



PREVIEW: BoJ Policy Decision Due Thursday 22nd September Anytime After 02:30BST/22:30EDT

- **BoJ is expected to keep rates at -0.10% and maintain YCC to flexibly target 10yr JGB yields at 0%.**
- **BoJ has relentlessly stuck to its dovish stance despite global central banks hiking rates and the rapid Yen depreciation.**
- **Focus will be on the statement for any hints regarding potential FX intervention, also expected to confirm the end of its pandemic financing program for small companies with the period for new applications scheduled to close on September 30th.**

OVERVIEW: The Bank of Japan will conclude its 2-day meeting on Thursday and the central bank widely expected to keep its monetary policy settings unchanged with rates to be held at -0.10% and QQE with yield curve control maintained to target 10yr JGB yields at around 0%. Meanwhile, sources familiar with the central bank's thinking note that the BoJ will likely stick to its guidance for short- and long-term rates to remain at present or lower levels and that it will take additional easing steps without hesitation as needed with an eye on the pandemic's impact on the economy.

BOJ REMAINS UNWAVERING IN ITS DOVISH STANCE DESPITE GLOBAL CENTRAL BANK TIGHTENING AND YEN WEAKNESS: BoJ officials have relentlessly maintained a dovish stance despite the tightening seen across most of the world's major central banks, as Governor Kuroda stated shortly after the last meeting that there is no intention to raise interest rates under Yield Curve Control, nor is there a plan to widen the YCC's 0.25% cap and that they need to continue with monetary easing to support the growth cycle. The recent weakening trend of the JPY is also not expected to trigger a shift in BoJ policy despite Japanese officials repeatedly voicing concern regarding the rapid currency depreciation, as intervention has solely been verbal and a recent meeting between the MoF, BoJ, and FSA produced no statement as the basic understanding on FX remained unchanged. Furthermore, board member Nakamura previously suggested that the weakness in JPY is driven mostly by US rate hikes and that there is not much the BoJ can do as moves are due to changes in the US economy.

KEY DATA RELEASES ARE UNLIKELY TO SPUR A SHIFT IN POLICY: Recent data releases also suggest a lack of urgency to tweak policy with larger than expected upward revisions for Q2 Final GDP which showed annualised growth of 3.5% and with National Core CPI for August at its fastest pace of increase since 2014 at 2.8% (exp. 2.7%). Nonetheless, BoJ board member Nakagawa had stated that simply hitting 2% alone will not suffice and that the BoJ must continue easing to achieve the price target in a sustained and stable manner, while a previous Bloomberg survey found that analysts viewed the BoJ as unlikely to move toward normalization in the final months of Governor Kuroda's term even if inflation rose to 3%.

ANNOUNCEMENT: There is no exact scheduled time for the announcement which can be anytime after the start of the Tokyo lunch break at 03:30BST/22.30EDT. As a hold in policy settings is seen as a foregone conclusion, attention will turn to the central bank's rhetoric especially regarding the currency after the recent Jpy depreciation and jawboning by officials, with any indication of imminent FX intervention likely to provide relief for the Yen. In addition, the central bank is expected to confirm the end of its pandemic financing program for small companies with the period for new applications scheduled to close on September 30th.

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