【Fixed Income Commentary - Japan Economic & Financial Weekly】

Three hypotheses for recent decline in 10-year JGB yield and outlook ahead

(original Japanese report issued on October 23, 2026)

JGB market outlook for October 26-30: Three hypotheses for recent decline in 10-year JGB yield

The 10-year JGB yield could reverse higher in the week of October 26 if global risk aversion eases, depending on developments in AI-related equities, the situation in the Middle East, and French government bonds. On the other hand, it could fall further if investors grow more risk-averse. The 10-year yield had already dropped to 2.755% at the time of this writing, and a return to stability in overseas equity markets on Friday evening JST (October 23) could prompt a rebound early this week. But with the US midterm elections coming up on November 3 and the outcome difficult to predict, risk aversion is likely to persist even though there may be some temporary reversals. An acceleration of stock market declines or gains in the yen could also fuel expectations of a delay in BoJ rate hikes and a lower terminal rate (see “BoJ watch” section below for a preview of the October Monetary Policy Meeting).

In the previous *Japan Economic & Financial Weekly* (“Will Takaichi administration’s rejection of reflationary stance help reduce risk premia?”), we wrote that “The Takaichi administration’s repeated rejection of reflationary policies may be helping to stabilize long- and super-long-term JGB yields by easing concerns about the BoJ falling behind the curve.” We also noted that “These developments could help compress the risk premia embedded in the long- and super-long-term sectors by easing concerns about the BoJ falling behind the curve. Although market participants are likely to remain skeptical of the administration’s true intentions, we think a temporary truce is possible until the government’s FY27 budget proposal and JGB issuance plan are unveiled.” Over the course of the week, concerns about the outlook for AI-related equities helped drive further declines in bond yields.

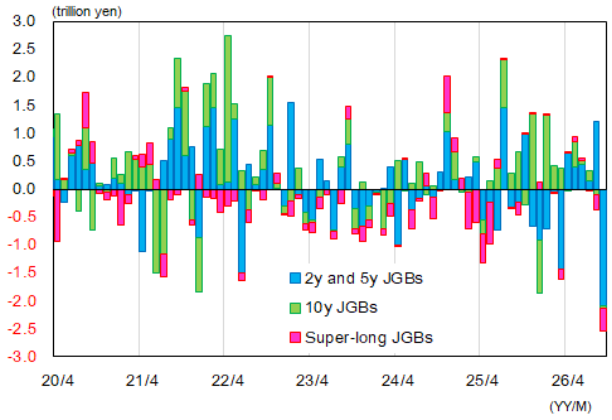
We offer the following hypotheses for the recent decline in yields. First, as noted above, Prime Minister Sanae Takaichi’s rejection of reflationary policies in the Diet and declaration of respect for the central bank’s autonomy have lowered the political hurdle for BoJ rate hikes, at least for the time being. This appears to have reduced the risk premia priced into long- and super-long-term yields by easing concerns that the Bank will fall behind the curve. At his press conference after the September 18 MPM, Governor Kazuo Ueda himself remarked that “interest rate conditions, particularly in the long- and super-long sectors, have tightened considerably” (translated by MUMSS). It would therefore be unsurprising if investors saw long- and super-long-term bonds, with their clearly positive real yields, as being attractively priced.

Second, we think the market may be preparing for a risk scenario. The so-called CoreWeave shock has prompted investors to consider the possibility of a correction in risk asset prices, and particularly in AI-related equities. Although it is impossible to predict market developments, the Oct-Dec quarter, which marks the fiscal year-end for many US and European institutional investors, is often

characterized by increased position adjustments and reduced liquidity. With so many uncertainties this year, including the US midterm elections, the events in the Middle East, and French fiscal and political developments, it would not be surprising to see stronger hedging-related demand for government bonds (with the exception of French OATs) as investors seek safe assets.

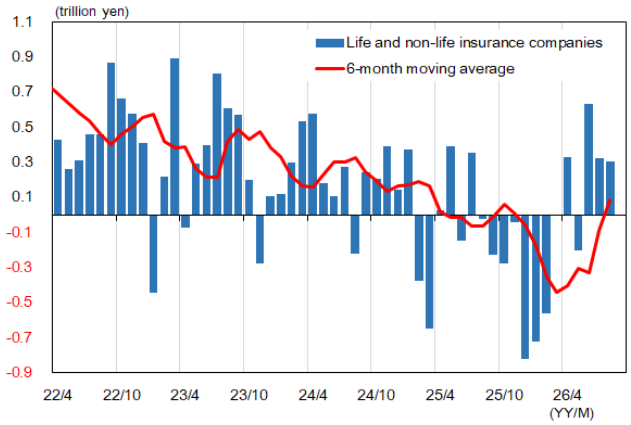
Third, domestic investors may be rebuilding their holdings of JGBs. September JGB trading data released on October 20 attracted attention because they showed city banks turning net sellers of coupon-bearing JGBs to the tune of JPY2.54 trillion (Graph 1). Their net sales of medium-term JGBs totaled just over JPY2.08 trillion, the largest figure since April 2016, and they were also net sellers of long- and super-long-term JGBs to the tune of JPY44.0 billion and JPY415.8 billion, respectively. Although the reasons for these sales are unclear, they may reflect position adjustments related to the 1H book-closing, in which case there could be scope for these banks to rebuild their holdings. Meanwhile, life and nonlife insurers were net buyers of coupon-bearing JGBs to the tune of JPY754.6 billion, marking a seventh consecutive month of net purchases. Purchases in the key super-long-term sector exceeded sales for a fourth straight month, with net purchases amounting to JPY532.0 billion (Graph 2). Insurers appear to be continuing to dispose of low-coupon bonds purchased in the past, and the volume of new investment seems to be gradually increasing.

Graph 1: JGB net trading by city banks



Source: MUMSS, from Japan Securities Dealers Association

Graph 2: Super-long JGB net trading by insurers



Source: MUMSS, from Japan Securities Dealers Association

The 10-year JGB yield fell to 2.755% in the morning session on Friday (October 23). We had forecast a trading range of 2.85% - 3.40% for the Oct-Dec quarter (closing-yield basis), and the 10-year yield has now fallen below the lower bound. We projected the 10-year yield would put in a top in the current quarter and see room for both long- and super-long-term yields to move lower in FY27 as the end of the current hiking cycle comes into view. While a peak in yields before year-end would be consistent with our outlook, the speed of the decline in yields has exceeded our expectations, and we plan to consider revising our forecasts in the next issue of this report.

Forecast range (intraday basis): 10-year JGB yield: 2.700%–2.900%

30-year JGB yield: 3.700%–3.950%

Key events

Key events

The Ministry of Finance plans to offer JPY2.8 trillion in 2-year JGBs on October 29 and will also hold a JPY250 billion liquidity enhancement auction for bonds maturing in 11-39 years on October 27. We anticipate satisfactory to somewhat weak results for the 2-year auction. The risk-averse mood in global markets should be supportive, while the sharp decline in yields could weigh on demand. Bidders may also grow more cautious ahead of the announcement of the BoJ's policy decision on October 30.

The Bank of Japan has three bond-buying operations scheduled on October 28. It will target JGBs coming due in 3-5 years (JPY290 billion) and 5-10 years (JPY305 billion) along with index-linked JGBs (JPY30 billion).

The BoJ will release the Services Producer Price Index for September on October 27 along with the Indicators for Core CPI. The Bank will hold its next Monetary Policy Meeting on October 29-30. The second day of the meeting will bring the release of the decision and the October Outlook Report, followed by Governor Ueda's scheduled press conference. The BoJ will also publish its November schedule for bond purchases that day.

The Nikkei QUICK-compiled consensus as of 8:00am JST on October 23 was that the Tokyo CPI report for October (Oct 30) would show the headline index rising 2.8% YoY (up from 2.7% in September), with the core index gaining 2.6% YoY (down from 2.7% in the previous month). Although institutional factors, including summer discounts on water charges, are likely to temper the pick-up in inflation, price increases for daily necessities and consumer electronics are expected to accelerate on surging semiconductor prices and higher energy prices due to escalating tensions in the Middle East. Reduced subsidies for electricity and gas bills are also likely to boost core inflation figures.

In the US, the Federal Open Market Committee (FOMC) will meet on October 27-28. We expect it to leave the target range for the Fed's policy rate on hold at 3.75% - 4.00%.

We also project the ECB Governing Council will leave its policy rate (the deposit facility rate) steady at 2.50% when it meets on October 29.

In upcoming US data, the Bloomberg-compiled consensus as of 8:00am JST on October 23 was that September durable goods orders (Oct 27) would rise 1.4% MoM. Economists expect the Conference Board's October Consumer Confidence Index (Oct 27) to slip 1.5pt MoM to a reading of 80.4, while new home sales in September (Oct 27) are projected to fall 6.4% MoM to an annualized rate of 650,000 units. Preliminary GDP data (Oct 29) are forecast to show real GDP growing by 3.0% QoQ (annualized) in Jul-Sep, up from a gain of 2.2% in the previous quarter. The core PCE price index for Jul-Sep (Oct 29) is seen rising 2.4% QoQ (annualized), down from a 3.3% increase in Apr-Jun. Finally, the labor cost index for Jul-Sep (Oct 30) is projected to edge up 0.8% QoQ, off slightly from a 0.9% gain in the preceding quarter.

BoJ watch: Bank seen keeping policy rate steady at October meeting

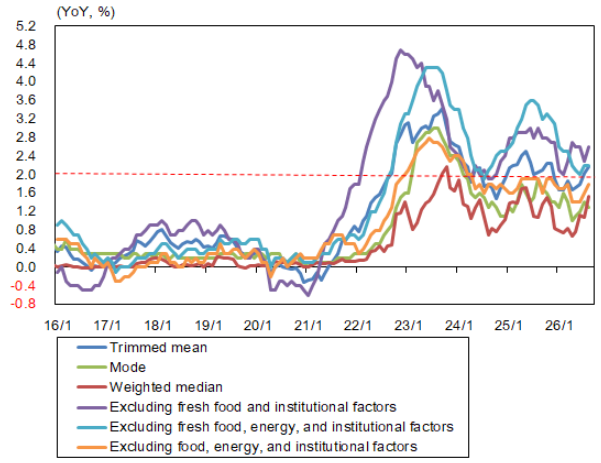
The BoJ will hold its next MPM on October 29-30 and release the October Outlook Report (Outlook for Economic Activity and Prices) along with the official statement for the meeting. We expect the Bank to keep the policy rate steady at 1.25%. Although it raised rates in June and September this year and continues to signal further hikes, most Policy Board members are likely to conclude that economic

activity and prices remain on track with the Bank's baseline scenario and that upside risks to prices have not increased further. We expect an 8-1 vote to leave policy on hold, with the most hawkish member, Hajime Takata, likely to dissent in favor of back-to-back hikes.

Underlying inflation finally reaches level "consistent" with 2% target 13 years after Joint Statement

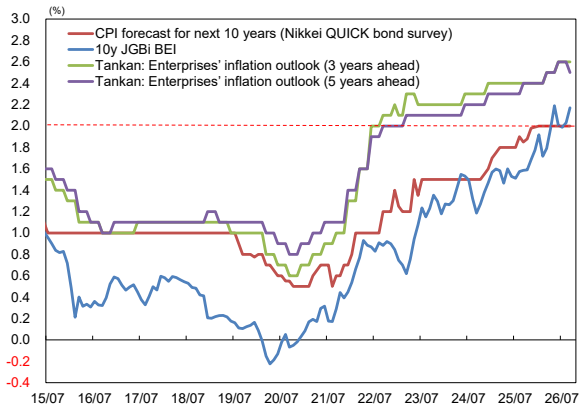
There are a number of key points to watch at the October MPM. First, several media outlets have claimed the Outlook Report will state that the underlying rate of consumer price inflation ("underlying inflation") is broadly consistent with the Bank's 2% price stability target. In the April Outlook Report, the BoJ concluded that "underlying CPI inflation is approaching 2%" and presented a baseline scenario in which it would "[come] to a level that is generally consistent with the price stability target between the second half of fiscal 2026 and fiscal 2027." The Bank's Indicators for Core CPI are generally converging toward around 2% (Graph 3), and indicators of medium- to long-term inflation expectations are also around or above 2% (Graph 4). Assuming productivity growth of approximately 1%, wage growth on the order of 3% will be needed to achieve 2% inflation sustainably, and growth in scheduled cash earnings at firms watched for at least a year is approaching that level. We would therefore see no inconsistency in a BoJ assessment that "underlying inflation is at a level consistent with the price stability target." Simply touching the inflation target once is not enough, but it is nevertheless significant that the 2% target set out in the Joint Statement by the government and the BoJ in January 2013 has finally been achieved 13 years later.

Graph 3: BoJ's Indicators for Core CPI



Source: MUMSS, from BoJ data

Graph 4: Indicators of medium- to long-term inflation expectations



Source: MUMSS, from BoJ data

"Change in policy phase" and greater vigilance against upside risks to prices

Second, attention will focus on the balance of risks to the inflation outlook and the future conduct of monetary policy. In the July Outlook Report, the BoJ judged that risks to the core CPI outlook were "skewed to the upside" (Table 1) and stated that there was also a risk that underlying CPI inflation would "deviate upward to a level above the price stability target of 2%." At his press conference after the September meeting, Governor Ueda said that "the phase of monetary policy has changed." At his press briefing following the G20 Finance Ministers and Central Bank Governors Meeting on October 16, he said, "We cannot tolerate any further increase in inflation; anchoring inflation around 2% will be a major policy objective" (the

governor's remarks in this section are translated by MUMSS), using stronger language than before to signal his determination to contain upside risks to prices. Companies are passing on higher costs more quickly than before, and with the effects of policy measures also fading, we forecast core CPI inflation will rise to around 3% in Jan-Mar 2027. While the decline in the yen has paused, WTI crude oil futures have rebounded to around USD100, and maritime shipping costs are also increasing. We therefore expect the BoJ to reiterate its assessment that risks to the inflation outlook are "skewed to the upside."[1] The Bank's projections apparently will not take into account the impact of the consumption tax cut currently under deliberation in the Diet.

Monetary policy guidance is unlikely to change materially from the wording adopted at the September meeting, when the BoJ decided to raise rates (Table 2), apart from an upgraded assessment of underlying inflation. The Bank is likely to maintain its assessment that current financial conditions are "accommodative" along with its view that "the perspective of stabilizing underlying CPI inflation at a level around 2% becomes important." It is also expected to reiterate its intention to "continue to raise the policy interest rate and adjust the degree of monetary accommodation." At the post-meeting press conference, Governor Ueda will likely refrain from specifying the timing of the next hike, saying instead that it will depend on economic activity, prices, financial conditions, and the Bank's assessment of risks. If financial markets are still in risk-averse mode at the time of the press conference, he may say that market sentiment will also be taken into account when deciding the appropriate pace of future rate hikes.

Table 1: BoJ's outlook for economic activity and prices in the July Outlook Report

(%, the median forecast, the forecast ranges of the majority members are in parentheses)

	Real GDP	CPI (all items less fresh food)	(Reference) CPI (all items less fresh food and energy)
FY26	**0.6** (< 0.6 ~ 0.7 >)	**2.5** (< 2.3 ~ 2.7 >)	**2.5** (< 2.3 ~ 2.6 >)
Apr	0.5 (< 0.4 ~ 0.7 >)	2.8 (< 2.8 ~ 3.0 >)	2.6 (< 2.5 ~ 2.7 >)
FY27	**0.8** (< 0.7 ~ 0.8 >)	**2.4** (< 2.2 ~ 2.5 >)	**2.6** (< 2.2 ~ 2.7 >)
Apr	0.7 (< 0.6 ~ 0.8 >)	2.3 (< 2.3 ~ 2.4 >)	2.6 (< 2.6 ~ 2.7 >)
FY28	**0.8** (< 0.7 ~ 0.8 >)	**2.0** (< 2.0 ~ 2.2 >)	**2.2** (< 2.1 ~ 2.3 >)
Apr	0.8 (< 0.7 ~ 0.8 >)	2.0 (< 2.0 ~ 2.2 >)	2.2 (< 2.1 ~ 2.4 >)

Risk balances

July	With regard to the risk balance, risks to economic activity are generally balanced. **Regarding the outlook for the CPI, risks are skewed to the upside.** As for underlying CPI inflation, **there is a risk that it will deviate upward to a level above the price stability target of 2 percent,** given factors such as firms' behavior shifting more toward raising wages and prices and medium- to long-term inflation expectations continuing to rise. **It is necessary to pay due attention to keep such a risk from materializing and thereby exerting an adverse impact on the economy afterward.**

Source: MUMSS, from BoJ materials (emphasis by MUMSS)

Table 2: BoJ's guidelines for the conduct of monetary policy presented at the September MPM

As for the future conduct of monetary policy, given that underlying CPI inflation has been approaching 2 percent and financial conditions have been accommodative, the Bank will continue to raise the policy interest rate and adjust the degree of monetary accommodation, in response to developments in economic activity and prices as well as financial conditions. In this regard, it will consider the timing and pace of adjustment, while examining the likelihood of realizing the baseline scenario of the outlook for economic activity and prices and the risks to the outlook, including the impact of the situation in the Middle East, the expansion in AI related demand, and developments in foreign exchange rates. In particular, the perspective of stabilizing underlying CPI inflation at a level around 2 percent becomes important in order to keep the risk of underlying CPI inflation deviating upward to a level above the price stability target of 2 percent from materializing and thereby exerting an adverse impact on the economy afterward. With the price stability target of 2 percent, the Bank will conduct monetary policy as appropriate from the perspective of sustainable and stable achievement of the target.

Source: MUMSS, from BoJ materials

[1] Reuters reported on October 20 that the Bank may revise its FY27 inflation forecast slightly higher to reflect the rebound in crude oil prices.

Next hike expected in December, but developments in global financial markets bear watching

We continue to expect the BoJ to raise its policy rate to 1.50% at the December 2026 meeting and to 1.75% at the April 2027 meeting, thus completing its adjustments to “the degree of monetary accommodation.” In the risk scenario involving a higher terminal rate, demand and supply shocks combine to lift underlying inflation, prompting the BoJ to continue raising rates even after real rates turn positive. In the risk scenario featuring a lower terminal rate or a pause in rate hikes, prolonged instability in global financial markets increases the downside risks to economic activity. In this regard, we intend to keep a close eye on developments in equities and exchange rates.

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13:00 JST, October 23, 2026

Economic indicators for the week of October 26

Date/Time (JST)		Indicator/Event	Our Forecasts / Past Results			Market Consensus	Comments
10/26 (Mon)	14:00	Indexes of Business Conditions (Aug, revised)					
10/27 (Tue)	8:50	Services Producer Price Index (Sep)					
	10:30	Liquidity enhancement auction (11-39yr; planned issuance: 250 billion yen); announcement of results, 12:35					
	n.a.	Monthly Economic Report (Oct)					
10/28 (Wed)	10:10	BoJ JGB purchases: 3yrs-up to 5yrs (approx. 290 billion yen), 5yrs-up to 10yrs (approx. 305 billion yen), inflation-indexed JGBs (approx. 30 billion yen)					
10/29 (Thu)	10:20	3mo T-Bill auction (planned issuance: 3.3 trillion yen); announcement of results, 12:30					
	10:30	2yr JGB auction (planned issuance: 2.8 trillion yen); announcement of results, 12:35					
	14:00	BoJ Monetary Policy Board meeting (Day 1)					
	14:00	Consumer Confidence Survey (Oct)					
10/30 (Fri)	8:30	CPI	Oct est.	YoY	+2.6%	+2.6%	Institutional factors on water charges likely dampened inflation, while earlier rise in crude prices fueled inflation in household consumables and processed foods. Services prices likely remained elevated.
		(Ku-area of Tokyo; mid-month preliminary	Sep	”	+2.7%		
		excl. fresh foods; core CPI)	Aug	”	+1.9%		
	8:30	Unemployment rate	Sep est.	SA	2.5%	2.5%	We think labor shortages persisted as the AI boom supported the economy. The September BoJ Tankan also confirmed tight labor market conditions, and we expect the unemployment rate to remain at the previous month's low level.
			Aug	”	2.5%		
			Jul	”	2.4%		
	8:30	Job offers-to-applicants ratio	Sep est.	SA	1.18X	1.18X	
			Aug	”	1.18X		
			Jul	”	1.18X		
	8:50	Indices of Industrial Production	Sep est.	MoM	+1.3%	+1.3%	Electrical machinery, ICT equipment, and automobiles likely turned up, while production machinery, including semiconductor production equipment, likely continued to increase.
		(preliminary)	Aug	”	-2.4%		
			Jul	”	-0.2%		
	8:50	Retail sales value	Sep est.	YoY	+3.2%	+3.3%	We expect growth in retail sales value to accelerate as higher prices lift nominal sales of household goods and appliances. However, sales likely weakened in real terms.
		Monthly Report on the Current Survey of Commerce (preliminary)	Aug	”	+2.9%		
			Jul	”	+3.7%		
	9:00	BoJ Monetary Policy Board meeting (Day 2)					
	14:00	New housing starts	Sep est.	YoY	+2.4%	+2.7%	Housing starts likely remain flat YoY on a seasonally-adjusted basis, with high housing construction costs continuing to act as a drag.
			Aug	”	+6.1%		
			Jul	”	+8.2%		
	15:30	BoJ Governor Kazuo Ueda, press conference					
	17:00	BoJ Monthly Schedule of Outright Purchases of JGBs (Nov)					
	n.a.	BoJ Outlook for Economic Activity and Prices (Outlook Report)					

Source: MUMSS, from media reports.

Japan Economic Outlook

(%)

	FY2025				FY2026 (F)				FY2027 (F)				FY24	FY25	FY26 (F)	FY27 (F)	FY28 (F)
	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3	4-6	7-9	10-12	1-3					
Real GDP	**0.1**	**-0.4**	**0.3**	**0.5**	**0.4**	**0.0**	**0.0**	**0.1**	**0.5**	**0.4**	**0.3**	**0.3**	**0.7**	**0.9**	**0.8**	**1.1**	**0.8**
(QoQ annualized rate)	**0.5**	**-1.5**	**1.1**	**1.9**	**1.4**	**0.1**	**0.2**	**0.3**	**2.0**	**1.5**	**1.3**	**1.1**					
(YoY)	2.0	0.6	0.4	0.6	0.9	1.1	0.9	0.5	0.6	1.0	1.3	1.5					
*Domestic demand	0.2	-0.2	0.2	0.2	-0.1	0.5	0.2	0.2	0.5	0.4	0.3	0.3	1.0	1.0	0.7	1.4	0.9
*Private demand	0.1	-0.2	0.1	0.0	0.1	0.2	0.1	0.1	0.5	0.3	0.3	0.2	0.5	0.9	0.3	1.1	0.7
Private consumption	0.1	0.6	0.2	0.4	0.0	0.1	0.1	- 0.0	0.5	0.3	0.3	0.2	0.1	1.3	0.7	1.0	0.8
Residential investment	0.6	-7.9	5.0	0.9	-0.6	0.4	0.1	0.1	0.1	0.1	0.1	0.1	-0.4	-2.6	0.8	0.5	0.3
Capital investment	1.3	-0.2	1.3	-1.0	-0.9	1.2	0.5	0.6	0.6	0.6	0.6	0.6	1.8	2.2	0.2	2.6	1.5
*Private inventories	-0.3	-0.1	-0.4	-0.1	0.3	-0.1	- 0.0	0.0	0.1	0.0	0.0	0.0	0.2	-0.1	-0.1	0.1	0.0
*Public demand	0.1	- 0.0	0.1	0.1	-0.2	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.1	0.4	0.3	0.2
Government consumption	0.5	0.2	0.4	0.4	1.7	0.1	0.3	0.2	0.2	0.2	0.2	0.2	2.3	0.8	2.5	0.9	0.8
Public investment	0.9	-1.1	-0.5	1.4	-0.5	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-0.3	0.2	0.2	0.2
*Net exports	- 0.0	-0.2	0.1	0.3	0.5	-0.4	-0.1	-0.1	- 0.0	- 0.0	0.0	- 0.0	-0.3	-0.1	0.1	-0.3	- 0.0
Exports	1.7	-1.4	0.1	1.7	0.4	0.1	0.8	0.5	0.4	0.4	0.4	0.3	2.7	2.0	2.0	1.8	1.3
Imports	1.8	-0.6	-0.2	0.3	-1.7	2.6	1.7	1.0	0.5	0.4	0.4	0.4	4.0	2.5	1.3	3.4	1.6
Nominal GDP	1.8	0.3	0.9	0.8	1.3	0.2	0.8	0.7	0.3	0.8	0.9	0.8	4.0	4.3	3.2	2.5	2.8
(YoY)	5.4	4.1	3.8	3.8	3.5	3.2	3.1	3.1	2.0	2.6	2.6	2.8					
GDP deflator (YoY)	3.3	3.5	3.4	3.2	2.6	2.1	2.2	2.5	1.3	1.6	1.3	1.2	3.2	3.3	2.4	1.4	1.9
Domestic demand deflator (YoY)	2.6	2.8	2.6	2.4	3.0	2.9	3.0	3.0	1.4	1.2	1.1	1.1	2.8	2.6	3.0	1.2	1.7
CPI core (excluding perishables, YoY)	3.5	2.9	2.8	1.7	1.5	1.9	2.5	3.0	2.2	2.1	1.8	1.7	2.7	2.7	2.2	2.0	2.0
[Excl. tax hike/tuition wavers]									(1.3)	(1.2)	(0.8)	(0.7)				(1.0)	
BoJ core CPI (excluding perishables and energy, YoY)	3.2	3.2	3.0	2.5	1.8	2.1	2.3	2.3	2.2	2.0	2.0	2.1	2.3	3.0	2.1	2.1	2.0
[Excl. tax hike/tuition wavers]									(1.3)	(1.1)	(1.1)	(1.1)				(1.1)	
Industrial production (QoQ)	-0.5	-1.1	0.3	2.5	0.2	0.1	0.1	0.2	1.0	0.8	0.7	0.5	-1.5	-0.2	2.1	2.2	1.7
(YoY)	0.0	-0.7	-1.0	1.2	1.7	3.0	2.9	0.6	1.3	2.0	2.6	3.0					

USD/JPY (FY avg)	152.5	150.7	161.0	163.0	163.5
Crude oil (import-basis, USD/bbl)	82.8	71.3	88.0	79.0	81.0
Current account (trillion yen)	30.0	34.6	35.7	35.5	36.6
as % of nominal GDP	4.7	5.1	5.1	5.0	5.0
Trade balance (customs-cleared, trillion yen)	-5.4	-1.8	-5.3	-1.9	-1.2

Notes:
1) QoQ figures unless noted otherwise; rows beginning with asterisk (*) show QoQ contribution to GDP in percentage points. For CPI, the upper figures are before adjustment for the impact of the consumption tax cut on food, and the lower figures are after adjustment.
2) Our estimates assume food consumption tax cut to 1% (from current 8%) from April 2027 through March 2029.
3) Estimates as of October 23, 2026.
Source: MUMSS, from Cabinet Office, MIC, METI, and other data; MUMSS forecasts

Market Forecast

			FY24	FY25				FY26 (forecast)				FY27 (forecast)				FY28 (forecast)
				Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	
Japan	Real GDP	Annualized QoQ (%)	—	0.5	-1.5	1.1	1.9	1.4	0.1	0.2	0.3	2.0	1.5	1.3	1.1	—
		YoY (%)	0.7	0.9				0.8				1.1				0.8
	Core CPI	YoY (%)	2.7	3.5	2.9	2.8	1.7	1.5	1.9	2.5	3.0	1.3	1.2	0.8	0.7	2.0
	Uncollateralized O/N rate	End of term (%)	0.500	0.500	0.500	0.750	0.750	1.000	1.250	1.500	1.500	1.750	1.750	1.750	1.750	1.750
	3-month yen TIBOR	End of term (%)	0.820	0.772	0.818	1.072	1.268	1.412	1.681	1.950	2.100	2.200	2.200	2.200	2.200	2.200
JGB yields	2-year JGB yield	Range (%)	0.190-0.880	0.580-0.855	0.730-0.935	0.890-1.170	1.130-1.380	1.345-1.450	1.385-1.970	1.800-2.200	1.900-2.300	1.800-2.200	1.700-2.100	1.700-2.100	1.700-2.100	1.700-2.100
		End of term (%)	0.830	0.745	0.935	1.170	1.350	1.355	1.930	2.000	2.100	2.000	1.900	1.900	1.900	1.900
	5-year JGB yield	Range (%)	0.360-1.180	0.725-1.105	0.960-1.230	1.185-1.545	1.530-1.820	1.730-2.030	1.910-2.430	2.200-2.650	2.250-2.700	2.100-2.550	2.000-2.450	2.000-2.450	2.000-2.450	2.000-2.450
		End of term (%)	1.095	0.980	1.225	1.545	1.770	1.880	2.360	2.400	2.450	2.300	2.200	2.200	2.200	2.200
	10-year JGB yield	Range (%)	**0.740-1.580**	**1.110-1.570**	**1.385-1.655**	**1.620-2.080**	**2.060-2.385**	**2.300-2.790**	**2.685-3.085**	**2.850-3.400**	**2.750-3.300**	**2.600-3.100**	**2.500-3.000**	**2.450-2.950**	**2.450-2.950**	**2.450-2.950**
		End of term (%)	**1.485**	**1.420**	**1.645**	**2.060**	**2.345**	**2.670**	**3.050**	**3.100**	**3.000**	**2.850**	**2.750**	**2.700**	**2.700**	**2.700**
	20-year JGB yield	Range (%)	1.515-2.310	1.900-2.595	2.310-2.680	2.570-3.000	2.880-3.450	3.195-3.775	3.530-3.920	3.700-4.300	3.600-4.200	3.400-4.000	3.250-3.850	3.150-3.750	3.150-3.750	3.150-3.750
		End of term (%)	2.220	2.345	2.610	2.985	3.280	3.640	3.900	4.000	3.900	3.700	3.550	3.450	3.450	3.450
	30-year JGB yield	Range (%)	1.805-2.610	2.250-3.170	2.865-3.285	3.035-3.430	3.280-3.875	3.550-4.150	3.740-4.180	3.900-4.500	3.800-4.400	3.600-4.200	3.450-4.050	3.400-4.000	3.400-4.000	3.400-4.000
		End of term (%)	2.520	2.910	3.140	3.410	3.710	3.940	4.150	4.200	4.100	3.900	3.750	3.700	3.700	3.700
	40-year JGB yield	Range (%)	2.100-2.965	2.555-3.675	3.055-3.535	3.345-3.745	3.515-4.205	3.640-4.355	3.755-4.270	3.850-4.450	3.750-4.350	3.550-4.150	3.400-4.000	3.350-3.950	3.350-3.950	3.350-3.950
		End of term (%)	2.790	3.090	3.335	3.610	3.920	3.770	4.190	4.150	4.050	3.850	3.700	3.650	3.650	3.650
FX	Dollar/Yen	Range	139.58-161.95	139.89-150.49	142.68-150.92	146.59-157.89	152.10-160.46	155.04-162.67	152.89-163.99	152.0-166.5	152.5-167.5	153.5-168.5	154.5-169.5	155.5-170.5	156.0-171.0	156.5-171.5
		End of term	149.96	144.03	147.90	156.71	158.72	162.55	157.41	159.5	160.0	161.0	162.0	163.0	163.5	164.0
	Euro/Yen	Range	154.42-175.43	158.30-169.86	168.46-175.13	172.27-184.92	180.81-186.87	182.05-187.95	177.34-187.47	175.5-190.8	176.1-191.9	177.2-193.1	178.4-194.2	179.5-195.4	180.9-196.8	181.5-197.3
		End of term	162.21	169.78	173.53	184.01	183.38	185.68	178.35	183.4	184.0	185.2	186.3	187.5	188.8	189.4
US	Real GDP	Annualized QoQ (%)	—	4.0	3.9	0.2	2.5	2.2	2.2	2.1	2.0	2.0	1.9	1.8	1.7	—
		YoY (%)	3.0	2.3				2.2				2.0				1.8
	FF rate (target)	End of term (%)	4.25-4.50	4.25-4.50	4.00-4.25	3.50-3.75	3.50-3.75	3.50-3.75	3.75-4.00	4.00-4.25	4.00-4.25	4.00-4.25	3.75-4.00	3.75-4.00	3.75-4.00	3.50-3.75
	10-yr Treasury yield	Range (%)	3.6176-4.7924	3.9943-4.5985	4.0206-4.4813	3.9493-4.1878	3.9375~4.4278	4.2479-4.6663	4.4693-5.2849	4.65-5.45	4.55-5.05	4.45-4.95	4.25-4.75	3.95-4.45	3.85-4.35	3.75-4.25
		End of term (%)	4.21	4.23	4.15	4.17	4.32	4.47	5.28	4.90	4.80	4.70	4.50	4.20	4.10	4.00
Euro zone	Real GDP	Annualized QoQ (%)	—	0.1	1.3	0.9	0.0	2.6	-0.1	2.1	1.8	1.0	0.5	0.3	0.6	—
		YoY %	1.3	1.2				0.9				1.3				0.8
	Deposit facility rate	End of term (%)	2.50	2.00	2.00	2.00	2.00	2.25	2.50	2.75	2.75	2.75	2.75	2.75	2.50	2.25
	10-year German Bund yield	Range (%)	2.010-2.940	2.424-2.732	2.542-2.801	2.523-2.914	2.643-3.129	2.831-3.201	2.875-3.654	3.10-3.50	3.10-3.50	2.90-3.30	2.60-3.00	2.30-2.70	2.50-2.90	2.90-3.30
		End of term (%)	2.74	2.61	2.71	2.86	3.00	2.86	3.59	3.30	3.30	3.10	2.80	2.50	2.70	3.10

Notes: 1)JGB, Treasury, and Eurozone bond yields are daily closing rates. Japanese 2yr - 40yr JGBs are newly issued. USD/JPY and EUR/JPY are intraday-based.
2) Forecasts for macroeconomic indicators as well as forecast ranges and end-of-term figures for interest rates and forex revised October 23, 2026 (previous revision October 16, 2026).
3) Uncollateralized O/N rate is upper end of BoJ's target range. Japan CPI forecasts reflect the impact of the consumption tax cut on food from April 2027. US FF rate is FRB's target level. US and Eurozone real GDP growth rates (calendar year) are against previous year.
Source: MUMSS, from Quick and Bloomberg data; MUMSS estimates

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Appendix A

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