



PREVIEW: BoJ Policy Decision Scheduled for Friday 16th June 2023 Anytime from 03:30BST/22:30EDT

- The BoJ is expected to keep policy settings unchanged when it concludes its 2-day policy meeting on Friday with the Bank Rate held at -0.10% and QQE with YCC maintained at the current parameters.
- BoJ stood pat at the last meeting in April which was the first policy decision under Governor Ueda's leadership, while it tweaked guidance but remained dovish.
- Rhetoric from the central bank continues to suggest a lack of urgency to normalise policy further, while mixed data also supports the view of keeping policy settings unchanged.

OVERVIEW: The BoJ is expected to keep policy settings unchanged when it concludes its 2-day policy meeting on Friday with the Bank Rate to be held at -0.10% and QQE with YCC maintained at the current parameters, while sources recently noted that officials see little need to adjust the YCC program in June given an improvement in the functioning of the bond market and the smooth shape of the yield curve.

BOJ KEPT POLICY SETTINGS UNCHANGED AT THE LAST MEETING WHICH WAS THE FIRST UNDER GOVERNOR UEDA: As a reminder, the BoJ kept its policy settings unchanged at the last meeting in April which was the first under new Governor Ueda's leadership, with the decision on QQE with YCC made unanimously, while it tweaked forward guidance by dropping the reference to the COVID-19 pandemic and its pledge to keep interest rates at current or lower levels, although remained dovish with the BoJ to take additional easing steps without hesitation as needed while striving for market stability. The central bank also announced a broad-perspective review of monetary policy with a planned timeframe of one to one and a half years which supported the notion of a slow exit from ultra-easy policy, but Governor Ueda later clarified during the press conference that they will make changes to monetary policy as needed during the review period and may announce results of the policy review in the interim if required.

RHETORIC FROM THE CENTRAL BANK CONTINUES TO SUGGEST A LACK OF URGENCY TO FURTHER NORMALISE POLICY: The rhetoric from the central bank continues to suggest a lack of urgency to normalise policy as Governor Ueda has repeated that there is still some distance before hitting the inflation target stably and sustainably and that the BoJ will patiently sustain its easy monetary policy, while he added that the Bank must avoid tightening prematurely and should stick to its 2% inflation target. Ueda also warned that premature tightening could hurt companies even in good health and may weaken the economy's potential, as well as noting that patiently maintaining easy policy would heighten Japan's potential growth in the long run.

MIXED DATA RELEASES SUPPORT THE VIEW OF KEEPING POLICY SETTINGS UNCHANGED: Recent data releases have been mixed which supports the view of keeping policy settings unchanged with Revised GDP for Q1 stronger than expected at an annualised growth rate of 2.7% vs. Exp. 1.9% (Prelim. 1.6%), while Machinery Orders and Exports topped forecasts, although Industrial Production, Retail Sales and Household Spending figures all disappointed. Furthermore, inflation metrics were mostly in line with expectations with Japan's headline and core CPI at 3.5% and 3.4%, respectively, but CPI Ex. Fresh Food & Energy YY showed the fastest pace of increase since September 1981, at 4.1%. Nonetheless, this is not expected to spur a policy shift from the central bank as Governor Ueda has noted that they haven't achieved sustainable 2% inflation and inflation is to slow greatly around the middle of FY23.

ANNOUNCEMENT: There is no exact scheduled time for the policy decision which can occur anytime after the start of the Tokyo lunch break from 03:30BST/22:30EDT. As no change in policy is widely seen a foregone conclusion, attention will turn to the statement for any deviations from the dovish rhetoric and for any more details of the central bank's ongoing broad perspective review of monetary policy.

Disclaimer

The information contained within this document has been prepared and issued by Newsquawk Voice Limited ("Newsquawk") on the basis of publicly available information and other sources believed to be reliable. Whilst all reasonable care is taken to ensure that the facts stated are



accurate, neither Newsquawk nor any of its directors, officers or employees shall be in any way held responsible for its content or your use of it. Neither the provision of any content herein nor anything on our website or any other media we use is intended to, and should not be construed as, providing advice and/or enticing an offer or solicitation to invest in, buy or sell securities or other financial instruments.