

# Japanese Yield Curves In and Out of a Zero Rate Environment: A Macro-Finance Perspective

Junko Koeda\*

*Faculty of Economics, University of Tokyo*

## Abstract

This paper applies a tractable two-regime macro-finance affine term structure model to empirically investigate macroeconomic effects on Japanese government bond (JGB) yields in and out of a zero interest rate environment. The estimated results qualitatively assess how differently deflation and low growth contribute to lowering longer-term JGB yields between the normal and zero rate regimes.

JEL Classification: C13, C32, E43, E44, E52

Keywords: Term structure of interest rate; Zero interest rate; Deflation; GDP growth; Japan; Estimation

---

\*7-3-1, Hongo, Bunkyo-ku, Tokyo. Tel: +81-3-5841-5649. Email address: jkoeda@e.u-tokyo.ac.jp.