Snap | 30 July 2026 FX

USD/JPY: Strong suspicion of intervention

Japanese authorities appear to have intervened again, taking advantage of post-Fed dollar weakness. USD/JPY has fallen 3.5% on reportedly heavy volumes, similar to late April. The move was well-timed, but a lasting turnaround in USD/JPY will require the Fed not hiking in September and a more hawkish Bank of Japan

It looks like Japanese authorities intervened on post-Fed dollar weakness as USD/JPY has fallen 3.5% on heavy volumes

A well-timed move

It very much looks like Japanese authorities have taken advantage of a softer dollar environment to start their second FX intervention campaign of the year. Recall they sold around $73bn over the period 30 April-1 May.

The move looks well-timed in that the dollar was already under pressure after the Fed's Kevin Warsh yesterday sowed doubts about a September rate hike. And today's release of a softer-than-expected US June core PCE deflator only added to the softness in US rates and the dollar.

Market reports suggest USD/JPY volumes were huge today and, assuming it is the case, we expect intervention could sum up to around $70bn again over a two-to-three day period.

Although a little arcane, there is the issue that the BoJ may need to act in three-day bursts or 'instances' of intervention. Any more than three instances of FX intervention over a six-month period could see Japan's FX regime losing its 'free floating' classification under the IMF's system. That would be a relegation from the big league.

Another limitation is that Japan's FX reserves are finite and another $70bn or selling will drop them close to $1tr. That is still healthy, but a reminder that intervention is not limitless and needs to be used sparingly. The intervention will involve the sales of US Treasury securities, which the US Treasury will hope will be from the short end of the curve. Sales of longer-dated tenors would be unwelcome at a time of curve steepening and uncertain Fed tightening.

Will intervention work?

USD/JPY sold off over 4% in January when the Fed checked USD/JPY rates. It sold off just over 3% in April in intervention and has sold off a little more today. However, the macro environment needs to change to turn this trend around. If the ING house call of unchanged Fed rates in September is correct, Japanese authorities have a chance of turning this trend. We're less convinced that a decisive move lower will be driven by the BoJ hawkishness, unless there is a huge surprise at tomorrow's BoJ meeting.

There is a risk of one or two of the BoJ board voting for back-to-back rate hikes, but we think a turn in USD/JPY really requires the dollar to top out first. Unless we get some much softer US data to further erode Fed tightening expectations or the BoJ defies the Japanese government with a much more hawkish message, we suspect USD/JPY can grind back above 160 next week. But speculators will be thinking twice now about buying USD/JPY. ING forecasts for USD/JPY: 3Q26 160, 4Q26 158.

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