

PREVIEW: BoJ Policy Announcement due on Tuesday, 16th June 2026

- BoJ is widely expected to hike rates when it concludes its meeting on Tuesday.
- A more hawkish vote split in April, and recent rhetoric from Ueda is seen to pave the way for a hike.
- Source reports point to prospects of a hike and a future slowdown in tapering.

OVERVIEW: The BoJ is expected to resume its rate normalisation when it concludes its 2-day policy meeting on Tuesday with a recent Reuters poll showing 66 out of 70 economists forecast the policy rate would rise to 1.0% this month, while money markets were pricing in an 89% likelihood that the Bank will raise its short-term rates by 25bps to 1.00%, and just an 11% chance it maintains rates at the current 0.75% level.

PREVIOUS MEETING: As a reminder, the BoJ delivered a hawkish hold at the last meeting in April, where it kept the policy rate at 0.75%, as expected, but with a rare 6-3 split as three members pushed for an immediate hike to 1.00%. Inflation forecasts were sharply revised higher, with the FY2026 core CPI view raised to 2.8% from 1.9%, driven by energy costs, while growth was cut to 0.5% from 1.0% on Middle East risks. The press conference leaned dovish as Governor Ueda stressed there was "no urgency" to hike, and adopted a clear wait-and-see stance on geopolitical risks, avoided giving any firm timeline, including June, and confirmed no change to bond purchases, prioritising optionality over commitment. At the same time, he acknowledged upside inflation risks and the need to avoid falling "behind the curve", maintaining a conditional tightening bias.

UEDA'S COMMENTS PAVED THE WAY FOR A HIKE: The more recent comments from Ueda were seen to pave the way for a hike as he noted just earlier this month that the BoJ's basic stance is to continue raising the policy rate in accordance with economic, price, and financial developments, with the Bank to strive to fulfil its mandate of achieving price stability by means of appropriate policy. He also stated that an accommodative financial environment is supporting the economic activity and that Japan's real interest rate is still low. Ueda added that if there is a chance of second-round effects, the BoJ must consider taking action, and that upside risks to prices appear to be greater overall and are likely to emerge sooner. Furthermore, he warned that if they delay the necessary response, they could be forced to raise rates sharply, which in turn would hurt the economy and impose a huge burden on markets and the financial system. However, Ueda is not expected to attend the upcoming meeting after being hospitalised, and will submit a written statement, but not participate in the vote, while Deputy Governor Himino is set to chair the meeting, and Deputy Governor Uchida is to hold the post-meeting press conference.

SOURCES POINT TO A HIKE: Several recent source reports have pointed to an incoming rate hike, as Bloomberg sources noted that the BoJ is to mull a June rate hike, with another possible in 2026 and that the Bank sees less need to cut bond buys at the same pace in FY27. Similarly, Reuters sources stated the BoJ is expected to raise rates in the June meeting and is said to be leaning towards pausing or slowing the pace of its bond buying taper from Fiscal 2027. Nikkei also recently reported that the BoJ is prepared to raise rates by 25bps at its June meeting, in which a hike would prepare for the risk of an upward revision of inflation, and it will begin discussions around the discontinuation of its quarterly reduction in government bond purchases from April 2027 onwards.

ANNOUNCEMENT: The announcement is due on Tuesday, with no exact scheduled time, although it tends to be any time after the start of the Tokyo lunch break, which begins at 03:30BST/22:30EDT. Aside from the actual decision on rates, participants will also be eyeing the vote split and if the Bank slows its tapering of bond purchases from FY27. Markets will also be looking for signals on future rate policy, given that the current consensus is for rates to be increased again to 1.25% by Q4.

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