

An Analysis of Bidding in the Japanese Government Bond Auctions

Yasushi Hamao, Narasimhan Jegadeesh

First published: 17 December 2002

<https://doi.org/10.1111/0022-1082.305342>

Citations: 21

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.

REFERENCES

Bikhchandani, Sushil, and Chi-Fu Huang, 1989, Auctions with resale markets: An exploratory investigation of Treasury bill markets, *Review of Financial Studies* 2, 311–339.

[Web of Science®](#) | [Google Scholar](#)

Bond Underwriters Association of Japan, 1995, *Bond Review* 471, 6–7.

[Google Scholar](#)

Cammack, Elizabeth, 1991, Evidence of bidding strategies and the information in Treasury bill auctions, *Journal of Political Economy* 99, 100–130.

[Web of Science®](#) | [Google Scholar](#)

Campbell, John, and Yasushi Hamao, 1993, The interest rate process and the term structure of interest rates in Japan, in Kenneth Singleton, ed.: *Japanese Monetary Policy* (University of Chicago Press, Chicago, Ill.).

[Google Scholar](#)

Engelbrecht-Wiggans, Richard, Paul Milgrom, and Robert Weber, 1983, Competitive bidding and proprietary information, *Journal of Mathematical Economics* 11, 161–169.

[Web of Science®](#) | [Google Scholar](#)

French, Kenneth, and Robert McCormick, 1984, Sealed bids, sunk costs and the process of competition, *Journal of Business* 57, 417-441.

[Web of Science®](#) | [Google Scholar](#)

Jegadeesh, Narasimhan, 1993, Treasury auction bids and the Salomon squeeze, *Journal of Finance* 48, 1403-1419.

[Web of Science®](#) | [Google Scholar](#)

Kikugawa, Tadashi, and Kenneth Singleton, 1994, Modeling the term structure of interest rates in Japan, *Journal of Fixed Income* 4-2, 6-16.

[Google Scholar](#)

Milgrom, Paul, and Robert Weber, 1982, A theory of auctions and competitive bidding, *Econometrica* 50, 1089-1122.

[Web of Science®](#) | [Google Scholar](#)

Nyborg, Kjell, and Suresh Sundaresan, 1996, Discriminatory versus uniform Treasury auctions: Evidence from when-issued transactions, *Journal of Financial Economics* 42, 63-104.

[Web of Science®](#) | [Google Scholar](#)

Semkow, Brian, 1992, Foreign financial institutions in Japan, *Law and Policy in International Business* 23, 331-413.

[Google Scholar](#)

Simon, David, 1994, Markups, quantity risk, and bidding strategies at Treasury coupon auctions, *Journal of Financial Economics* 35, 43-62.

[PubMed](#) | [Web of Science®](#) | [Google Scholar](#)

Umlauf, Steven, 1993, An empirical study of the Mexican Treasury bill auction, *Journal of Financial Economics* 33, 313-340.

[Web of Science®](#) | [Google Scholar](#)

White, Halbert, 1980, A heteroskedasticity-consistent covariance matrix estimator and direct tests for heteroskedasticity, *Econometrica* 48, 817-838.

[CAS](#) | [Web of Science®](#) | [Google Scholar](#)

ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

[Developing World Access](#)

HELP & SUPPORT

[Contact Us](#)

[Training and Support](#)

[DMCA & Reporting Piracy](#)

OPPORTUNITIES

[Subscription Agents](#)

[Advertisers & Corporate Partners](#)

CONNECT WITH WILEY

[The Wiley Network](#)

[Wiley Press Room](#)