Japanese banks are expanding overseas ... but dollar funding and hedging costs have risen ...

1. Share of BIS Foreign Claims by Country of Reporting Bank (Immediate borrower basis, percent)

Source: Bank for International Settlements (BIS), Consolidated Banking Statistics.

... forcing investors into riskier bonds to maintain positive yields.

2. U.S. Dollar Funding and Hedging Costs (Basis points)

Source: Bloomberg L.P.; and IMF staff calculations. Note: Bps = basis points; CP = commercial paper; Libor = London interbank offered rate; OIS = overnight indexed swap.

Japanese banks are more reliant on wholesale funding than deposits.

3. Hedged Returns on U.S. Dollar Bonds (Basis points)

Sources: Bloomberg L.P.; and IMF staff calculations.

4. Japan: Major Banks’ Structure of Foreign Currency Funding (Billions of U.S. dollars)

Source: Bank of Japan. Note: Repo = repurchase agreement.