

# Time-varying Effective Lower Bound Tightness and U.S. Monetary Spillovers

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## Abstract

Using monthly Japanese professional forecasts, we estimate the expected sensitivities of long-term yields to inflation and real activity as an inverse measure of effective lower bound (ELB) tightness. The ELB was more binding around the Global Financial Crisis, the early phase of yield curve control, and the COVID-19 pandemic. Spillovers from U.S. monetary policy surprises to the Japanese yield and the yen/dollar exchange rate are larger when the ELB is more binding. This pattern conflicts with uncovered interest parity and may reflect that a tighter ELB thins bond-market liquidity, amplifying short-term yield responses to shocks.

Keywords: Long-term yields, Unconventional monetary policy, Spillovers, Macro finance, Survey data

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