Financial HARTbeat

Japanese Yields
Sept 1st 2026

Good Morning,

Japanese money comes home: Japanese pension funds, insurers, and banks become less interested in owning U.S., Canadian, and global bonds when they can earn attractive yields domestically. Capital repatriation can push the **yen higher and reduce demand for foreign assets**.

Global bond yields rise: Japan is one of the world's largest creditors and foreign holders of U.S. Treasuries. If Japanese investors buy fewer Treasuries or sell foreign bonds, **U.S. and global yields can move higher**, increasing borrowing costs for governments, corporations, and consumers.

Risk assets feel the pressure: Higher yields tighten financial conditions, pressure equity valuations (especially growth and tech), and can trigger an unwind of the long-standing **yen carry trade**, potentially increasing volatility across stocks, credit, and currencies.

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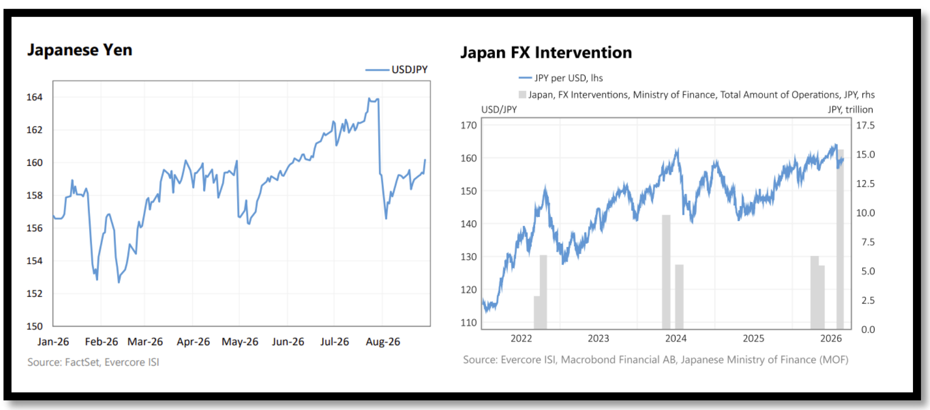
Chart of the Day: Yen and Japan Yields going to be interesting…



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Top News

Futures point to lower open for the 1stday of September, as inflation worries and elevated oil prices lifted bond yields in the U.S. and abroad, raising concern about whether the Federal Reserve will tighten monetary policy later this month. Global bond yields continued their march higher. The U.S. 10-year Treasury note yield scaled to levels not seen since January 2025. Japan's 10-year yield reached its highest level since August 1996, while Germany's benchmark yield rose to a 2011 high. Yields around the world have been rising recently as traders worry that persistently higher oil prices may drive inflation.

On top of that, September has been a historically bad month for stocks. U.S. oil prices continued their climb Tuesday, rising more than 2% to trade above $87 per barrel. The moves come as traders weighed tensions in the Middle East following a resumption of military action between the U.S. and Iran.

European shares dipped on Tuesday, pressured by a fresh rise in government bond yields as investors braced for higher interest rates. Euro zone inflation rose back above 3% in August on higher energy costs, cementing an already solid case for another European Central Bank interest rate hike this month as the Iran war keeps putting upward pressure on prices. Inflation in the 21 nations sharing the euro accelerated to 3.3% in August from 2.9% in July, driven almost entirely by higher energy costs as crude oil and natural gas prices both rose, and refiners bumped up their margins, data from Eurostat showed on Tuesday.
Germany's manufacturing sector accelerated in August, as a jump in new orders drove the strongest production growth since January 2022, a business survey showed on Tuesday. The S&P Global final Purchasing Managers' Index for German manufacturing rose to 54.3 in August from 52.2 in July, slightly above a preliminary reading of 54.1. China stocks were largely unchanged on Tuesday, as gains in defensive sectors helped offset weakness in technology shares, with investors seeking safety amid a lack of catalysts.

China's manufacturing sector expanded at a faster pace in August as output, new orders and exports all accelerated, a private-sector survey showed on Tuesday. The RatingDog China General Manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global, rose to 51.5 in August from 50.9 in July, staying above the 50-mark that separates growth from contraction. It also surpassed analysts estimates

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in a Reuters poll of 51. Japan's Nikkei share average closed lower on Tuesday, pressured by a sharp rise in bond yields that weighed on heavyweight technology stocks.

Japan's manufacturing sector picked up in August as new business grew at the fastest pace since January 2018 on solid demand for semiconductors and AI-related products, a business survey showed on Tuesday.

Beware September (Argus)

Overall, the U.S. stock market tends to rise, not withstanding a pullback or correction from time to time. That long-term upward trajectory has a foundation in the country's democratic political system and its market-based, capitalist economic system that is relatively transparent and rewards innovation. In theory, the stock market efficiently allocates the nation's capital, generating solid returns over economic cycles. And then there is September. Our analysis of monthly S&P 500 returns going back to 1980 indicates that September is the only month with an average loss, shedding on average 0.9% each year. Now not every September is negative. The month has a "win percentage" of 48%. Last year, the S&P 500 rose 2.9% for the month, the biggest gain in more than 10 years and the second positive September in a row, after four consecutive declines. But there have been some bombs, including 2022 (-9.3%), 1986 (-8.5%), 2001 (8.2%), 2002 (-11%), 2008 (-13.6%) and 2011 (-7.2%); 2021 was a 4.8% clunker. September is a transition month: the August doldrums are over and corporations get back into gear post Labor Day.

The IPO market typically picks up. The Federal Reserve meets, which can add to volatility. And, sometimes ominously, the third-quarter earnings season approaches. By the end of 3Q, companies likely know if they are on track to meet their financial targets. If they are not, and they pre-warn about disappointing results, investors can be quick to sell not just a company but an entire sector.

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Bond Yields (bps (basis points) negative means prices up and positive means prices down)

Figure 1: **Key Interest Rates (Canada & U.S.)**

Canadian Key Rate	Last	Change bps	Canadian Key Rate	Last	Change bps
CDA o/n	2.25%	0.0	CDA 5 year	3.37%	2.8
CDA Prime	4.45%	0.0	CDA 10 year	3.77%	3.3
CDA 3 month T-Bill	2.28%	-0.7	CDA 20 year	4.04%	3.2
CDA 6 month T-Bill	2.38%	0.0	CDA 30 year	4.18%	3.1
CDA 1 Year	2.70%	0.0			
CDA 2 year	3.02%	1.0			
US Key Rate	**Last**	**Change bps**	**US Key Rate**	**Last**	**Change bps**
US FED Funds	3.5-3.75%	0.0	US 5 year	4.54%	3.2
US Prime	6.75%	0.0	US 10 year	4.80%	3.8
US 3 month T-Bill	3.78%	0.1	US 30 year	5.29%	3.8
US 6 month T-Bill	4.03%	0.8	5YR Sovereign CDS	37.49	
US 1 Year	4.15%	0.5	10YR Sovereign CDS	46.72	
US 2 year	4.37%	1.7			

Preferred Shares Indicators	Last	Daily %	YTD
S&P Preferred Share Index	718.63	0.00%	3.22%
BMO Laddered Preferred Shares (ETF)	13.07	0.00%	6.00%

Source: LSEG

Keep looking forward! Have a great day!

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