PREVIEW: BoJ Policy Decision Due Friday 28th October

- **BoJ 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 other global central banks hiking rates and the rapid Yen depreciation.**
- **Focus will be on the statement for any hints regarding potential FX intervention and the release of the latest Outlook Report.**

OVERVIEW: The Bank of Japan will conclude its 2-day meeting on Thursday and the central bank is 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%. The central bank will also release its latest Outlook Report containing board members' median forecasts for Real GDP and Core CPI, which the Japanese press noted will include an increase in the current fiscal year CPI forecast to the high-end of 2% from the prior 2.3% view.

BOJ REMAINS UNWAVERING IN ITS DOVISH STANCE DESPITE OTHER GLOBAL CENTRAL BANK TIGHTENING AND YEN WEAKNESS: Rhetoric from the BoJ firmly suggests an unwillingness to tighten policy as Governor Kuroda has stated that the pace of Japan's economic recovery is still slow so the BoJ must continue supporting the economy and that raising rates now is inappropriate in light of economic and price conditions. BoJ's Adachi also recently warned that they must be cautious about shifting towards monetary tightening as downside risks to the economy are increasing and such a shift would weaken demand and heighten the risk that Japan will revert to deflation, while the central bank's decision to extend its pandemic relief program at the last meeting also attests to the BoJ's lack of appetite for normalisation.

KEY DATA RELEASES ARE UNLIKELY TO SPUR A SHIFT IN POLICY: The latest key data releases add to the case for maintaining easy monetary policy as the BoJ's quarterly Tankan survey showed sentiment amongst large manufacturers worsened, while Machinery Orders and Household Spending also disappointed. Conversely, inflation remains above the 2% target and recently printed at its highest rate since 2014 at 3.0%, but is unlikely to trigger a policy reaction as the central bank has acknowledged that price increases are being driven by rises in energy costs and raw materials, as well as anticipating inflation to slow down to below target levels during the next fiscal year once the impact of energy and fuel costs begin to wane.

JPY WEAKNESS AND INTERVENTION: The recent rapid depreciation in the JPY is unlikely to spur an adjustment to monetary policy with the central bank seemingly comfortable to leave FX intervention to the government, while it even upped the amounts of its bond purchases and conducted unscheduled operations to defend its yield cap which is further evidence of its unwavering dovish stance. Japan is suspected to have carried out "stealth" interventions on Friday 21st October and Monday 24th October, with a myriad of officials hitting the wires to offer no comment on FX levels or intervention, but to reaffirm that they will continue to take bold steps against excessive currency moves.

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.