



The yen carry trade, explained

How Japan can break markets

WHAT IT IS

Free money, at scale

Borrow yen near zero, convert to dollars, buy higher-yielding assets, pocket the difference. For years it worked quietly, so everyone did it, at enormous scale.

The unwind feeds itself

When Japan hikes or the yen spikes, borrowers rush to buy yen to repay loans. That buying spikes the yen further. Forced selling cascades through every market at once.

Currencies do not sleep

FX moves do not wait for the open. A yen spike over the weekend means margin calls Monday morning. Global selloffs have started exactly this way.



Beware the quiet trade

The most dangerous trades are the ones that work for years. Everyone is in, nobody hedges, and the exit is a single door. Crowded quiet is still crowded.





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