

## Flash Note 23/01/2019

Alex Fusté  
@AlexFusteAlex  
[alex.fuste@andbank.com](mailto:alex.fuste@andbank.com)

### Confusion in the BOJ, that leaves policy unchanged and cuts again its forecasts

- The BOJ voted 7-2 to leave short term rates at -0.1% and long term rates at around 0%.
- The bank will maintain its massive purchase program of government bonds, whose yield it wants to maintain at around 0 percent.
- Board members voted unanimously to maintain other asset purchases, maintaining allowance for fluctuations in ETF/J-REIT purchases.
- They also extended various lending programs for one year.
- Also, as suggested in our Monday's Flash Note, BoJ's inflation forecast was downgraded (again). It reduced FY19 CPI forecast to 0.9 percent, (from 1.4% in its earlier estimate), representing the third consecutive year of cuts in its forecast.
- The Japanese central bank also trimmed its CPI forecast for the 2020 fiscal year from 1.5 percent to 1.4 percent.
- The bank also published its forecasts for the gross domestic product, in which it cut its growth forecast for the 2018 fiscal year from 1.4 percent to 0.9 percent.

As you can see, important miscalculations committed by the BoJ.

I already mentioned that making predictions was very complex. The important point is to understand that success does not consist in never making mistakes but in never making the same one a second time. My impression is that the BoJ has been confused in the same practices since 2013. And in each passing year, it leaves a more and more dysfunctional market.



