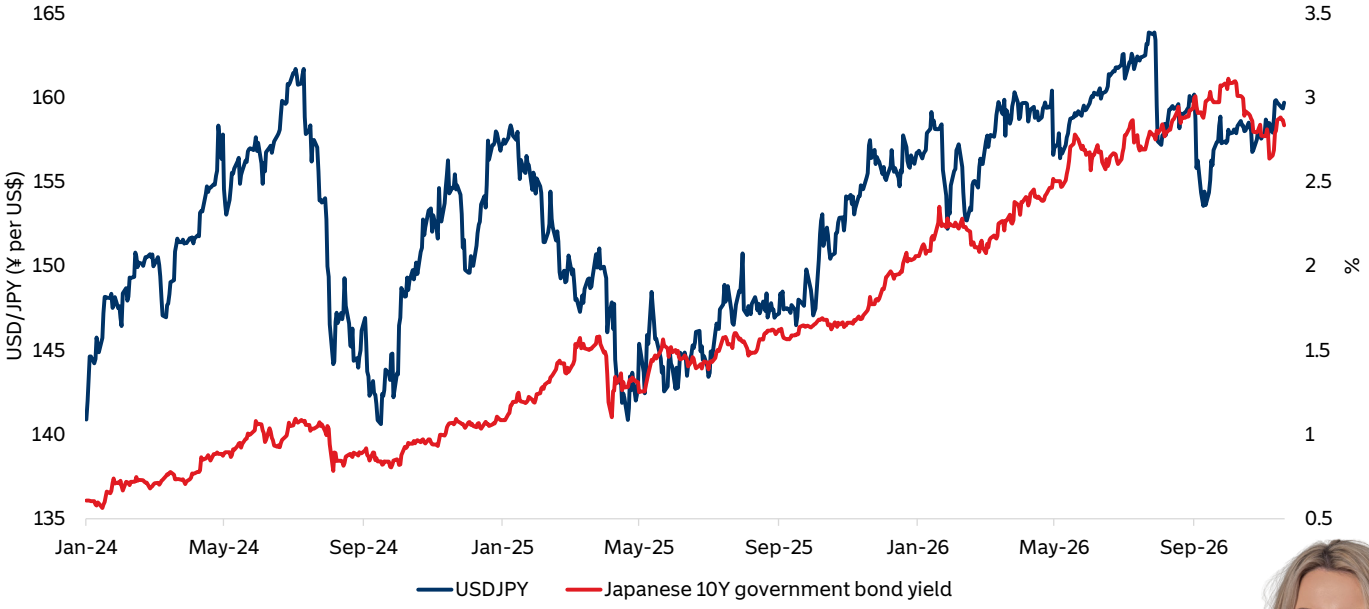
Chart of the Week

23 November 2026

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USD/JPY vs Japanese 10-year government bond yield



Source: Momentum Global Investment Management, Bloomberg Finance L.P. Data to 19 November 2026.

Why isn't the yen stronger?

Gabby Byron
Client Portfolio Manager



What does the chart show?

For much of the past few years, the weakness of the Japanese yen had a relatively straightforward explanation: interest rates in Japan were exceptionally low while rates elsewhere rose sharply. That left Japanese assets offering comparatively little income and encouraged capital to move overseas.

The explanation has become less straightforward. Japanese government bond yields have risen materially as inflation has become more established and monetary policy has begun to normalise. Yet the yen has remained weak, with USD/JPY recently trading around ¥159 to the dollar.

The chart illustrates this disconnect. While higher domestic yields might ordinarily make Japanese assets more attractive, the yen has struggled to gain meaningful ground. This suggests that the currency is being influenced by more than just the direction of Japanese interest rates.

Why is it important?

The answer lies partly in the fact that currencies respond to relative interest rates, rather than rates in isolation. Japanese yields have risen, but US yields have also moved higher. The US 10-year Treasury yield is currently above 5%, compared with approximately 2.8% for the Japanese equivalent, leaving a substantial yield differential between the two markets.

This rate differential helps explain the continued attractiveness of the so-called carry trade, whereby investors borrow in lower-yielding currencies such as the yen to invest in higher-yielding alternatives. Although Japanese monetary policy is normalising, the interest rate advantage of holding dollars remains substantial, helping to sustain demand for higher-yielding overseas assets.

Currency markets are also forward-looking. What matters is not simply that Japanese interest rates are rising, but whether investors believe they will rise sufficiently, and quickly enough, to narrow the gap with other major economies. Expectations around future monetary policy, inflation and economic growth can therefore be just as important as current interest rate levels.

The weak currency itself creates an increasingly difficult balancing act for Japanese policymakers. A weaker yen can support exporters and boost the value of overseas earnings when translated back into yen, but it also raises the cost of imported goods and energy. That can add to domestic inflationary pressure and squeeze household purchasing power.

For investors in Japanese equities, the distinction matters too. A weaker yen can benefit internationally focused businesses by making exports more competitive and increasing the translated value of overseas earnings. Conversely, companies reliant on domestic consumption or imported inputs may face higher costs and pressure on margins. The impact of yen weakness is therefore far from uniform across the Japanese equity market.

Weekly market update

Week ending 20 November 2026

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Global markets faced renewed uncertainty as concerns over AI valuations, persistent inflation and expectations of tighter monetary policy weighed on investor sentiment. While the UK demonstrated resilience, weaker growth in China and Japan, alongside ongoing geopolitical tensions, reinforced a cautious outlook and highlighted the importance of diversification in an increasingly volatile environment.



US

- US equity markets were dominated by a sharp technology sell-off following leadership turmoil at Nvidia, with the Nasdaq falling heavily as investors reassessed AI-related valuations.
- The Federal Reserve adopted an increasingly hawkish tone, with policymakers signalling further rate rises may be required as inflation remains stubbornly above target.
- The blockbuster IPO of AI company Anthropic became one of the largest market events of the year, highlighting continued investor appetite for artificial intelligence despite wider market volatility
- President Donald Trump travelled to Asia for the APEC summit and high-profile meetings with Xi Jinping and Vladimir Putin, placing trade, AI security and geopolitical tensions at the forefront of US foreign policy.



UK

- UK GDP growth exceeded expectations, supported by AI-related investment, technology activity and resilient consumer spending.
- The Bank of England continued to signal further monetary tightening as inflationary pressures remain elevated.
- The government intensified discussions around a future UK-EU relationship reset, including possible trade facilitation measures and closer economic co operation.
- Public finances improved modestly, with government borrowing coming in below expectations and stronger tax receipts supporting the fiscal outlook.



Europe

- The European Commission published updated economic forecasts as member states prepared 2027 budgets amid continuing inflation and growth concerns.
- EU foreign ministers agreed additional sanctions on Russia and approved further multi-billion-euro support measures for Ukraine.
- Discussions intensified around European strategic autonomy, industrial competitiveness and reducing technological dependencies on both the US and China.
- Brussels advanced initiatives covering advanced materials, quantum technologies, business simplification and long-term EU budget negotiations.



Rest of the World/Asia

- Chinese economic data showed continued weakness in domestic consumption while industrial output remained comparatively resilient, largely supported by exports.
- US-China relations focused heavily on advanced semiconductor controls and AI technology restrictions ahead of the Trump-Xi summit. Beijing and Washington continued discussions around AI safety mechanisms designed to reduce the risk of technology-related security incidents.
- Japan's Preliminary Q3 GDP data suggested slowing economic momentum, with weak consumption and external demand weighing on growth expectations.
- Markets increasingly anticipated another Bank of Japan interest rate increase.

Weekly market data

Week ending 20 November 2026

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Asset Class / Region	Currency	Cumulative returns			
		Week ending 20 November	Month to date	YTD 2026	12 months
Developed Markets Equities					
United States	USD	-8.6%	-8.8%	1.7%	6.5%
United Kingdom	GBP	-5.1%	-3.5%	7.4%	12.0%
Continental Europe	EUR	-5.9%	-3.0%	7.4%	12.6%
Japan	JPY	-6.8%	-7.3%	10.1%	13.9%
Asia Pacific (ex Japan)	USD	-8.3%	-9.9%	3.9%	6.7%
Australia	AUD	-5.4%	-3.2%	1.8%	3.9%
Global	USD	-8.1%	-8.2%	1.8%	7.1%
Emerging Markets Equities					
Emerging Europe	USD	-7.0%	-5.4%	12.6%	19.7%
Emerging Asia	USD	-8.8%	-10.5%	3.8%	6.2%
Emerging Latin America	USD	-8.6%	-8.0%	-2.4%	2.2%
BRICs	USD	-2.7%	0.5%	-14.2%	-15.2%
China	USD	-5.3%	-4.8%	-22.0%	-23.1%
MENA countries	USD	-0.9%	4.7%	-1.9%	-3.1%
South Africa	USD	-10.3%	-6.6%	-13.9%	-6.8%
India	USD	4.5%	14.8%	-3.1%	-4.7%
Global emerging markets	USD	-8.4%	-9.3%	2.9%	5.6%
Bonds					
US Treasuries	USD	1.3%	0.1%	-0.3%	-0.3%
US Treasuries (inflation protected)	USD	1.1%	-0.8%	-0.5%	-0.5%
US Corporate (investment grade)	USD	0.8%	-0.1%	-0.9%	-0.4%
US High Yield	USD	-0.9%	-0.7%	-0.4%	1.1%
UK Gilts	GBP	0.7%	0.5%	-0.5%	1.0%
UK Corporate (investment grade)	GBP	0.4%	0.6%	-0.1%	1.5%
Euro Government Bonds	EUR	0.4%	0.5%	-1.8%	-2.1%
Euro Corporate (investment grade)	EUR	0.1%	0.2%	-0.3%	-0.3%
Euro High Yield	EUR	-0.7%	0.4%	-0.6%	0.1%
Global Government Bonds	USD	0.6%	-0.5%	-1.8%	-1.1%
Global Bonds	USD	0.6%	-0.5%	-2.3%	-1.3%
Global Convertible Bonds	USD	-5.2%	-7.1%	-1.9%	1.9%
Emerging Market Bonds	USD	-1.0%	-1.5%	-2.3%	-1.3%
Property					
US Property Securities	USD	-3.7%	-1.0%	11.9%	12.7%
Australian Property Securities	AUD	-2.4%	1.9%	-12.1%	-11.4%
Global Property Securities	USD	-3.4%	-1.0%	3.0%	4.9%
Currencies					
Euro	USD	-0.5%	-1.6%	-6.5%	-4.8%
UK Pound Sterling	USD	-0.8%	-2.1%	-2.6%	0.2%
Japanese Yen	USD	0.7%	-0.8%	-1.2%	-0.8%
Australian Dollar	USD	-2.1%	-5.7%	-0.6%	2.9%
South African Rand	USD	-3.5%	-4.6%	-5.5%	-1.6%
Swiss Franc	USD	0.0%	-1.8%	-5.5%	-4.1%
Chinese Yuan	USD	0.0%	-0.3%	4.8%	6.6%
Commodities & Alternatives					
Commodities	USD	-4.2%	-9.2%	31.3%	33.5%
Agricultural Commodities	USD	-2.4%	-3.1%	6.1%	5.7%
Oil	USD	-3.4%	-21.3%	52.1%	46.1%
Gold	USD	-9.1%	-9.1%	-18.3%	-13.2%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

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