

## Bank of Japan to welcome Kazuo Ueda as its new governor

The new governor will likely lead the Bank of Japan to a gradual change in its policy stance



The Bank of Japan in Tokyo

### Ueda is expected to shift the BoJ's policy gradually

Local wires reported that Prime Minister Fumio Kishida has picked Kazuo Ueda as the next BoJ governor. He is a professor and a former BoJ board member (1995-2005). The news surprised the market as he would bring a bit more of a hawkish tilt to monetary policy than the top contender, Masayoshi Amamiya. Local media also reported that Amamiya refused to take the post.

We believe that the initial market moves - yen and rates up and stocks down - could prove to be temporary. We don't think he is expected to immediately change the BoJ's policy stance based on his previous remarks; he has warned against raising rates too early but has also argued that an exit strategy from the current ultra-easing framework is needed at some point in the future. Therefore, we believe that the market will soon pay attention to incoming data - wage growth and inflation.

The nomination of the two deputy governors is also worth watching as it will form the top leadership of the BoJ. Uchida, one of two nominees, has worked very closely with Amamiya to design a monetary easing programme with the yield curve control policy. Thus, the characteristics

of the board remain dovish.

Foreign bonds may have liked the certainty of Amamiya becoming governor, but this does not mean they will jump to hawkish conclusions with Ueda. That said, the appointment comes at a difficult juncture for financial markets as the US disinflationary trend comes into question. The BoJ and Japanese markets will be hoping for a soft US CPI print next week or upward pressure on yields globally will likely resume, including in Japan.

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