

Does Liquidity Enhancement Auction improve the Liquidity Condition in Japanese market?

Takahiro Hattori¹

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Abstract

We firstly analyze Liquidity Enhancement Auction, which is the unique auction implemented in the Japanese Government Bond (JGB) markets. Under this auction, Ministry of Finance, Japan (MOF) additionally issues the older bonds with the lack of liquidity in order to improve the liquidity condition in the JGB market. Our results imply that this auction significantly affects the liquidity in the JGB market. Moreover, we empirically show this auction provides the persistent effect on the liquidity condition.

JEL codes: D44, E43, G18, G28

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¹ Policy Research Institute, Ministry of Finance, Japan (hattori0819@gmail.com)