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An Analysis of Bidding in the Japanese Government Bond Auctions

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Abstract

We examine the bidding patterns and auction profits in the Japanese Government Bond (JGB) auctions and empirically test the predictions of auction theory. We find that the average profit in JGB auctions is not reliably different from zero, and the degree of competition and the level of uncertainty are insignificant in determining auction profits. The winning shares of the U.S. dealers are positively related to auction profits, whereas the winning shares of their Japanese counterparts show a negative association. We also find that the share of winnings of Japanese dealers tends to be correlated with the share of winnings of their compatriot dealers but a similar relation is not found for U.S. dealers.

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