



## PREVIEW: BoJ Policy Decision is Scheduled for Friday 17th June 2022 anytime after 03:30BST/22:30EDT

- BoJ is expected to keep policy settings unchanged when it concludes its 2-day policy meeting on Friday, with rates at -0.10% and QQE with yield curve control to flexibly target 10yr JGB yields at 0%.
- BoJ doubled down on defending the 25bps yield cap at the last meeting and has since announced further additional bond purchases to contain yields.
- Rapid JPY depreciation has spurred some speculation the BoJ may need to rethink its policy, although Governor Kuroda previously noted that he doesn't think the rapid Yen weakening was caused by BoJ easing

**OVERVIEW:** BoJ will conclude its 2-day policy meeting on Friday in which the central bank is expected to stick to its ultra-easy policy, with rates to be kept at -0.1% and QQE with yield curve control maintained to flexibly target 10yr JGB yields at around 0%.

**BOJ DEFENDED ITS YIELD CAP AT THE PRIOR MEETING:** The BoJ doubled down on its efforts to contain yields at the last meeting by announcing it will conduct special fixed-rate operations on every working day aside from when it is not expected. This went against outside calls for the BoJ to adjust its tolerance band and the global trend of central banks pivoting towards normalisation, while it also reiterated it will ease policy without hesitation as needed and maintained forward guidance on interest rates. Since then, the BoJ has continued to defend its yield target through additional bond purchases and in greater amounts which it will continue with as needed.

**BOJ REMAINS UNWAVERING IN ITS DOVISH STANCE:** Central Bank officials repeatedly reinforced the dovish tone with Governor Kuroda stating that Japan is absolutely not in a situation that warrants tightening monetary policy and the biggest priority is to support the economy by continuing powerful monetary easing, while Kuroda also noted that the BoJ will be unwavering in its stance of maintaining monetary easing to ensure the recent rise in inflation expectations leads to a sustained price increase. Other officials have echoed the dovish tone including Deputy Governor Wakatabe who said they must maintain powerful monetary easing and sustain an environment where wages can rise, as well as noting that the BoJ shouldn't rule out additional easing steps if risks to the economy materialise and spoke against widening the range around the 10yr JGB yield target which would be tantamount to a rate increase.

**RECENT CURRENCY WEAKNESS AND DATA RELEASES ARE UNLIKELY TO AFFECT POLICY, FOR NOW:** The Central Bank has made it clear that policy is unlikely to be influenced by the rise in inflation whereby Core CPI rose by the fastest pace since March 2015 at 2.1% vs. Exp. 2.1% (Prev. 0.8%) as Governor Kuroda noted that rising inflation expectations are being driven mostly by energy costs and lack sustainability. Furthermore, the recent sharp depreciation in the currency has raised concerns amongst Japanese officials and has spurred speculation that the BoJ may need to rethink its YCC policy, although Governor Kuroda previously noted that he doesn't think the rapid Yen weakening was caused by BoJ easing.

**ANNOUNCEMENT:** As usual, there is no exact scheduled time for the BoJ policy announcement which can be anytime after the start of the Tokyo lunch break at 03:30BST/22:30EDT, and the focus will be on the statement for any kinks in the BoJ's dovish armour as flinches by the Central Bank due to currency depreciation would trigger a hawkish reaction, while further currency weakness could be expected if the BoJ reinforces its dovish resolve.

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