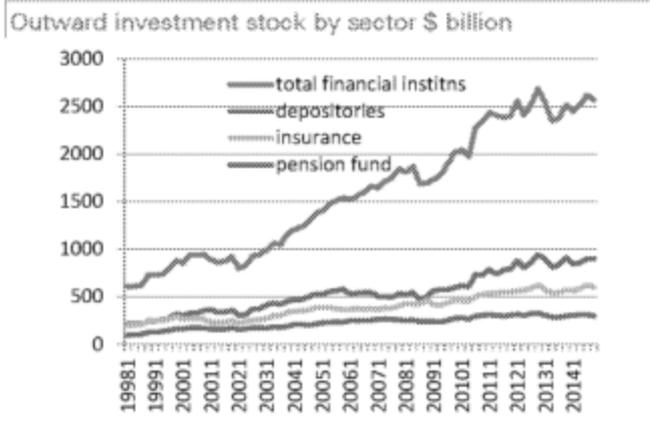




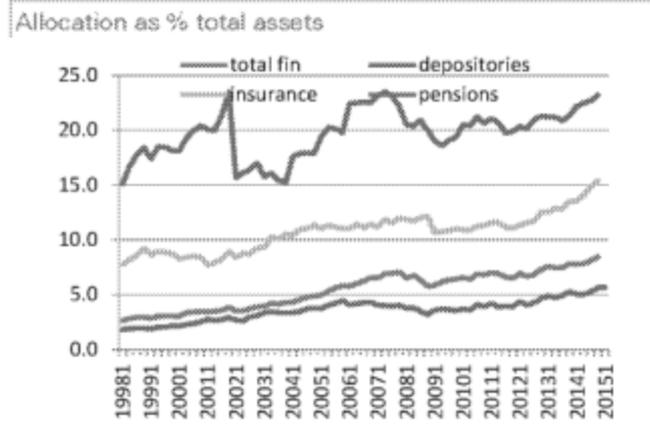
For pensions we simply adopt the GPIF asset allocation decision to raise foreign bond holdings by 4 percent. The allocation for all pensions is higher than GPIF at 23 percent but assuming the 4 percent is applied across all pension assets implies an increase in outward investment of about \$51 billion.

For depositories and insurers we are slightly more empirical and link changes in their allocation to the dollar yen 10 year forward rate. There tends to be a very strong correlation, especially for insurers and especially when JGB yields are very low as one would expect. The link via USJPY suggests that as long as the yen is viewed as been strong but likely to weaken, there is a greater drive for outward investment. This is consistent with a view hedge ratios likely run substantially lower than 100 percent. Based on the betas for each, we estimate that year on year allocations to outward investment can rise by as much as 3 percent for insurers and 0.7 percent for depositories, assuming dollar yen moves towards 130. Our outlook is to 2016q1 which implies by this time outward investment would rise respectively to almost \$700 billion and \$940 billion for insurers and depositories. This represents an increase of almost \$100 and \$40 billion for each.

In sum we think Japanese private investors could account for additional overseas (mainly bond and mainly Treasury) purchases of almost \$200 billion. This is not quite as violent a shift as some of the FX reserve manager moves of 2014 but is an important additional source of demand that is likely to keep some downward pressure on yields, all else being equal.



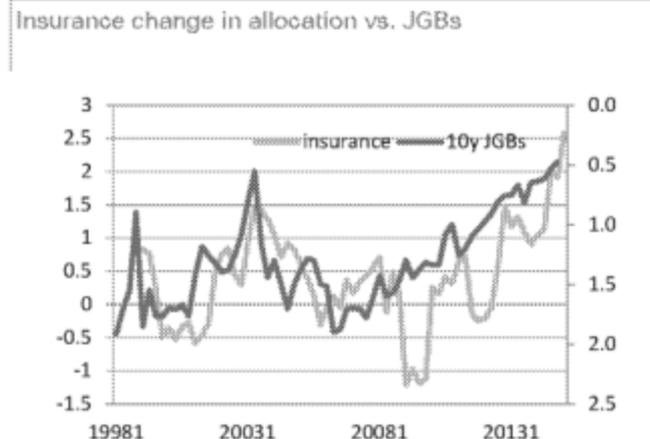
Source: IMF, Bloomberg Finance LP and Deutsche Bank



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