

## S&P/JPX JGB VIX<sup>®</sup> Update February 2019

### JGB VIX Stabilizes, but Stays High

The S&P/JPX JGB VIX settled into a tight range in February (with a high of 1.52 and a low of 1.36), though absolute levels were generally higher than the quiet period witnessed from September through mid-November 2018. The reasons behind the overall elevated levels revealed that anxiety remained after the global panic that engulfed markets last December. When examining intraday movements, internal factors were the key drivers of S&P/JPX JGB VIX swings and indicated that market participants were firmly focused on local bond market supply and demand dynamics (see Exhibits 1 and 2). On the geopolitical front, anxiety around the U.S.-North Korea Hanoi Summit was enough to send the S&P/JPX JGB VIX to intramonth highs after the historic meeting was abruptly cut short with no agreement reached.

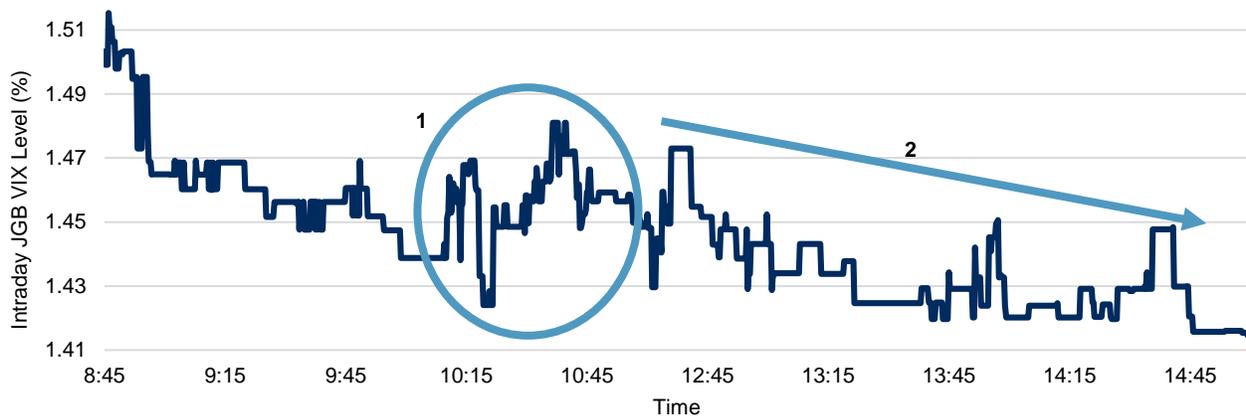
Volatility JGB VIX versus TYVIX

	DEC 2018	JAN 2019	FEB 2019
JGB VIX	121%	100%	50%
TYVIX	98%	82%	51%

Source: Bloomberg, February 2019.

**Note:** Since we are currently evaluating the S&P/JPX JGB VIX as a real-time index, we wanted to share some examples of particularly interesting intraday movements this month. Exhibits 1 and 2 are purely for illustrative/educational purposes only. Please contact us for more details.

### Exhibit 1: BoJ Surprisingly Cuts Regular Buying Operations – Feb. 12, 2019

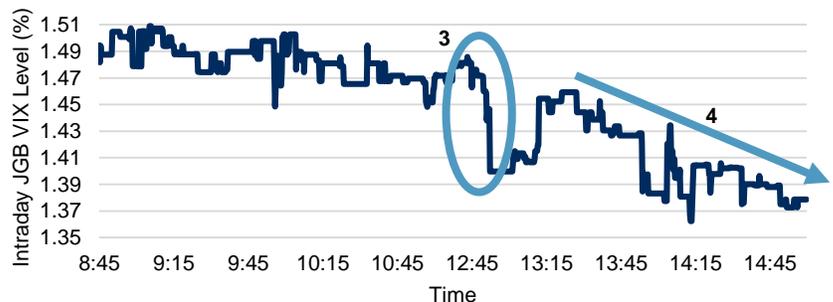


Source: S&P Dow Jones Indices LLC. Data as of February 2019. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

### JGB VIX Real-Time Movements:

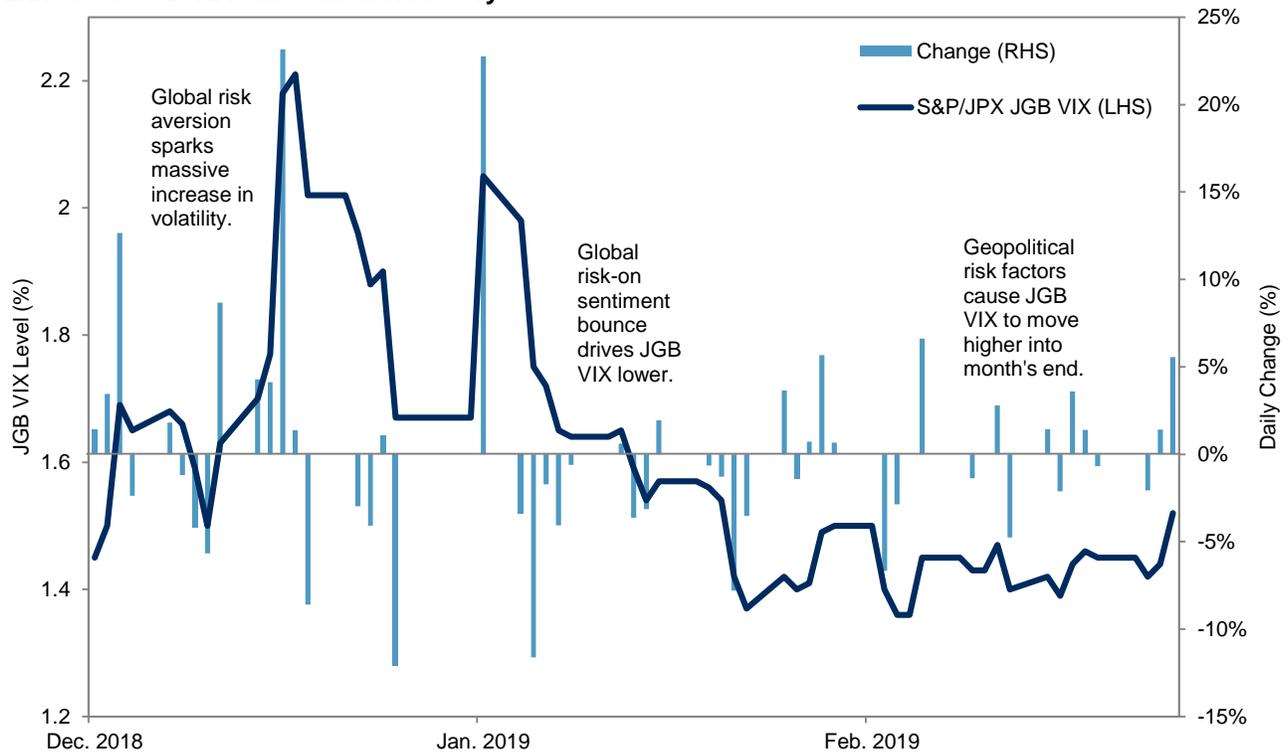
1. BoJ makes a surprise cut to regular buying operations.
2. Despite initial jitters, anxiety decreases.
3. 10-year JGB auction sees firm demand and clears below 0%.
4. As the market digests the results, anxiety slides lower into the close.

### Exhibit 2: 10-Year Auction Results in Calm Market – Feb. 5, 2019



Source: S&P Dow Jones Indices LLC. Data as of February 2019. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

**Exhibit 3: JGB VIX Three-Month History**



Source: S&P Dow Jones Indices LLC. Data as February 2019. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

**Upcoming March Events**

**Scheduled JGB Purchases**

- March 4, 8, 18, 25 (1-5 years)
- March 6, 13, 20, 29 (5-10 years)
- March 4, 13, 25, 29 (10+ years)

**Major JGB auctions**

- March 5 (10-year)
- March 7 (30-year)
- March 12 (5-year)
- March 19 (20-year)
- March 26 (40-year)
- March 28 (2-year)

**Higher JGB VIX If Conditions Deteriorate**

BoJ Governor Haruhiko Kuroda once again went on the offensive, trying to dismiss any speculation that the central bank might be running out of easing options if the economy heads south. In a recent Asahi newspaper interview, he maintained that the bank still had several easing options on the table, including lowering yield targets or increasing asset purchases. With the upcoming sales tax hike set for October, the economic situation will be closely watched, since the BoJ may be forced to act if conditions deteriorate. In addition, with the potential uncertainty around the escalation of geopolitical risk factors in the region, it will be important to keep a close eye on anxiety levels via the S&P/JPX JGB VIX in the months ahead.

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