



PREVIEW: BoJ Rate Decision due on Thursday 21st July 2022 anytime after 03:30BST/22:30EDT

- The BoJ is expected to keep rates at -0.10% and maintain QQE with YCC to target 10yr JGB yields at around 0%.
- Officials have continuously reiterated their dovish rhetoric despite rapid JPY depreciation and tightening by major global central banks.
- Disappointing data releases support a pause, while source reports noted the BoJ are expected to raise Core CPI and lower Real GDP forecasts for the current fiscal year.

OVERVIEW: The Bank of Japan is expected keep rates at -0.10% and QQE with Yield Curve Control to flexibly target 10yr JGB yields at around 0%. The central bank will also release its latest Outlook Report containing board members' median forecasts for Real GDP and Core CPI.

BOJ HAVE STUCK TO A DOVISH TONE: The BoJ has made it clear that it will sustain its ultra-loose policy, despite the rapid JPY weakening and trend of global central banks tightening policies, with Governor Kuroda noting that the central bank stands ready to ease policy further without hesitation as needed and expects short- and long-term policy rate targets to remain at current or lower levels. Furthermore, Kuroda noted shortly after the last meeting that he does not see a need for further policy easing now nor was he thinking about raising the cap on the BoJ's long-term yield target above 0.25% as it could result in higher yields and weaken the effect of monetary easing.

RECENT DATA: Recent data releases have been disappointing and therefore support the view for the central bank to maintain its easy policy settings as the Tankan Large Manufacturing and Non-Manufacturing Indexes and Outlooks all missed expectations, although mostly improved from the prior quarter and Large All Industry Capex growth more than doubled what was forecast. The latest Household Spending data showed a surprise contraction and Industrial Production also unexpectedly contracted which prompted the government to lower its assessment on output, while National CPI Ex. Fresh Food remained slightly above the BoJ's 2% price target as expected at 2.1%, although this is unlikely to have ramifications for policy as the central bank have acknowledged that price increases were due to rising raw material costs and a weak yen instead of being driven by a positive economic cycle and therefore, it would be appropriate to keep easy policy.

ANNOUNCEMENT AND OUTLOOK REPORT: As usual there is no exact scheduled release time for the policy decision which can be anytime after the start of the Tokyo lunch break at 03:30BST/22:30EDT. The BoJ will also release its latest Outlook Report containing board members' median forecasts for Real GDP and Core CPI with recent source reports noting the BoJ is expected to increase its FY22 inflation forecast marginally to slightly above 2% from 1.9% and is expected to lower its economic growth forecast from the current 2.9% view.

PRIOR FORECASTS:

Real GDP

- Fiscal 2022 median forecast at 2.9%.
- Fiscal 2023 median forecast at 1.9%.
- Fiscal 2024 median forecast at 1.1%.

Core CPI

- Fiscal 2022 median forecast at 1.9%
- Fiscal 2023 median forecast at 1.1%.
- Fiscal 2024 median forecast at 1.1%.

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