



PREVIEW: BoJ Policy Decision Scheduled on Friday 26th April 2024 anytime after 03:30BST/22:30EDT

- **BoJ is expected to keep policy settings unchanged with the overnight call rate guidance to be maintained in the range of 0%-0.1%.**
- **Near-term policy adjustments are unlikely as the BoJ just exited NIRP and YCC last month.**
- **Attention will be on the Outlook Report, future policy clues and rhetoric on Yen weakness.**

OVERVIEW: The BoJ will conclude its 2-day policy meeting on Friday where the central bank is likely to maintain its policy settings after its monumental policy shift at the last meeting in March. As such, the focus at the upcoming meeting will likely be on the central bank's statement for clues on future policy and its views regarding the recent JPY weakness, while the central bank will also release its Outlook Report containing Board Members' latest median estimates for Real GDP and Core CPI.

BOJ EXITED NRP AND YCC AT THE LAST MEETING: The BoJ exited its negative interest policy and YCC at the last meeting in which it switched to guiding the overnight call rate in the range of 0%-0.1% and will apply a 0.1% interest to all excess reserves parked at the BoJ, while it also announced to end ETF and J-REIT buying and will gradually reduce the amount of purchases of commercial paper and corporate bonds. However, it said it would continue its JGB purchases at broadly the same amount as before and in the event of a rapid rise in long-term rates, it would make nimble responses with JGB purchases and could increase the amount of JGB purchases or conduct fixed-rate purchase operations of JGBs. It also announced to provide loans under the Fund Provisioning Measure to stimulate bank lending with such funds to be provided with an interest rate of 0.1% and have a 1-year duration. Despite the exit from the ultra-loose policy framework, the central bank noted that it expects to maintain an accommodative monetary environment for the time being and Governor Ueda also said during the post-meeting press conference that they will consider options for easing broadly including ones used in the past if needed but kept future hikes on the table with the pace of further hikes to depend on the economy and price outlooks.

BOJ RHETORIC SUGGESTS NO URGENCY FOR FURTHER ADJUSTMENTS IN THE NEAR TERM: The rhetoric from the central bank since the last meeting suggests a lack of urgency for any immediate adjustment in the near term as Governor Ueda stated it is important to maintain accommodative monetary conditions with trend inflation yet to hit 2% and that even after the March policy shift, interest rates are expected to stay low with real interest rates to remain in deeply negative territory, while he noted they will likely gradually shrink the balance sheet as they end their massive stimulus and at some point reduce JGB purchases but had no clear idea on the timing of reducing JGB buying and scaling back the size of the balance sheet. Furthermore, he said they are not immediately thinking of selling the central bank's ETF holdings and will take plenty of time to examine how to reduce BoJ's ETF holdings, while there is also no plan to sell their J-REIT holdings anytime soon. Nonetheless, Governor Ueda has kept the door open for further rate increases as he has repeated that monetary policy will be data-dependent and he doesn't have any pre-set idea of the timing and pace of a future hike but noted that if trend inflation accelerates in line with their forecast, they will adjust the degree of monetary support through an interest rate hike, as well as suggested that changes in their price forecast could also be a reason to change policy.

PARTICIPANTS WILL BE LOOKING OUT FOR CLUES ON POLICY AND FX: Participants will be looking out for any clues of the central bank's future policy intentions and its tolerance regarding the recent currency depreciation after the Yen slid to its weakest level in 34 years against the dollar. Furthermore, Governor Ueda previously stated that they won't change monetary policy just to deal directly with FX moves but suggested they may need to respond with monetary policy if FX moves have an impact on the economy and prices in a way that is hard to ignore and if FX moves lead not just to rising import prices, but risk pushing up trend inflation more than expected.

ANNOUNCEMENT AND OUTLOOK REPORT: The announcement is scheduled this Friday anytime after the start of the Tokyo lunch break from 03:30 BST/22:30 EDT. In terms of the Outlook Report, a recent source report stated the BoJ will discuss raising the forecast for fiscal 2024 on the back of a rise in crude prices and higher costs of imported materials due to a weaker Yen, while the central bank is said to forecast an increase of about 2% in Core CPI for fiscal 2026 with projections to reflect changes in behaviour over businesses' wage hikes and price setting. However, sources also noted that while the central bank is expected to project inflation to stay around its 2% target through early 2027, such forecasts alone won't serve as strong hints of a near-term rate hike.



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.