



PREVIEW: BoJ rate decision due Tuesday 19th December 2023

- The BoJ is likely to keep policy settings unchanged when it concludes its 2-day policy meeting on Tuesday.
- Recent comments from Governor Ueda fuelled speculation of a December move, but sources thereafter walked back on comments.
- The latest Reuters poll shows that 21% of economists think the BoJ will begin to unwind ultra-loose policy in January 2024, while 84% expect the BoJ will end NIRP in 2024 vs 71% in the November poll.
- 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/21.30EST.

OVERVIEW: The BoJ is expected to maintain its policy settings at the December meeting, according to all respondents polled by Reuters between December 8th to 14th. 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/21.30EST.

EXPECTATIONS: BoJ expectations have been choppy over the past couple of weeks following commentary from Governor Ueda who, among other points, said "handling of monetary policy would get tougher from the end of the year". These comments fuelled speculation of a potential December move by the BoJ, with the Yen rallying on the expectations. Thereafter, a Reuters source piece said there was no intention by Governor Ueda to signal "anything about the timing of a policy change". The latest Reuters poll shows that 21% of economists think the BoJ will begin to unwind ultra-loose policy in January 2024, while 84% expect the BoJ will end NIRP in 2024 vs 71% in the November poll and 54% in the October poll. 88% of economists expect the BoJ to end YCC policy and 12% think the BoJ will tweak again. 28 out of 42 economists expect the BoJ to raise the deposit rate to 0% or 0.10% by end-Q2 2024, while two expect rates at 0.25%.

SOURCES: More recent sources clarified that the BoJ is said to see little need to end negative rates in December and intends to come to a decision based on data up to the last minute, and officials view the potential cost of waiting for more data as not very high. Sources added that the BoJ lacks proof of sustainable inflation and has not yet seen sufficient evidence of wage growth which would support sustainable inflation.

OTHER DEVELOPMENTS: The latest Tokyo CPI, which is seen as a precursor to the nationwide metric released on Thursday (after the BoJ meeting), saw the Core Y/Y miss expectations (2.3% vs exp. 2.4%, prev. 2.7%). Furthermore, following the December FOMC decision (which saw a dovish pivot), a Nikkei article citing a BoJ insider suggested Japan's negative rate exit scenario has been muddled by the Fed's outlook - "if possible, I'd look forward to wage increases that surpass this year's". The article added that from the standpoint of consistency, the BoJ would hold off until confirming the results of the spring labour talks, including those at small businesses, and that perspective makes an exit in the latter half of 2024 a convincing scenario as well. "The end of the negative interest rate policy would be the beginning of a tightening cycle," the BoJ insider said.

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.