Dispersion Unwind, Meet Yen Carry Trade Unwind

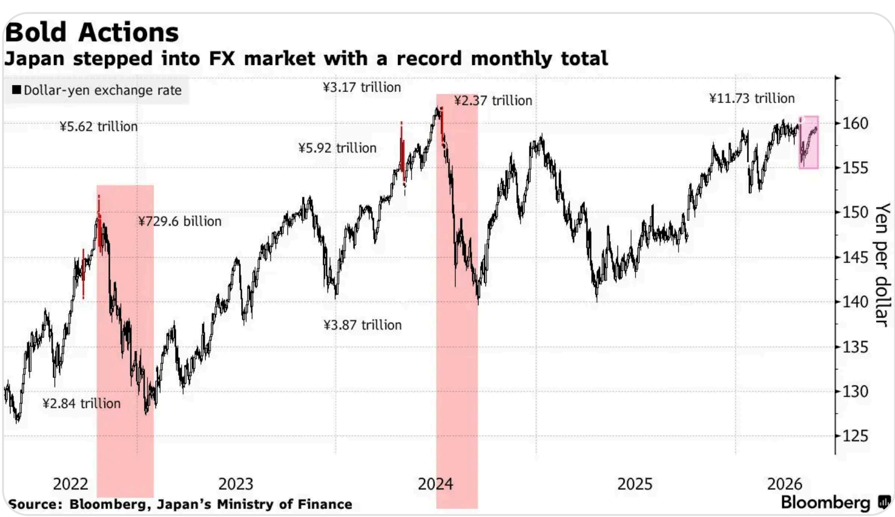
June 2, 2026 by Samantha LaDuc, Founder of LaDucTrading

- **Japan's Intervention Isn't Working**
- **Yen As Political Instrument**
- **Yen-Dollar-Oil Squeeze**
- **BOJ Has A Fed Problem**
- **Yen Freefall Danger: My Prediction**
- **Upside Convexity Versus Downside Protection**

Japan's Intervention Isn't Working

> ***Japan Used Record $73.6 Billion to Support Yen in Past Month***

Despite Japan's Ministry of Finance intervening to to tune of ¥11.73 trillion in May (April 28 to May 27), they could not support their currency. And that is not a small amount, as you can see from this Bloomberg chart.



USDJPY is about to overtake 160 again, with 162 the July 2024 yen carry trade high before a volatile unwind that took VIX to 65 - a 519% advance in under a month.

The BOJ's next policy decision is June 16 - same day as US FOMC meeting under new Fed Chair Kevin Warsh and VIX expiration oh joy. If they hike, expect volatility in yen (higher). If they don't, expect volatility in the dollar (higher).

Either way, I am tracking a large dispersion trade unwind, but the market doesn't see it yet.

Yen As Political Instrument

I have joked that I see the yen as a "derivative product made to fall - like those 2x & 3x leveraged ETFs". Joking aside, Yen is a political tool to manage Japan's bond buying and fiscal stimulus, energy-triggered inflation and yield-differentials with US. Translation, it is not allowed to rise durably, but it is also not allowed to fall "too much, too fast".

The carry trade has incentivized cheap borrowing in yen to chase higher yields abroad - specifically higher-yielding DOLLAR assets.

Yen-Dollar-Oil Squeeze

The problem of rising energy costs in Japan, as a result of the Trump-Netanyahu War on Iran, makes for an even weaker yen (against a strong dollar while oil is priced in dollars) that is made more difficult for MOF to prop up with intervention.

Japan imports most of its oil & gas from the Middle East. In a nutshell, when oil rises and the yen weakens, Japan is paying a lot more yen for everything: energy, shipping/transports, industrial inputs, food/fertilizers, etc.

And even though a weaker yen can help Japanese exporters, it hurts Japanese households and small businesses so real wages fall with consumption and productivity.

The weakening yen makes Japan's inflation worse.

BOJ Has A Fed Problem

As a result of imported inflation, the Bank Of Japan is expected to hike - eventually.

I wrote about this in January saying I did not expect them to hike for 6-9 months, despite Treasury Secretary Bessent pressuring. That was well before the spiking higher oil prices. Long story short, we are getting closer.

Samantha LaDuc: “The NEW Yen M…”

The BOJ will eventually need to defend the yen by hiking - something the new Prime Minister was loathe to do upon taking office last October - with her new fiscal stimulus plan that needed to get passed.

But now that US is at war with Iran, the dollar has strengthened with oil, which is a double whammy of inflation shock on Japan. And this leaks not only into their own economy, but also into South East Asia: China, Taiwan, South Korea

The yen-dollar-oil squeeze is therefore forcing the BOJ to act. But that is made difficult as the Fed is not expected to cut rates, which has given cover to Japan in the past - offsetting the yield differential and dampening currency volatility.

> But a stronger yen pressures an already under-pressure Japanese bond market. And that is a recipe for US treasury, equity and credit volatility.

Yen Freefall Danger: My Prediction

After BOJ Governor Kazuo Ueda’s comments later this week and next week’s BOJ decision, I fully expect USDJPY to power above 162 - not if but when.

As such, even as USDJPY takes out the psychological and politically expedient 160 level, this will trigger USD higher/yen lower… UNTIL the BOJ hikes.

The MOF has shown that a failed $74B intervention infusion has diminishing rate of return. And the papering over of the problem does not solve a structural rate deficiency problem.

Pushing past 162 will accelerate the yen's slide - until either the June 16th or future BOJ meeting forces a rate hike, which can queue up another trigger for a global carry trade unwind.

But this time, market will know what is happening - unlike the surprise July 2024 BOJ hike which triggered a -15% pullback in QQQ, -25% in SMH and -35% in NVDA - until AUGUST 6TH when JPM came out to announce on Bloomberg that they estimated ~60-70% of the “yen carry trade unwind” had concluded. VIX immediately peaked and rolled lower that day.

Fast forward to today, markets are currently pricing in roughly a 78% probability that the BOJ will raise interest rates again later this month. Ironically, VIX expiry is Tues June 16th - same day as BOJ meeting.

Betting on this binary event is challenging. BOJ is known for many fakeouts; instead, waiting until no one is watching.

Or maybe they are betting on the AI trade distracting bulls from macro event risks such as this.

> Either way, when-not-if BOJ hikes - this time - the market knows exactly what to do: sell Nasdaq.

Upside Convexity Versus Downside Protection

I can't leave you with a solely "yen carry trade" warning post. Because it is NOT really about the yen carry trade that throws the tech sector into a convulsion when yen strengthens sharply.

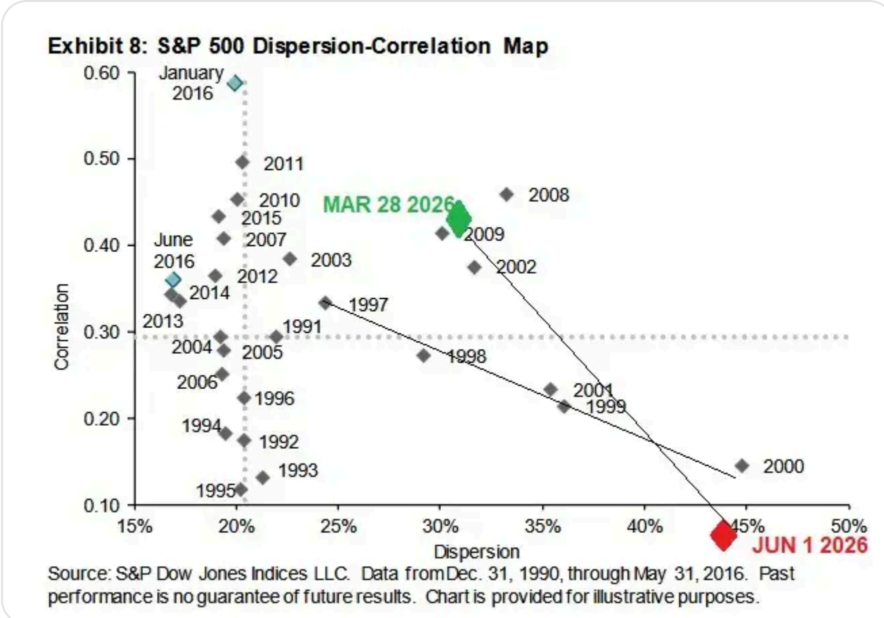
It is at the core also about TIMING A DISPERSION UNWIND.

You don't need me to explain to you that we are experiencing parabolic rises in select stocks like MU, SNDK, DELL, CSCO. MRVL etc.

> ***Semiconductor Stocks are now trading 73% above their 200-day moving average, the largest margin since the Dot Com Bubble***

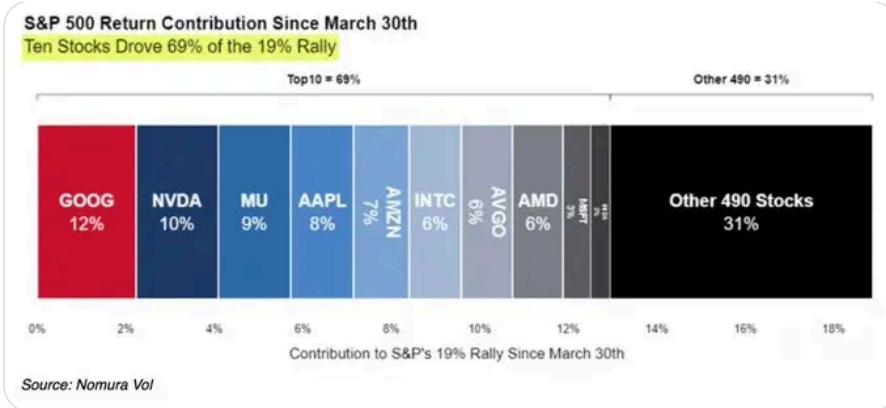
Here's a ***Dispersion-Correlation Map*** from [Client George](). Do you see anything, well… EXTREME?

George reminds, the DotCom took a few years to make the same journey we have made in a few months.



For the technical analysts out there, here's an outlier with most overbought levels every recorded for any asset in history: SNDK

And in this regard, ***Nomura's McElligott*** reminds us that just 10 stocks are responsible for nearly 70% of the SPX rally from the March lows:

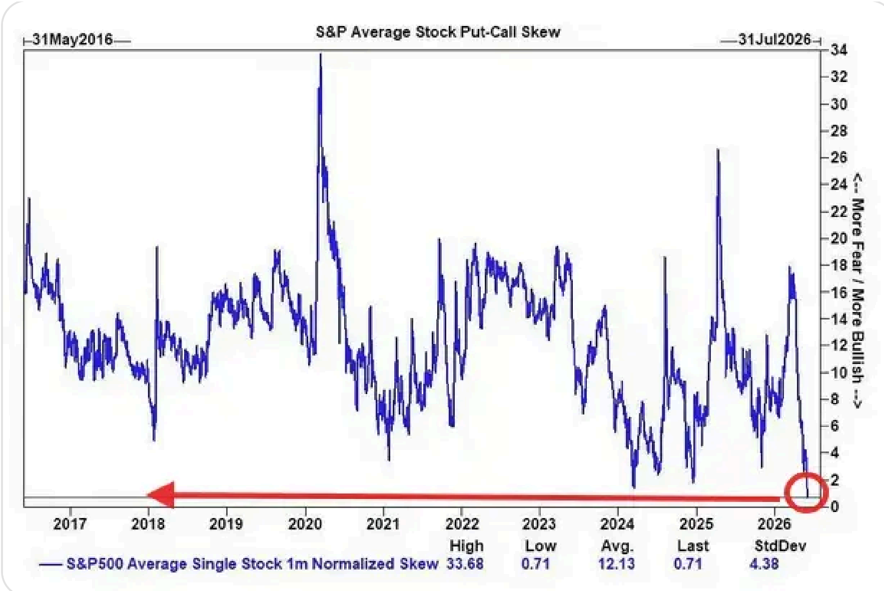


Or that Micron is lately trading more premium than SPY & QQQ combined!

Or that the last time we saw a single stock consistently do this was Nvida in … July 2024.

Fast forward, macro fear has collapsed and single-stock skew is pricing in a market where everyone is bullish.

> ***Goldman Coppersmith: market has become more convinced in AI, more concentrated in AI, more levered to AI, and increasingly willing to pay for upside convexity rather than downside protection.***



My point:

Given the extreme positioning in the dispersion trade (single stocks like semis, memory, and hyperscaler bets outperforming rest of market), with the correlation trade in play (average stocks moving in different direction to indices), the reversion trade (when everyone is long upside calls) can force mechanical selling by dealers on ANY macro event risk that interrupts these bullish flows: NFP, CPI, FOMC… but especially BOJ.

I will end with confirmation on my bias from a reply to a random reply I saw this evening on this topic from the one-and-only [Michael W. Green]

> ***"Was never the yen carry trade. It was a dispersion unwind."*** profplum99

That's the trade: Protection.

Iran war escalation is not priced in. BOJ is going to have to hike sooner rather than later. And a likely sharp dispersion unwind will make a visit when market is most complacent.

Like now.