The Longevity of the Yen Carry Trade

Dr Paul S. Chertkow
Head of Global Currency Research

European Central Bank

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USD/JPY VS EUR/JPY

- USD high: 119.76 October
- USD low: 109.36 May
- EUR high: 157.12 December
- EUR low: 137.79 January

Legend:
- Red: USD/JPY
- Blue dashed: EUR/JPY (Right)
Quantitative easing ended 09.03.06

Overnight call money rate target raised 14.07.06
Parameters of Monetary Policy

• 1-2 year outlook
growth, inflation

• Longer-term outlook
growth, inflation
JAPANESE REAL GDP VS CONSUMPTION & INVESTMENT

BOJ forecast
- 2006-07: 2.4% (2.3-2.5%)
- 2007-08: 2.0% (1.9-2.4%)

- Real GDP, % annual
- Private consumption, % annual
- Business investment, % annual
JAPANESE REAL GDP VS TANKAN

Correlation: 0.75

- Real GDP, %
- Tankan survey, large manufacturers
JAPANESE CORE CONSUMER PRICES

BOJ forecast
2006-07
0.3% (0.2-0.3%)
2007-08
0.5% (0.4-0.5%)

Reference range
0-2.0%

Bank of Tokyo-Mitsubishi UFJ
JAPANESE MONTHLY FOREIGN BOND PURCHASES

Net JPY 100mn

1/05 4/05 7/05 10/05 1/06 4/06 7/06 10/06 1/07

Net Purchases

Net Sales

Bank of Tokyo-Mitsubishi UFJ
FOREIGN BOND PURCHASES BY JAPAN LIFE INSURERS
FOREIGN BOND PURCHASES BY JAPANESE INVESTMENT TRUSTS AND SECURITIES COMPANIES

Net Purchases

Net JPY 100mn

Bank of Tokyo-Mitsubishi UFJ
FOREIGN CURRENCY CONTENT OF JAPANESE INVESTMENT TRUST FUNDS

- Investment trust funds, JPY 100 mn
- Foreign currency %
FOREIGN CURRENCY COMPOSITION OF JAPANESE INVESTMENT TRUST FUNDS

- Euro: 24%
- Australia: 11%
- US: 9%
- UK: 6%
- Canada: 5%
- Hong Kong: 3%
- New Zealand: 2%
- Other: 6%
**TOKYO FX MARGIN MARKET**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
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<tbody>
<tr>
<td>Estimation of turnover</td>
<td>USD 7.5 - 10.0 bn per day</td>
</tr>
<tr>
<td>Tokyo market turnover (April 2006 survey)</td>
<td>USD 66.1 bn per day spot</td>
</tr>
<tr>
<td>Market share of margin money</td>
<td>7.0 - 13.0%</td>
</tr>
<tr>
<td>Outstanding margin money</td>
<td>USD 5.0 bn</td>
</tr>
<tr>
<td>Number of accounts</td>
<td>600,000</td>
</tr>
<tr>
<td>Average leverage</td>
<td>20 X</td>
</tr>
<tr>
<td>Spread</td>
<td>3 - 5 pips (USD/JPY)</td>
</tr>
<tr>
<td>Fee</td>
<td>JPY 2000 - 5000 for USD/JPY 100,000</td>
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