Term Premia Watch

– Insights on yield curve drivers –

14 January 2026

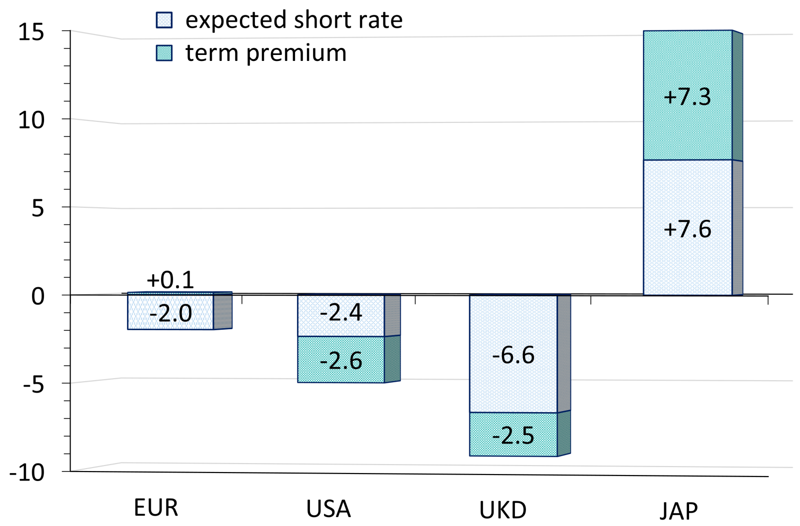
TAKEAWAY

A clear divergence: Japan's long end is bucking the YTD trend and continues to move higher

UPWARD TREND IN JAPANESE YIELDS

- In 2025, Japanese yields rose sharply with the 5Y up 85 bps, 10Y up almost 100 bps, and 20Y up 115 bps, in contrast with declining US rates
- While long-term yields in the Eurozone, US, and UK have fallen year-to-date, Japan's curve continues to shift upward, driven by both expected rates and term premia
- The 2025 increase in yields has been accompanied by a modest rise in inflation expectations, with Argedion estimating the 10Y expected real rate to be over 60 bps higher and the current equilibrium real rate above 1%

YTD Changes in 20Y Yield (13 Jan 2026)



Source: Argedion estimates

OBSERVATIONS

- In the short term, the yield curve will be pulled in opposite directions by two forces: the Bank of Japan's policy normalization — following the exit from YCC and the December hike to 0.75% — and the government's expansionary fiscal stance
- Argedion sees upward pressure on term premia in Japan, particularly at the long end of the curve, with 10- and 20-year term premia estimated at near zero and 56 bps, respectively