



The End of Low Rates: When Japanese Capital Has Somewhere Else to Go

What Japan's repricing could mean for South Africa, the rand and infrastructure refinancing risk

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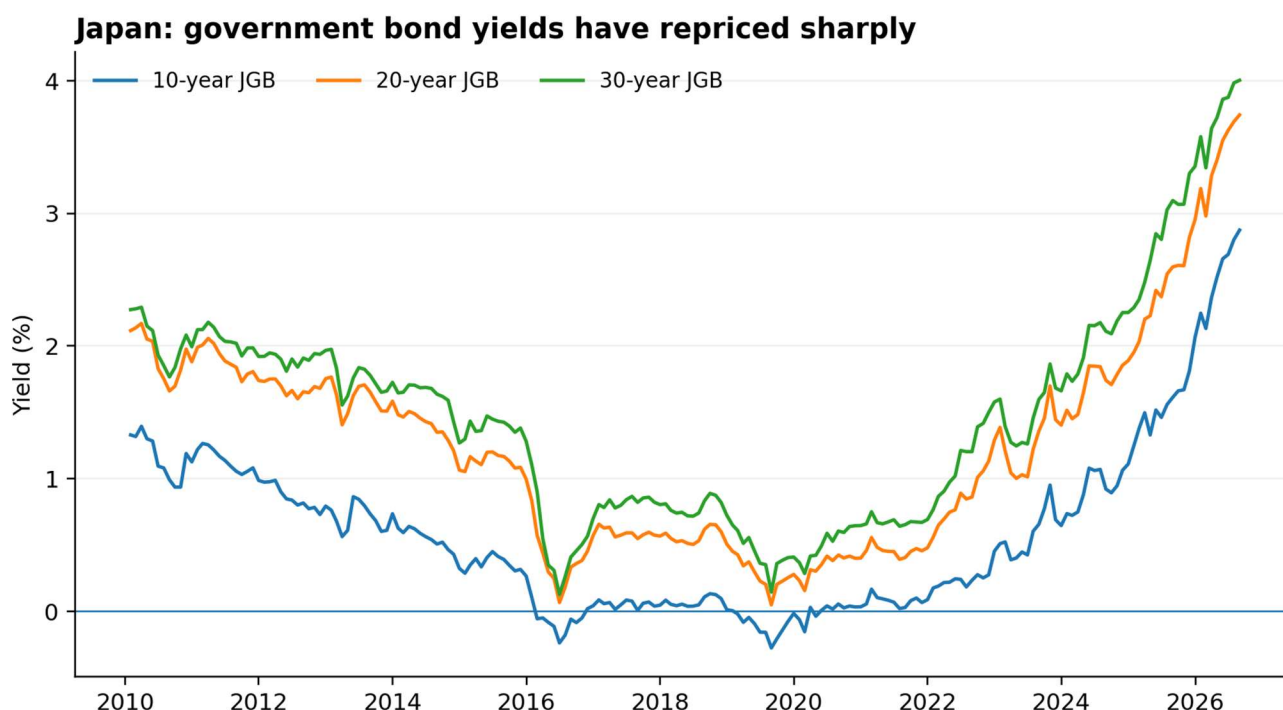
Key thesis

For decades, Japanese investors faced almost no yield at home. That assumption is changing. The risk for South Africa is not that Japan suddenly liquidates its overseas assets, but that the marginal hurdle rate for allocating capital abroad rises. In a capital-importing economy with a liquid currency and a large domestic bond market, even a gradual change in global allocation behaviour can matter for the rand, sovereign yields and the cost of project finance.

Prepared for discussion purposes. This paper is analytical and does not constitute investment advice.

Executive summary

- Japan is undergoing a monetary and bond-market regime change. The Bank of Japan now targets an overnight call rate of around 1.0%, while official Ministry of Finance data show the 10-year JGB yield at 2.873% and the 30-year yield at 4.002% on 13 August 2026. These are no longer negligible domestic yields.
- Japan remains a major exporter of capital. At end-2025, Japanese residents held ¥768.7 trillion of foreign portfolio assets, of which ¥367.5 trillion were foreign debt securities. Those stocks should not be confused with the size of the yen carry trade, but they demonstrate the scale of Japan's overseas allocation. At the same time, the short-end funding differential remains wide: current policy and interbank benchmarks still leave South African short rates roughly five to six percentage points above comparable Japanese rates. Japan's rate normalisation therefore changes the hurdle rate for carry rather than eliminating the trade.
- The flow data have started to soften. Ministry of Finance data for designated major investors show net sales of foreign long-term debt securities of approximately ¥2.6 trillion over January-July 2026; the twelve-month net-flow measure turned slightly negative by July. That is evidence of reduced support at the margin, not proof of wholesale repatriation.
- South Africa is exposed through the rand and the domestic yield curve, but less directly than it was a decade ago. Foreign investors held 41.4% of domestic government bonds in 2017; by 2025 the share had fallen to 25.0%. However, their nominal holdings still reached roughly R1.07 trillion, so changes in global risk appetite remain relevant to pricing.
- The transmission mechanism for infrastructure is indirect but real: higher Japanese yields can raise the hurdle rate for global fixed-income allocation; weaker demand for emerging-market duration can pressure the rand and sovereign curve; and those changes can feed into swap rates, bank funding costs, hedge pricing and ultimately project economics.



- The same regime shift creates a project-finance risk. Shorter mandatory hedge tenors and mini-perm debt structures reduce visible long-dated swap MTM exposure, but can create a sequence of future re-hedging and refinancing exposures. In some structures those risks may coincide; in others the hedge can run off before the refinancing date.

Figure 1. Japanese government bond yields, 2010-2026

Source: Japan Ministry of Finance, JGB interest-rate historical data; latest observation 13 Aug 2026.

1. Japan has moved from a zero-yield world to a genuine domestic alternative

For much of the post-1990 period, the economics of Japanese asset allocation were unusually one-sided. Domestic safe assets offered very little nominal return, and periods of outright negative yields reinforced the incentive to seek income abroad. This made Japanese institutional savings an important component of global demand for foreign government bonds, credit and other duration assets, while the yen also became a natural funding currency for leveraged carry strategies.

The change now visible in the JGB curve is therefore more important than the absolute yield level might suggest. It changes the comparison faced by a Japanese investor. The choice is no longer between an overseas asset and a domestic government bond yielding approximately zero. A 30-year JGB yielding around 4% introduces a meaningful domestic opportunity cost, particularly for liability-driven investors that do not need to take foreign-exchange risk to match yen liabilities.

This does not imply that foreign assets will be sold indiscriminately. Diversification, currency expectations, liability structure, regulatory requirements and relative credit risk all matter. The more defensible proposition is narrower: the required return on foreign assets should rise as the domestic alternative improves.

The regime shift is recent and concentrated at the long end

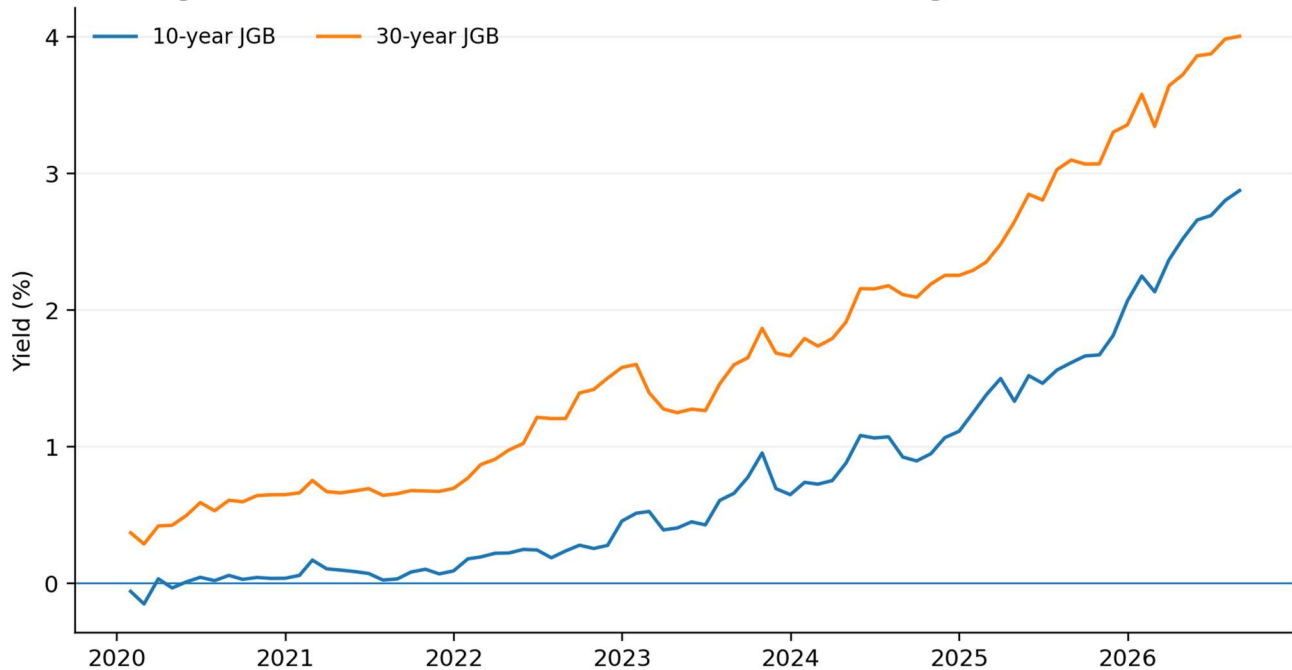


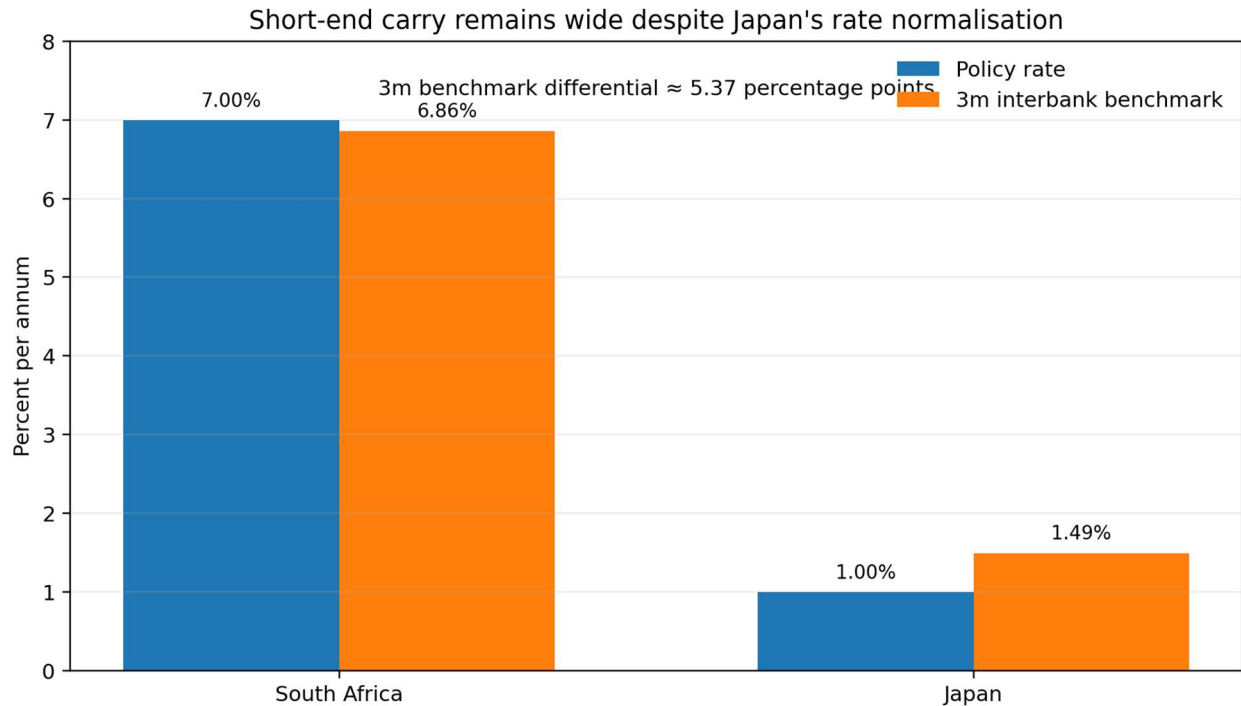
Figure 2. The post-2020 repricing has been especially pronounced at the long end

Source: Japan Ministry of Finance, JGB interest-rate data.

The short end tells a different story

Japan's long-end repricing has created a credible domestic alternative for long-duration investors, but it has not eliminated the short-term funding advantage of the yen. Public benchmark data still show a very large gap between South African and Japanese short rates. The South African policy rate was 7.00% after the July 2026 MPC meeting, while the Bank of Japan's target was around 1.00%. A comparable market-rate proxy tells the same story: South Africa's interbank rate was about 6.86% in July, versus 1.49% for three-month Japanese Yen TIBOR on 14 August 2026.

Figure 3. South Africa and Japan: current short-end rate comparison



Source: South African Reserve Bank (July 2026 MPC); Bank of Japan; JBA TIBOR Administration (14 Aug 2026); Trading Economics interbank-rate series (South Africa, July 2026). The interbank comparison is a short-term carry proxy, not an FX-forward-implied return. It does not incorporate cross-currency basis, transaction costs, hedging costs or currency volatility.

The implication is important: the end of Japan's zero-rate era is not the end of the yen carry trade. It raises the hurdle rate for the trade and gives Japanese long-duration investors a more credible domestic alternative, but the short-end funding differential against high-yield markets remains substantial. For South Africa, this points to a more two-sided regime: carry demand can remain strong when volatility is contained, while the same positions may become more tactical and less reliable when the yen strengthens or global risk appetite deteriorates.

2. Stocks are enormous, but flows are the more relevant signal

The most dramatic versions of the 'Japan brings its money home' story often cite trillions of dollars of overseas assets. That is not the right way to measure the risk. Japan's international investment position includes strategic direct investment, equities, fund holdings, debt securities, derivatives, loans and reserve assets. Much of that stock is long-term and will not be liquidated simply because JGB yields rise.

At end-2025, Japanese portfolio investment assets were ¥768.7 trillion, including ¥367.5 trillion of debt securities. The scale is undeniable, but the relevant question for market pricing is what happens to new flows and reinvestment decisions at the margin.

The Ministry of Finance's monthly survey of major investors provides an early warning indicator. After sizeable net purchases of foreign long-term debt in 2025, activity weakened sharply in early 2026. Net sales over the first seven months of 2026 were approximately ¥2.6 trillion, and the rolling twelve-month measure was slightly negative by July. The data are volatile and should not be over-interpreted, but they are consistent with a world in which foreign fixed-income allocations are becoming less automatic.

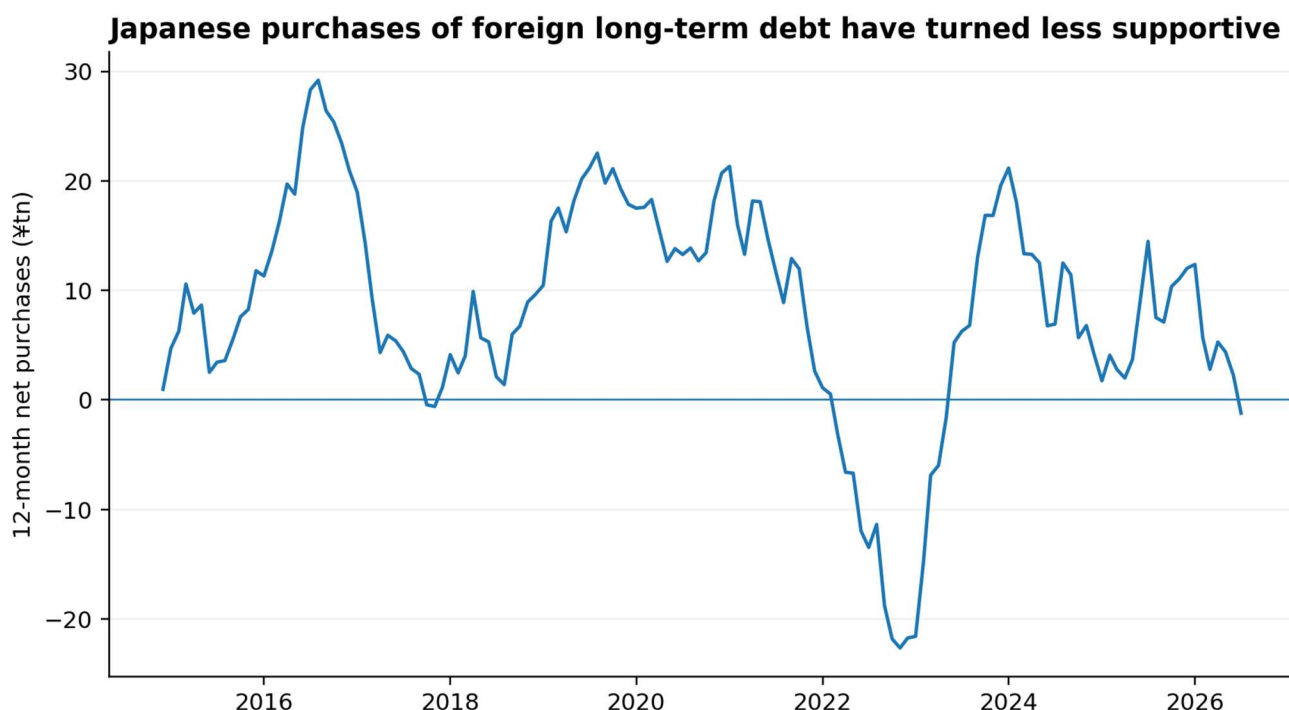


Figure 4. Twelve-month net purchases of foreign long-term debt securities by Japanese residents

Source: Japan Ministry of Finance, *International Transactions in Securities*; designated major investors. Positive values indicate net purchases for data from 2014 onward.

3. South Africa: exposed, but less dependent on foreign investors than in 2017

South Africa has historically been attractive to carry investors because it combines relatively high nominal yields with a sophisticated and liquid financial market. The rand is actively traded; the government bond curve is deep by emerging-market standards; and foreign investors can express both rate and currency views efficiently.

That same liquidity makes South Africa vulnerable when global carry is reduced. In periods of risk aversion, investors can sell rand assets quickly, and the currency is often used as a liquid proxy for broader emerging-market risk.

There is, however, an important counterweight. South Africa has already experienced a major reduction in direct foreign ownership of its domestic government bond market. National Treasury data show the foreign share falling from 41.4% in 2017 to 25.0% in 2025. This means the sovereign is less dependent on foreign investors than it was at the peak of foreign participation.

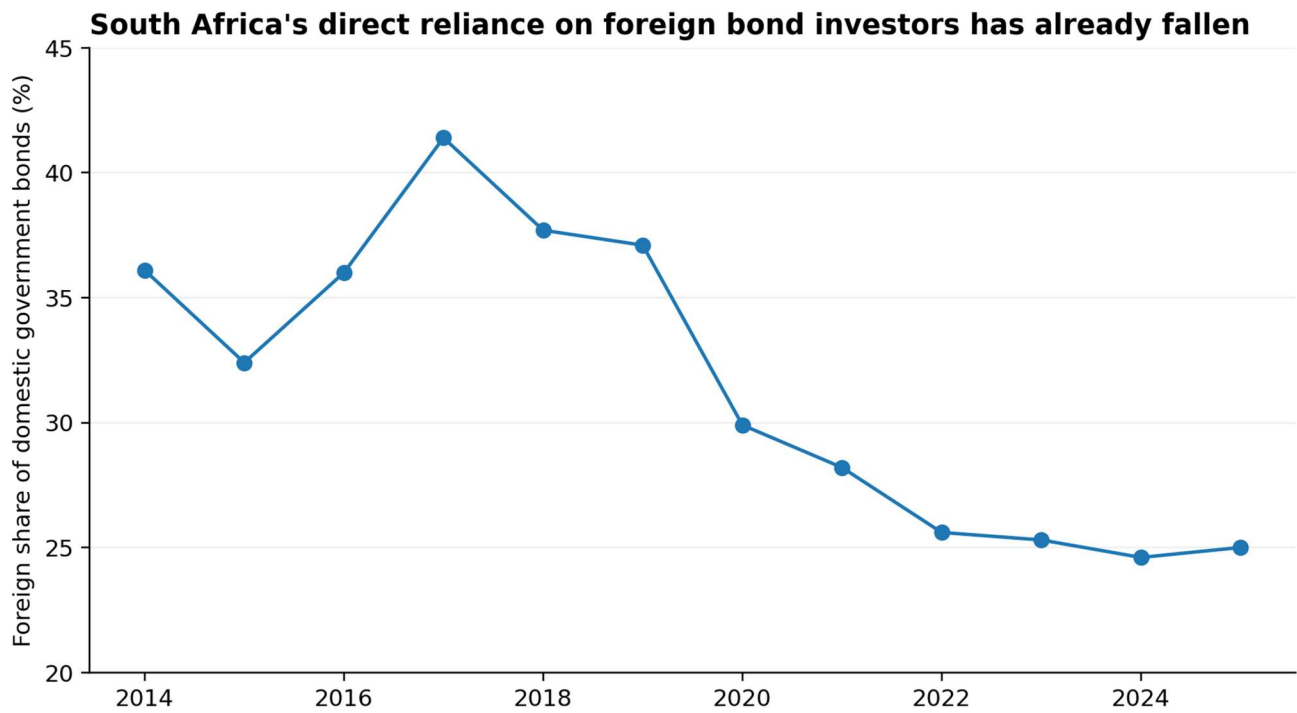


Figure 5. Foreign ownership of South African domestic government bonds

Source: South African National Treasury, 2026 Budget Review, Figure 7.4.

The decline in percentage ownership should not be mistaken for irrelevance. The domestic bond market has grown substantially. Foreign holdings increased from approximately R558 billion in 2016 to about R1.07 trillion in 2025 even as their percentage share fell. The marginal foreign buyer can therefore still influence clearing yields and price discovery, especially during periods of stress.

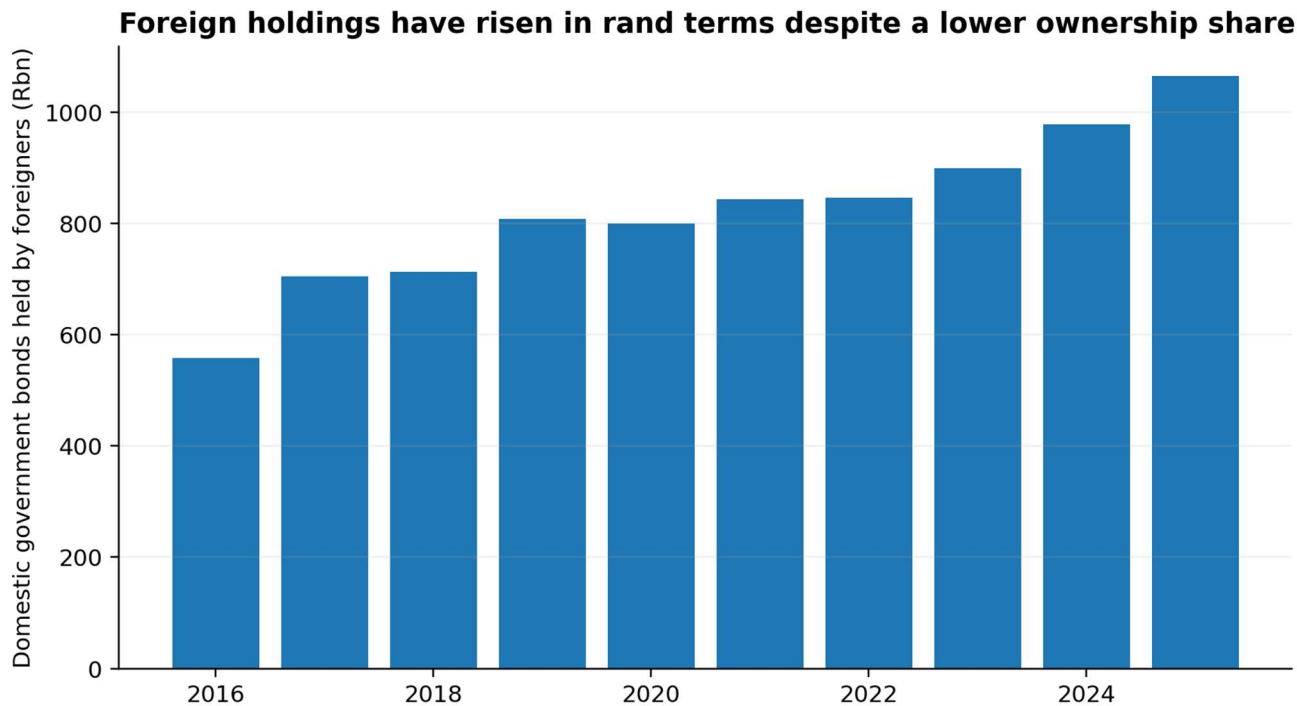


Figure 6. Domestic government bonds held by foreign investors

Source: South African National Treasury, 2026 Budget Review, Figure 7.5.

4. How a Japanese repricing could transmit into South Africa

The rand

A reduction in yen-funded carry or a shift toward domestic Japanese assets can create simultaneous demand for yen and selling pressure on higher-yielding currencies. ZAR is particularly exposed because it is liquid and readily tradeable. The effect need not originate with Japanese institutions themselves; global leveraged investors also use yen as a funding currency.

The sovereign curve

If global investors require more compensation to hold emerging-market duration, South African government bond yields may need to clear at higher levels. This can occur even without large outright foreign sales if incremental demand weakens.

Inflation and monetary policy

A weaker rand raises the local-currency cost of imports and can increase inflation risk. Persistent currency weakness can therefore reduce the scope for monetary easing, reinforcing higher domestic funding costs.

Bank and derivative pricing

The sovereign curve is an important reference for bank funding, swap curves and broader risk premia. Higher sovereign yields and greater FX volatility can increase the cost of both debt and hedging for infrastructure projects.

Risk appetite and execution

A disorderly carry unwind can also reduce market depth. For project financings that require large FX or interest-rate hedges at financial close, the issue is not only the prevailing market level but also the liquidity premium demanded for transferring large risk at a specific time.

5. Why the implication for infrastructure is indirect - but material

A South African renewable-energy project may have no Japanese investor, lender or contractor and still be affected by Japanese monetary conditions. Project debt is priced within a domestic financial system whose sovereign curve, swap market and currency are integrated into global capital markets.

The potential chain is therefore:

Higher Japanese yields → higher hurdle rate for foreign assets → weaker marginal demand for EM duration → pressure on ZAR and South African yields → higher funding and hedging costs → lower project equity returns.

The sensitivity is greatest for projects close to minimum return or debt-service thresholds, transactions with large imported-equipment exposures, and projects whose hedge execution must occur at a single financing milestone. For those transactions, a modest change in the underlying curve can be amplified by changes in liquidity, volatility and dealer risk appetite.

6. The end of low rates - and the ten-year memory problem

There is a behavioural risk embedded in the current debate. Market participants, credit committees and financial models are often conditioned by the regime that dominated the most recent decade. The 2010s and early 2020s were characterised by exceptionally low global policy rates, compressed term premia, quantitative easing and abundant

refinancing liquidity. Because that regime lasted long enough to shape careers and investment processes, it can easily be mistaken for a normal equilibrium rather than an historical exception.

Japan is the clearest illustration. A chart beginning in 2016 makes today's JGB yields look extraordinary. A chart beginning in the mid-1990s tells a different story: the extraordinary period was the long interval in which Japanese yields were close to zero or negative. The same framing matters for infrastructure. A financing model that assumes refinancing or re-hedging will eventually occur at the low rates experienced during the last decade is making an implicit regime forecast, whether or not that assumption is labelled as such.

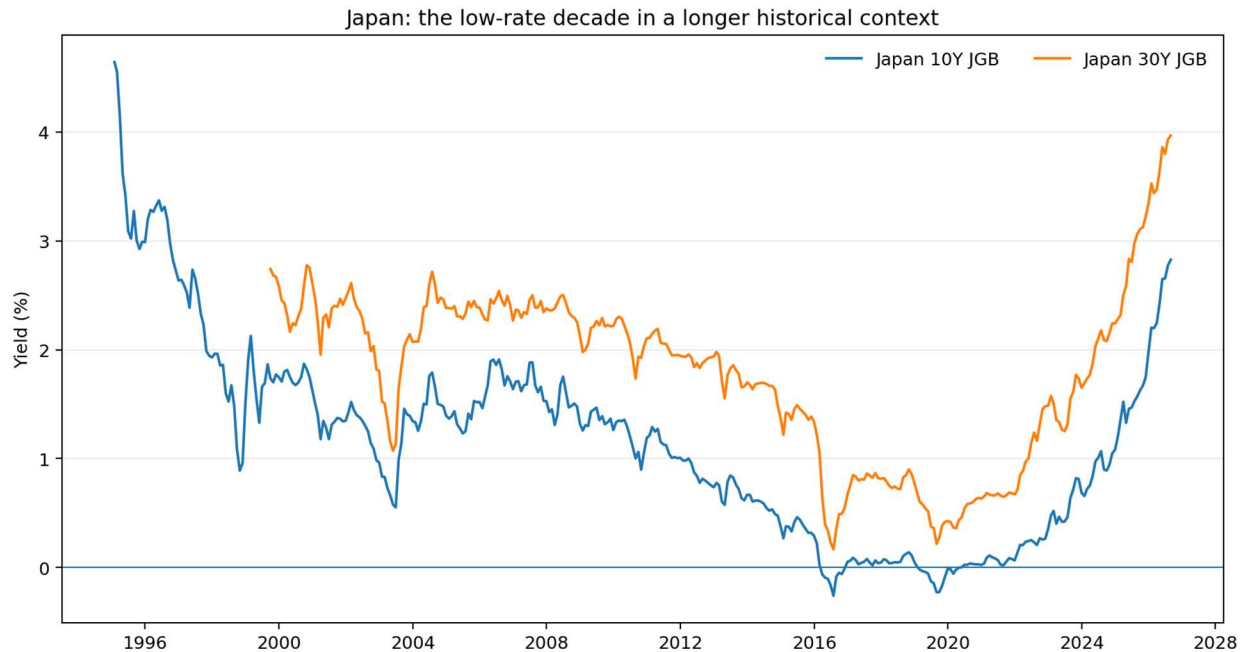


Figure 7. Japan: the low-rate decade in a longer historical context

Source: Japan Ministry of Finance, constant-maturity JGB yield data. Monthly averages; latest observations August 2026.

7. Swap markets: where the infrastructure risk becomes visible

The sovereign-yield comparison captures the portfolio-allocation story, but infrastructure borrowers live much closer to the swap curve. The South Africa–Japan comparison therefore needs both lenses: sovereign yields and interest-rate swaps.

For South Africa, SARB's historical ZARONIA reconstruction begins with the JSE nominal swap zero curve, whose history runs from early 2005 to end-2024 and is constructed from deposits, FRAs and 3-month JIBAR-referencing IRS. This provides a defensible bridge between the legacy JIBAR swap market and the emerging ZARONIA OIS market.

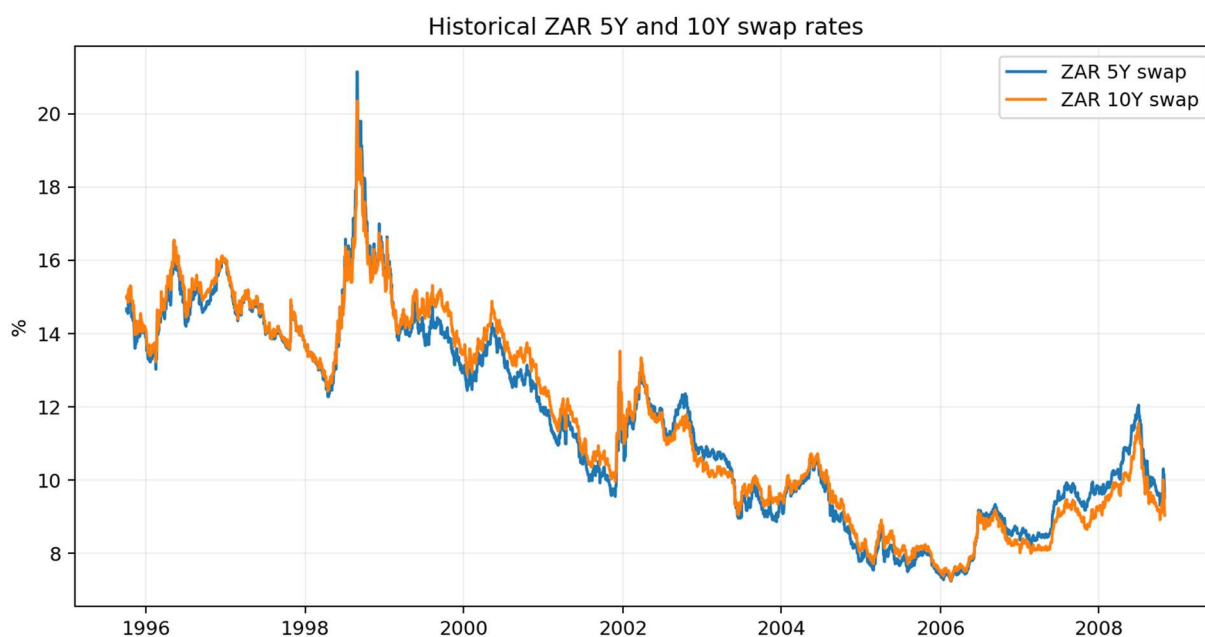


Figure 8. Historical ZAR 5Y and 10Y swap rates from LKA’s retained Bloomberg market-data archive.

The 5-year versus 10-year hedge decision

The recent lender preference for shorter mandatory hedge tenors should be viewed as a risk transfer rather than a risk reduction. A shorter hedge reduces visible mark-to-market and breakage exposure, but where the asset and debt economics extend materially beyond the hedge tenor, duration risk remains and reappears as re-hedging risk.

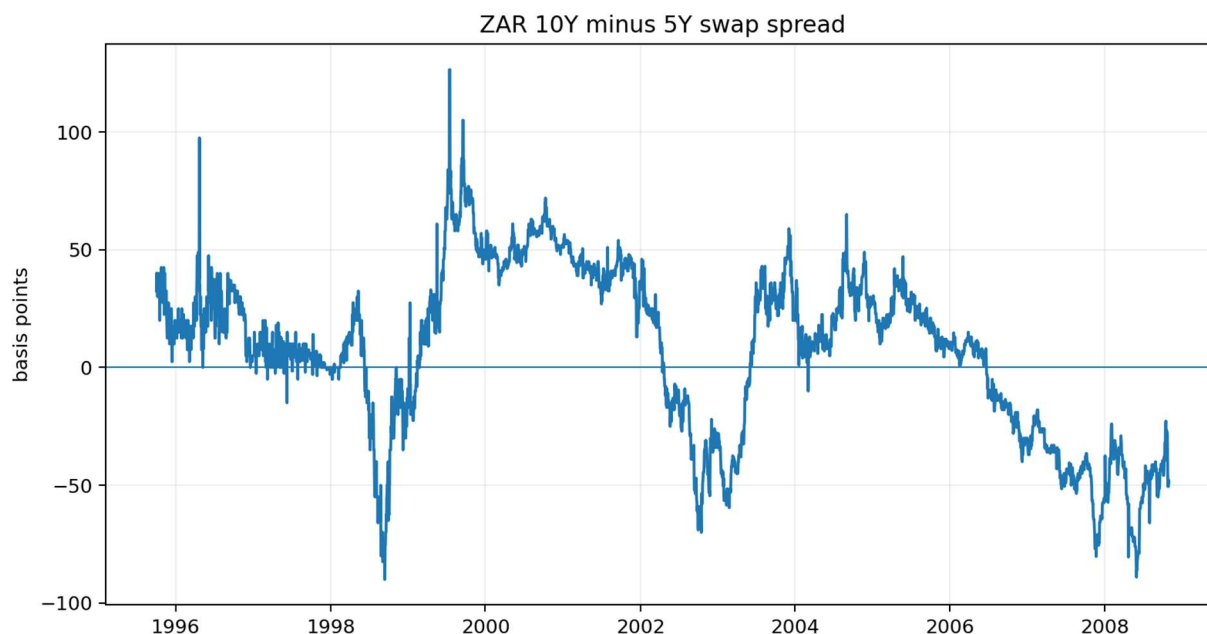


Figure 9. Difference between 10Y and 5Y ZAR swap rates in the historical LKA dataset.

The relevant sponsor question is not simply whether five years is cheaper or less volatile than ten years at financial close. It is what rate exposure remains when the initial hedge expires, and how that expiry interacts with any later mini-perm refinancing.

Japan: the swap hurdle is rising as well

Japan's modern swap market is centred on TONA OIS. JSCC settlement data show the 10-year TONA OIS settlement rate rising from 1.539% on 10 November 2025 to 2.024% on 10 February 2026. The direction is therefore the same as in JGBs: the domestic Japanese risk-free swap curve has repriced sharply upward.

A full historical ZAR-JPY swap-spread chart must respect benchmark changes rather than splice unlike instruments without disclosure. The publication version should distinguish legacy JIBAR IRS / Japanese LIBOR-TIBOR regimes from the modern ZARONIA / TONA OIS regime.

Mini-perms: potential concentration of refinancing and re-hedging risk

A project can reach a future period in which refinancing and re-hedging requirements overlap, leaving the sponsor exposed simultaneously to the prevailing base-rate curve, bank credit margins, debt capacity and hedge pricing. In other structures the initial hedge may run off before the mini-perm, creating a top-up or replacement hedge requirement while the existing financing remains outstanding. In a structurally higher-rate environment these risks can reinforce one another.

Reducing hedge tenor reduces today's visible breakage exposure, but it does not eliminate duration risk. It converts part of that risk into a future re-hedging and refinancing exposure.

Data note

South African historical swap charts use market data retained in LKA's archive (Bloomberg SASW series). SARB's 2025 historical ZARONIA OIS work confirms that the underlying JSE nominal swap zero-curve dataset spans early 2005 to end-2024. Japanese contemporary OIS observations are sourced from JSCC settlement-rate publications. The final publication version should preserve explicit benchmark-regime breaks.

A first re-hedging back-test

The LKA archive allows a preliminary test using observed Bloomberg ZAR swap quotations. For annual cohorts from 1996 to 2003, the exercise compares the 5-year and 10-year swap rates available at the initial date with the 5-year swap rate actually prevailing five years later. It is deliberately an indicative rate test rather than a full project cash-flow simulation: it ignores amortisation, credit margins, hedge notional profiles, transaction costs and swap breakage.

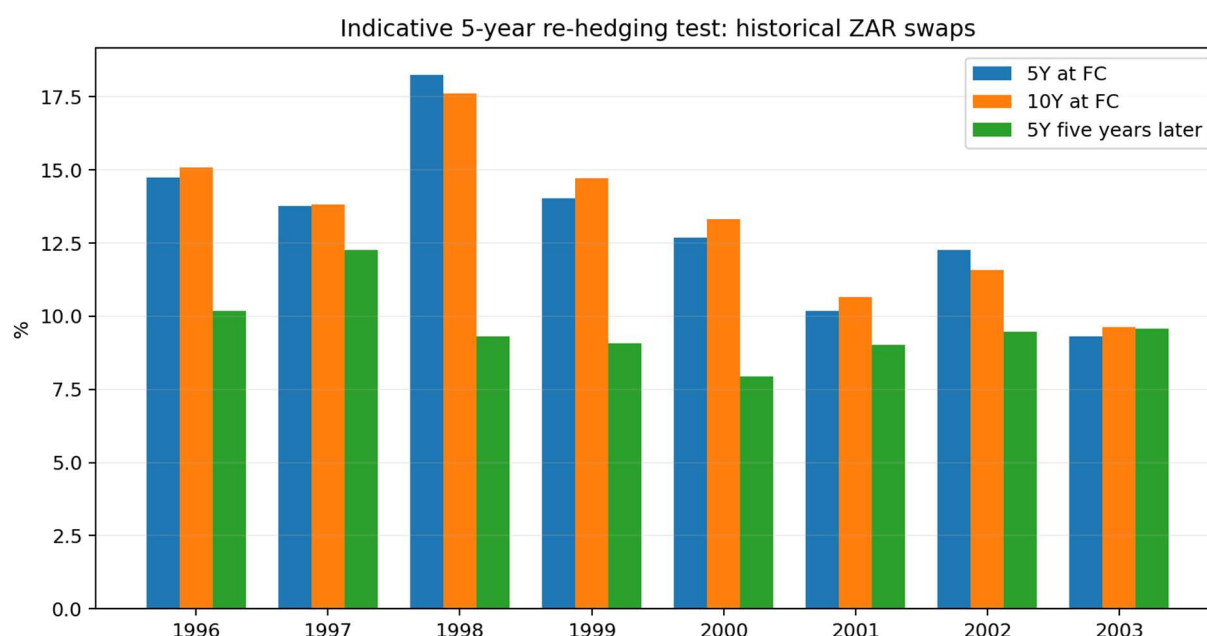


Figure 10. Observed ZAR swap rates at initial hedge date and at the five-year re-hedging date. Source: LKA retained Bloomberg SASW data.

Cohort	5Y at FC	10Y at FC	5Y at re hedge	Rehedge minus initial 10Y (bp)	Rehedge minus initial 5Y (bp)
1996	14.75	15.07	10.19	-488	-456
1997	13.77	13.82	12.27	-155	-150
1998	18.25	17.60	9.30	-830	-894
1999	14.04	14.72	9.08	-564	-496
2000	12.69	13.31	7.95	-536	-474
2001	10.19	10.65	9.02	-163	-118
2002	12.27	11.58	9.46	-212	-280
2003	9.30	9.61	9.58	-3	28

What the first sample says — and what it does not

This first historical sample does not support a claim that shorter hedges were generally costly. Quite the opposite: for all eight annual cohorts, the 5-year swap rate observed at the re-hedging date was below the 10-year rate available five years earlier. Only the 2003 cohort re-hedged above its original 5-year rate, and then by only about 28 basis points.

That result is economically intuitive because the sample is dominated by a secularly declining South African rate environment. It is also precisely why the post-2008 period matters. The concern in this paper is not that five-year hedging was historically inferior; it is that lender practice may have been conditioned by a period in which waiting to re-hedge was repeatedly rewarded.

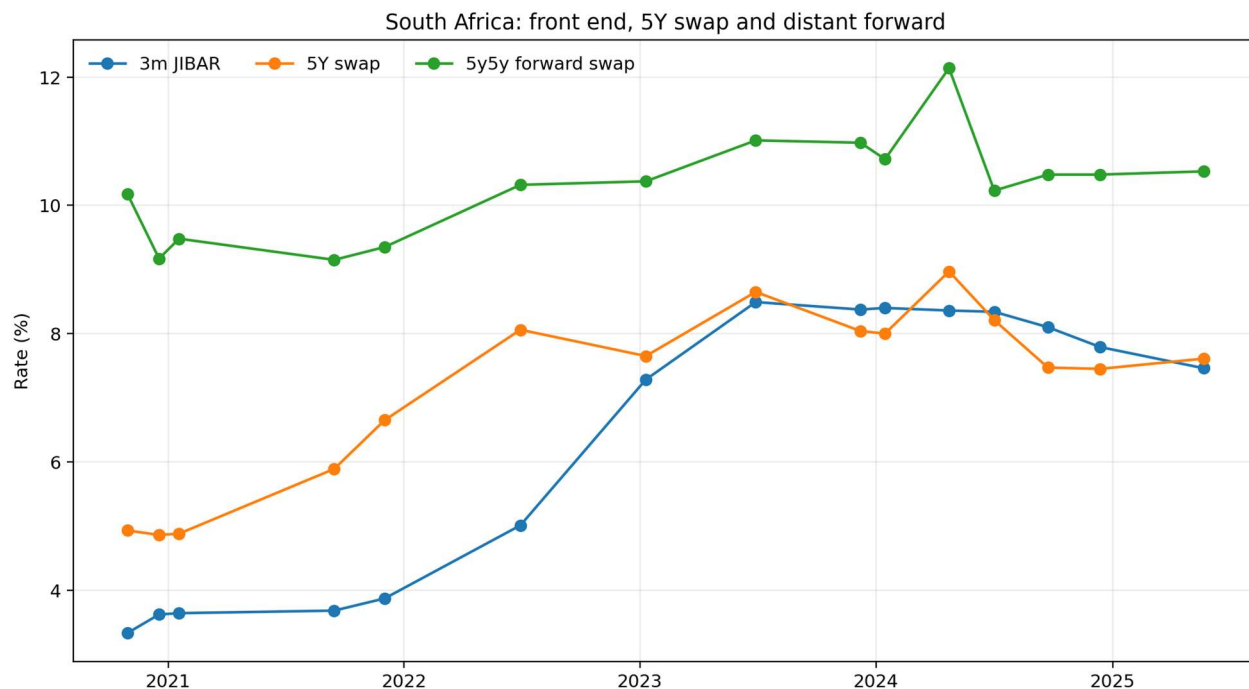
The relevant test is therefore regime-dependent: did the apparent safety of shorter hedge tenors become embedded during the low-rate era, and how does that strategy behave when rates subsequently normalise upward?

The SARB historical ZARONIA package is well suited to extending this exercise because it contains estimated fair/par benchmark rates for the full historical period from early 2005 to end-2024. The next stage is to repeat the same five-year cohort test across that period, with particular attention to cohorts originating during the post-GFC and post-COVID low-rate regimes.

The ZAR long-forward curve, 2020–2025

The selected historical market snapshots below, drawn from LKA's accumulated market-data archive, illustrate how spot and forward-starting swap rates can diverge across different rate regimes. The 5y5y is shown as one observable point on the distant curve: a theoretical five-year swap beginning in five years. It should not be read as a forecast of the five-year swap rate in five years, nor as a direct proxy for a project's future refinancing cost.

Figure 11. JIBAR, 5Y swap and 5y5y forward swap



Source: LKA accumulated market-data archive. Underlying market data were supplied to LKA over time and/or sourced from third-party market-data providers. Selected observations.

The chart makes the regime distinction visible. JIBAR rose from roughly 3.3–3.9% in 2020–21 to above 8% in 2023–24, and the 5-year swap repriced sharply with it. The distant 5y5y forward spent much of the selected sample in a different range. That does not make it a prediction of the eventual refinancing hedge rate: it is the market-consistent price, at that date, of a specific forward-starting five-year risk transfer and reflects the shape and pricing of the forward curve.

For project-finance purposes, the 5y5y is therefore illustrative rather than determinative. This paper retains a five-year mini-perm as a simplifying assumption, recognising that actual debt and hedge structures vary materially across projects and technologies. The economically relevant forward-starting hedge would depend on when the existing hedge runs off, the percentage of debt still required to be hedged and the tenor of any replacement hedge.

That distinction is sufficient for the purpose of this paper. Where mandatory hedge cover runs off before a mini-perm refinancing, a project may need to top up or replace hedge cover while the existing financing remains outstanding, followed later by a separate refinancing and potentially another hedge decision. The analysis does not attempt to model every possible iteration; the five-year mini-perm assumption is used simply to illustrate the potential concentration or sequencing of rate, credit-margin and liquidity risk.

8. The project-finance risk: replacing visible MTM risk with a refinancing cliff

There is a related project-finance concern. Banks have good reasons to be cautious about excessively long-dated mandatory swaps. When rates fall sharply, a long swap can develop a very large negative mark-to-market for the borrower, creating breakage costs, refinancing friction and difficult credit discussions. Those experiences have encouraged shorter mandatory hedge tenors in many financings.

Anecdotally, some project sponsors have begun to question whether this balance has shifted too far. Lenders that historically pressed for conservative long-dated hedge protection may now be more comfortable with shorter mandatory tenors, partly because of the breakage and mark-to-market problems associated with long swaps. That can leave equity asking the longer-term question: what rate risk is simply being deferred rather than removed?

But shortening the hedge does not eliminate duration risk. It changes where that risk appears. A long-dated swap creates visible mark-to-market and breakage risk today; a short hedge against a long-lived asset creates re-hedging risk tomorrow. Depending on the hedge profile, that re-hedging requirement may arise before the mini-perm refinancing or may coincide with it.

Shortening the hedge does not remove duration risk; it can transfer duration risk from today's swap mark-to-market into tomorrow's refinancing economics.

That distinction matters particularly in a higher-for-longer regime. A project approaching its mini-perm refinancing date may simultaneously face a higher base rate, a higher swap rate, a wider credit margin and weaker debt sizing. These risks are correlated rather than independent: the same market shock that raises interest rates can also reduce bank risk appetite and increase refinancing margins.

The historical lesson should therefore not be that long-dated hedging was a mistake. The lesson is that hedge tenor should be aligned with the underlying economic exposure and refinancing strategy. Excessively long hedges can create breakage problems; excessively short hedges can create re-hedging cliffs. The appropriate structure sits between those extremes and should be tested against multiple rate regimes rather than the most recent cycle.

9. Mini-perms require explicit rate-regime stress testing

A mini-perm should therefore be evaluated not only under a conventional parallel-rate stress, but under a combined refinancing scenario. The relevant question is not simply, 'what if rates are 200 basis points higher?' It is, 'what if the project must refinance when the base/swap rate is 200 basis points higher, the credit margin is wider, and the debt quantum is constrained by a higher debt-service burden?'

The simple illustration below deliberately avoids project-specific assumptions. It shows only the additional annual cash interest burden on each R1 billion of debt outstanding. Every 100 basis points of additional all-in cost adds approximately R10 million per year before any effect on debt sizing, DSCR, cash sweeps or equity distributions. A 200 basis point rise in the base/swap rate combined with 150 basis points of margin widening therefore adds about R35 million per year for each R1 billion refinanced.

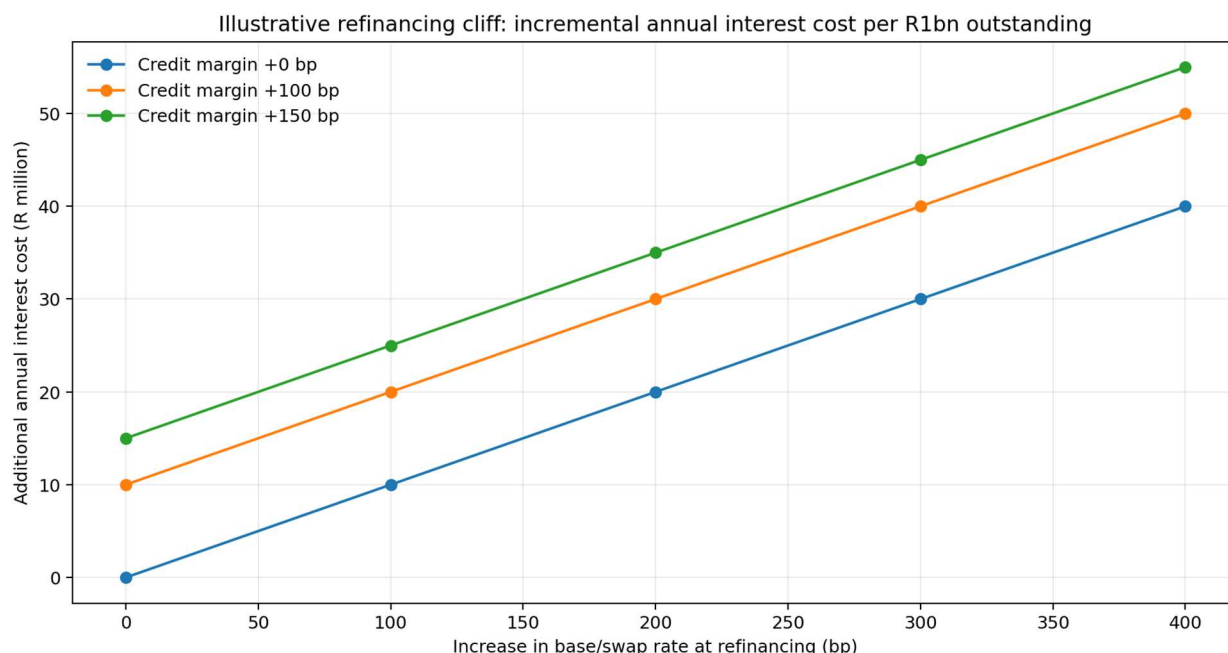


Figure 12. Illustrative refinancing cliff: incremental annual interest cost per R1bn outstanding

Illustrative only. Assumes unchanged principal balance and isolates the cash-interest effect of rate and credit-margin changes; excludes amortisation, fees, DSCR resizing and hedge breakage.

A more robust sponsor-side stress framework should test at least four dimensions:

- Rate regime: refinancing at current forwards, +100 bp, +200 bp and a persistent high-rate regime rather than assuming mean reversion to the 2016-2021 environment.
- Credit margin: refinancing margins unchanged, moderately wider and materially wider, recognising that bank risk appetite can deteriorate at the same time as rates rise.
- Debt capacity: debt sizing recalculated under stressed interest cost rather than assuming the original quantum can simply be rolled.
- Hedge strategy: compare a short mandatory hedge, a layered or extending hedge, and a longer initial hedge with breakage-risk controls.

This approach is consistent with the broader principle used in bank interest-rate risk management: stress testing should consider severe but plausible changes in rates, timing mismatches and vulnerabilities created by hedging strategies. For infrastructure sponsors, the equivalent discipline is to treat the refinancing date as a potential concentration of market, liquidity and credit risk rather than as a routine future event.

10. Three scenarios rather than one forecast

Scenario	Japan	South Africa	Infrastructure implication
Orderly normalisation	JGB yields stabilise; Japanese overseas buying slows but remains positive.	Limited ZAR impact; foreign demand remains selective.	Mostly a higher hurdle rate rather than a funding shock.
Selective repatriation	Japanese investors allow more foreign bonds to mature and increase domestic allocations.	Higher term premium and greater ZAR sensitivity during risk-off periods.	Higher swap/FX hedge costs; tighter economics for marginal projects.
Disorderly carry unwind	Yen strengthens rapidly and leveraged carry positions are cut.	Simultaneous pressure on ZAR, SAGBs and market liquidity.	Execution risk becomes material; liquidity premiums rise precisely when FC hedges must be executed.

11. What South African treasurers and infrastructure investors should watch

- 10-year and 30-year JGB yields: the long end is the clearest measure of the domestic alternative available to Japanese long-duration investors.
- Bank of Japan policy and the pace of JGB purchase reductions: both influence the term premium and the amount of duration private investors must absorb.
- Japanese net purchases of foreign long-term debt: persistent net sales would be more meaningful than headlines about the stock of overseas assets.
- Foreign participation in South African government bonds: the ownership share has fallen materially, but changes in foreign flows still influence marginal pricing.
- ZAR/JPY and cross-asset volatility during risk-off episodes: a sharp yen appreciation can be a signature of carry reduction.
- South African sovereign and swap curves: these are the channels through which a global allocation shift becomes a project-finance issue.

Conclusion

The strongest version of the argument is not that Japanese capital is about to abandon global markets. The official data do not support that conclusion. Japan still owns an enormous portfolio of overseas assets, and the monthly flow series remains volatile.

The more important structural change is that Japanese investors now have a credible domestic alternative. That does not mean the yen carry trade has disappeared. The Bank of Japan's policy rate is around 1%, while South African short rates remain near 7%, so the funding differential is still economically meaningful. The regime change is therefore subtler: the hurdle rate for investing abroad has risen, while capital supporting high-yield markets can remain attractive but become more tactical, more price-sensitive and potentially less reliable during periods of yen strength or risk aversion.

South Africa is better insulated than it was when foreigners owned more than 40% of domestic government bonds, but it remains a liquid, high-yielding market whose currency and yield curve respond quickly to changes in global capital allocation. For infrastructure sponsors, the implication is not that every project needs a 'Japan view'. It is that the cost of capital is global even when the financing is entirely domestic.

For infrastructure sponsors, the same change in regime argues for greater caution around short mandatory hedge tenors and mini-perm structures. Reducing long-dated swap MTM exposure may be sensible, but it should not be allowed to create an unexamined refinancing cliff. The relevant stress is the combined effect of the future base rate, swap rate, credit margin and resulting debt capacity - not an assumption that the low-rate environment of the last decade will return in time for refinancing.

The question to watch is therefore not whether Japanese capital 'comes home' in one dramatic move. It is whether the marginal unit of Japanese savings increasingly stays home - and what return South Africa must offer to keep global capital interested.

Data and methodology

The figures in this paper use official public data and LKA's accumulated market-data archive as identified in the relevant source notes. JGB yields are constant-maturity government bond yields published by Japan's Ministry of Finance. Japanese foreign long-term debt-security flows are from the Ministry of Finance's International Transactions in Securities survey of designated major investors; from January 2014 onward, positive values represent net purchases and negative values net sales. South African foreign ownership and holdings data are transcribed from Figures 7.4 and 7.5 of National Treasury's 2026 Budget Review. The refinancing stress illustration in Figure 12 is an LKA scenario analysis rather than an observed market dataset and is intentionally scale-neutral, expressed per R1 billion of debt outstanding. The short-end comparison uses public policy-rate and interbank-benchmark observations. It is deliberately labelled as a carry proxy rather than a forward-implied return because benchmark conventions differ across markets and FX-forward pricing also reflects cross-currency basis and market frictions.

The flow series is not a comprehensive measure of the global yen carry trade. Nor are Japan's international investment position figures a measure of carry-trade positions. The paper deliberately treats them as separate concepts: the IIP describes the stock of overseas assets; the securities-flow series provides a partial indicator of Japanese portfolio allocation; and leveraged carry activity can be undertaken by non-Japanese investors as well as Japanese residents.

Selected data sources

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