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Archive > **Commentary Archives**



International Perspective, by Michael Panzner

Japan should worry bond market more than China

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Michael Panzner is author of "[The New Laws of the Stock Market Jungle: An Insider's Guide to Successful Investing in a Changing World](#)" and a 20-year veteran of the stock, bond and currency markets. He is currently at work on a book about global financial risks.

Recently, there was consternation over a report that a Chinese official had urged his government to trim its holdings of U.S. debt and to stop buying dollar bonds.

Many people fear that such a move could rattle our financial markets and send yields sharply higher.

Yet based on an analysis of Japanese investors' net purchases and sales of foreign bonds, it seems that we should probably be paying more attention to what that other large Asian nation is up to if we are really worried about where long term U.S. rates are headed.

Over the past five years, whenever we have seen a sharp decline in the 13-week cumulative total of Japanese net investment in medium and long-term foreign bonds, as reported by Japan's Ministry of Finance, it has been accompanied by a parallel rise in the 5-year U.S. treasury bond yield (among others).

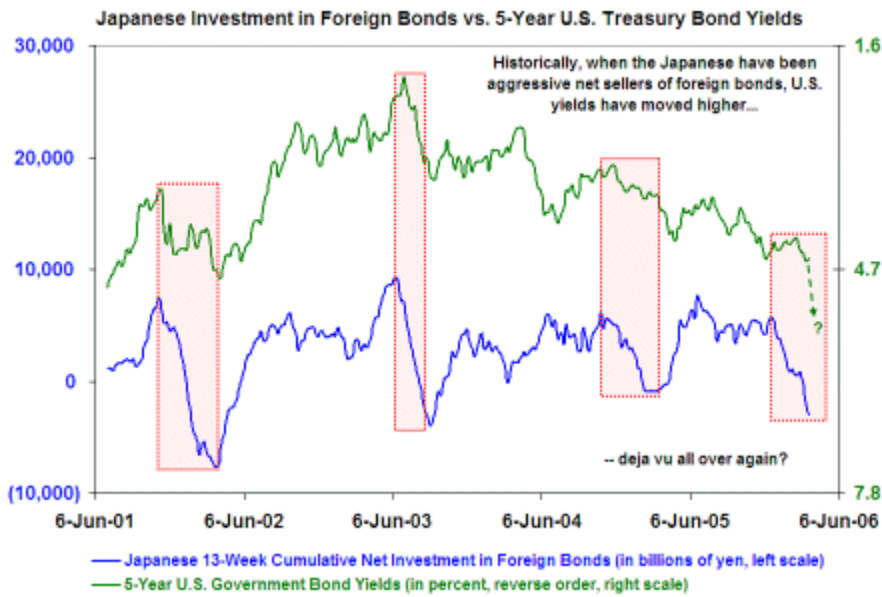
Since December 30th, we have seen such a move, with a cumulative measure of net investment falling by 8.39 trillion yen, or more than \$70 billion dollars. That suggests we could be due for even more of a slide in bond prices than we have seen already.

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