

# Return of the Bond-Price Support Regime: Bank of Japan's Dual Bond-Purchase Program

Takahiro Hattori<sup>1</sup> and Jiro Yoshida<sup>2</sup>

March 31, 2019

## Abstract

This is the first study that analyzes the Bank of Japan's dual bond-purchase program since 2016 consisting of fixed-amount operations through auctions and fixed-rate (i.e., unlimited-amount) operations. This Yield Curve Control (YCC) regime as part of the Quantitative and Qualitative Easing (QQE) exhibits similarities to the Fed's bond-price support regime during WWII. We show that bond yields across the entire yield curve became stationary processes suggesting credible monetary policy. Our intra-day analysis additionally demonstrates that the largest fixed-rate operation on July 30, 2018, was effective in controlling government bond yields but not interest-rate swap rates.

Keywords: Large Scale Asset Purchases (LSAP), Quantitative Easing (QE), central banking, JGB, bond-price support, high-frequency data, swap spread.  
JEL classification: E43, E52, E58, E65, G12, G14

---

<sup>1</sup> Ministry of Finance, Japan. [hattori0819@gmail.com](mailto:hattori0819@gmail.com). 3-1-1 Kasumigaseki Chiyoda-ku Tokyo Japan.

<sup>2</sup> The Pennsylvania State University and the University of Tokyo. [jiro@psu.edu](mailto:jiro@psu.edu), 368 Business Bldg., University Park, PA 16802 USA.