



PREVIEW: BoJ Policy Announcement Scheduled for Tuesday 31st October 2023 Anytime after 02:30GMT/22:30EDT

- BoJ is likely to keep policy settings unchanged when it concludes its 2-day policy meeting on Tuesday.
- Rhetoric continues to point to no policy changes, although the meeting is seen as live amid growing speculation regarding the prospects for a tweak to YCC.
- Nikkei sources on Oct 30th suggested potentially allowing 10yr JGB yields to rise above 1% and likely to more flexibly conduct its JGB purchase operations.
- BoJ will also release the latest Outlook Report including Real GDP and Core CPI forecasts.

OVERVIEW: The Bank of Japan will conclude its two-day policy meeting on Tuesday where the BoJ is expected to maintain its negative rate policy and forward guidance although there is growing speculation regarding the prospects for a tweak to YCC. This follows recent suggestions by Bloomberg sources that the BoJ is considering whether to tweak its YCC due to US yield concerns and the impact on Japanese yields rather than an increased risk of upward price fluctuations, while sources also noted that officials see little need to remove the reference from its guidance that it will not hesitate to take additional monetary easing measures if necessary. **More recent sources via Nikkei (on Oct 30th) suggested the BoJ is reportedly set to consider a further adjustment to its YCC framework at the meeting, potentially allowing 10yr JGB yields to rise above 1% and likely to more flexibly conduct its JGB purchase operations - "This, along with a more flexible cap on 10-year yields, is aimed at deterring speculators from targeting the upper limit and sparing the BoJ the need to buy droves of JGBs to keep rates under 1%", according to the sources.** Furthermore, the central bank will release the latest Outlook Report containing board members' median forecasts for Real GDP and Core CPI.

PRIOR MEETING AND RHETORIC: The BoJ unsurprisingly kept policy settings unchanged at the last meeting in September with rates held at -0.10% and the parameters of QQE with YCC left unchanged to target 10yr JGB yields at 0% with a +/-50bps target band, while it maintained its forward guidance. The statement from the BoJ provided very little in the way of new information and refrained from any hawkish surprises which put the emphasis on Governor Ueda's press conference although that lacked any major fireworks as he reiterated the economy is recovering moderately and the BoJ must patiently maintain monetary easing, while he also repeated that they will not hesitate to take additional easing if necessary.

POLICY TWEAK SEEMS UNLIKELY BUT CANNOT BE RULED OUT: Despite the central bank's rhetoric pointing to no near-term adjustments, a tweak cannot be fully ruled out given the current backdrop including the 10yr JGB yield hovering around the 85bps level and after USD/JPY briefly rose above the 150.00 level which have prompted unscheduled bond operations, suspected FX intervention and an abundance of jawboning from Japanese officials. Conversely, inflation data has provided mixed signals as the National CPI for September printed mostly firmer-than-expected but at a slower than previous pace, while the front-month Tokyo inflation reaccelerated which is seen as a leading indicator for national price trends.

ANNOUNCEMENT: There is no scheduled release time for the announcement which can occur anytime after the start of the Tokyo lunch break which begins at 02:30GMT/22.30EDT, while a dovish reaction can be expected if the central bank refrains from any adjustments to YCC given recent source reports suggesting officials were considering a tweak. The attention will then turn to the latest Outlook Report for the central bank's projection as a previous source report noted the BoJ is reportedly mulling raising its FY23/24 core CPI forecast to near 3% from 2.5% forecast in July and raising its FY24 price view to 2% or above but keep the inflation outlook for FY25 at around 1.6%.

PREVIOUS OUTLOOK REPORT FORECASTS:

Real GDP

- Fiscal 2023 median forecast at 1.3%.
- Fiscal 2024 median forecast at 1.2%.
- Fiscal 2025 median forecast at 1.0%

Core CPI



- Fiscal 2023 median forecast at 2.5%.
- Fiscal 2024 median forecast at 1.9%.
- Fiscal 2025 median forecast at 1.6%.

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