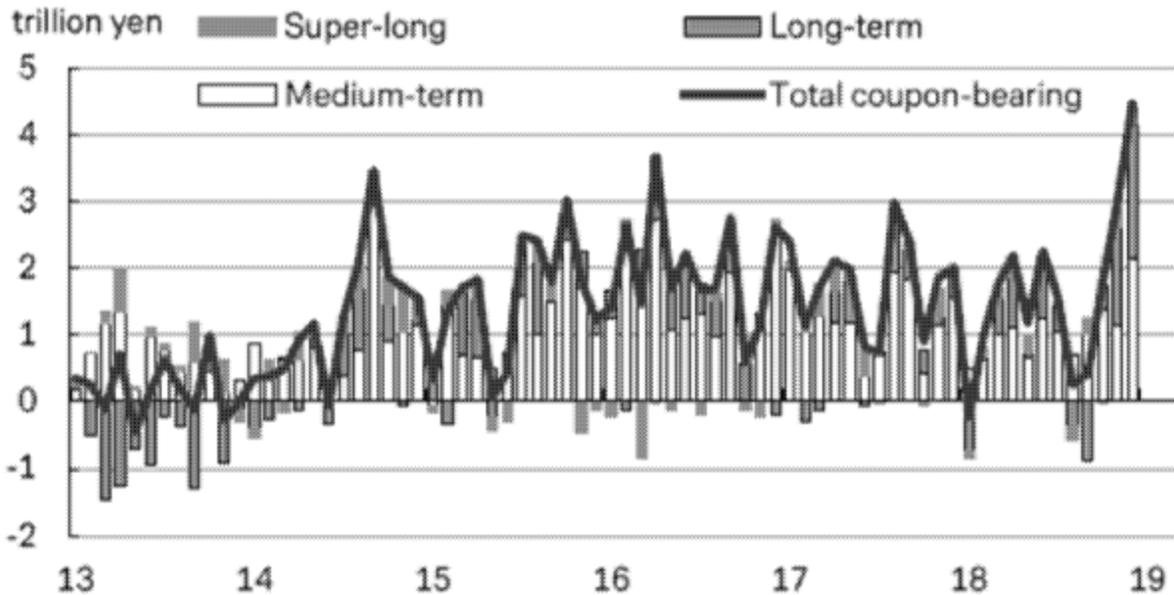


superlong sector, JPY2.0 trillion for the long-term sector, and JPY2.1 trillion for the medium-term sector, **suggesting that foreign demand is likely to have exerted downward pressure along the entire yield curve** (although it should be noted that some purchases of cash JGBs may have been offset by selling of futures). **The behavior of foreign investors from this point forward is thus likely to warrant close attention....”**

Figure 6: Foreign investors' net purchases of JGBs by maturity sector (ignoring redemptions)



Source: Japan Securities Dealers Association, Deutsche Securities

**5. Scenarios** (big thanks to Ben Olson on the team for putting together this great compilation / scenario analysis on the UK.. link to Ollie's guide for Tuesday's vote is [here](#) too... our more positive GBP view is unchanged...) =>

a) How much Brexit uncertainty discount do you think is currently priced into GBP (either GBPUSD or EURGBP, as appropriate)? In other words, if Brexit uncertainty were resolved tomorrow and Parliament agreed to May's deal or something roughly equivalent, how much do you think that GBP would rally?

a. **Strategy** – 4-5% from these kinds of levels (our target is 0.84). Not more due to relatively low market pricing of no deal and concerns over UK growth

b. **Trading** – Similar view to our strategy team, and believe reaction would be a GBPUSD jump to 1.33 with a potential overshoot towards 1.35

b) If the UK left the EU with no deal, and it was clear that no deal was to be had for the immediate future (i.e. it wasn't expected to be a one- or two-day lapse), how much do you think that GBP would sell off? Of this amount, how much would be due to a higher probability of Corbyn becoming PM vs. other factors such as economic damage due to less favorable trading relationships, etc.?

a. **Strategy** – EUR/GBP forecast in no deal Brexit + Corbyn would be 1.03 in 2019 (due to initial concern about market unfriendly policies) and 0.98 in 2020 (as the fiscal stimulus kicks in), the reverse in the event of no deal but no Corbyn

b. **Trading** – This would be a sharp GBP selloff of 10% on a no deal outcome

c) If a referendum were called, what do you think the immediate reaction in GBP would be? If Remain were to win the referendum, how much more would GBP move?

a. **Strategy** – We haven't officially forecasted this, but would expect another 5% beyond the 0.84 level in Question 1 if remain were to win an a referendum