



Preview: BoJ Rate Decision Scheduled for Friday 10th March 2023 Anytime After 02:30GMT/21:30EST

- The BoJ is expected to maintain policy settings when it concludes its 2-day meeting on Friday with rates kept at -0.10% and YCC parameters likely to be left unchanged.
- This will be the final policy meeting with Governor Kuroda at the helm following a 10-year stint, while, while Deputy Governors Amamiya and Wakatabe will also be ending their terms this month.
- BoJ officials have remained dovish, while rhetoric from Governor and Deputy Governor nominees suggests no rush to exit easy policy as they deem it appropriate currently.

OVERVIEW: The Bank of Japan is expected to keep policy settings unchanged when it concludes its 2-day policy meeting on Friday with the BoJ likely to leave rates at -0.10% and maintain its QQE with Yield Curve Control to flexibly target 10yr JGB yields at about 0%. The central bank is also likely to maintain the yield target band at the current +/- 50bps in what will be the last meeting with Governor Kuroda at the helm whose term ends in early April, while Deputy Governors Amamiya and Wakatabe will also be finishing their terms this month.

BOJ DEFIED SPECULATION FOR A POLICY TWEAK LAST TIME: As a reminder, the BoJ defied increased speculation for a policy tweak at the last meeting in January and instead maintained its rate and YCC parameters, while it also stuck with the forward guidance on rates and said it will continue large-scale JGB buying, as well as reiterating it will not hesitate to take additional easing measures as necessary. Furthermore, it announced it will seek to improve market functioning by mixing bond buying with supply operations against pooled collateral and the Outlook Report was also dovish leaning as Real GDP forecasts were cut across the projection horizon and Core CPI estimates for Fiscal years 2023 and 2024 remained below the BoJ's target of 2%, which is a level that could have paved the way for policy normalisation.

BOJ OFFICIALS STUCK TO DOVISH SCRIPT, WHILE GOVERNOR NOMINEE UEDA ALSO SEEMS IN NO RUSH TO EXIT: Rhetoric from the BoJ since the prior meeting has remained dovish as Kuroda stated that he is resolved to keeping ultra-loose policy and the BoJ expects core consumer inflation to slow beyond 2% in both fiscal years 2023 and 2024, while Deputy Governor Amamiya also noted it is appropriate to maintain an easy stance, but acknowledged there are demerits to YCC. As an adjustment in policy is very unlikely during Governor Kuroda's last meeting after a 10-year stint which began with the announcement of QQE way back in April 2013, markets will be looking to the next central bank chief to steer the BoJ towards an exit, although his nominated successor, academic and former BoJ Board member Kazuo Ueda doesn't seem in a rush to normalise policy as he recently noted that current settings are appropriate and that Japan still needs more time for inflation to sustainably hit the 2% target. Furthermore, Ueda has stated it is apt to continue monetary easing from now on and suggested the BoJ would either need to move towards normalisation or must consider ways to maintain YCC depending whether inflation significantly improves or not, while a source report also recently noted that the BoJ is said to prefer watching how the impact of earlier policy tweaks work out for now.

ANNOUNCEMENT: There is no exact scheduled release time for the BoJ policy decision which can be anytime from the start of the Tokyo lunch break at 02:30GMT/21:30EST. The announcement is not expected to provide any major fireworks unless Governor Kuroda surprises markets one final time as a parting gift which seems unlikely, while rhetoric from the statement may also hold less weight given the impending change of leadership at the central bank.

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