields Offer Attractive Carry



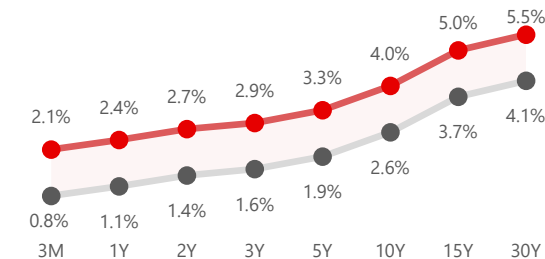
Note: Yield curves are from Bloomberg BVAL as of 5 Jun2026. FX-hedged yields are calculated using 1-month forward-implied hedge costs. Indicative yields only. Past performance is not a reliable indicator of future results.

GBP-Hedged JGB Yields Remain Competitive



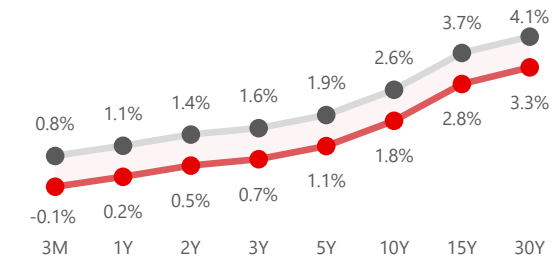
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EUR-Hedged JGB Yields Compare Favourably



Note: Yield curves are from Bloomberg BVAL as of 5 Jun2026. FX-hedged yields are calculated using 1-month forward-implied hedge costs. Indicative yields only. Past performance is not a reliable indicator of future results.

CHF-Hedged JGB Yields Offer Selective Relative Value



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