

## Flash note 14/02/2022

Alex Fusté

[@AlexfusteAlex](#)

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

### BoJ's Kuroda vs FED's Powell. Someone is going to be very wrong!!

#### Recent announcements from the BOJ:

- In an interview published Thursday 10th February, Governor Kuroda reiterated they are not debating policy normalization because "he sees the probability of a major increase in inflation as extremely low,"
- Kuroda sees a shift towards policy normalization or tightening as "impossible."
- He also suggested that easing would need to remain "a little" beyond the end of his term in April 2023.
- Again, QE:
  - The BOJ announced a fixed-rate JGB purchase operation on 10th February after the benchmark 10-year yield climbed to an intraday high of 0.225%, close to the 0.25% upper bound of the tolerance range around the official 0% target for the 10 year yield.
  - The operation offers to buy an unlimited amount of three 10-year issues (#363, #364, #365) at yield that corresponds to 0.25% in #365. There were no offers, thus the yield declined to 0,20% after the announcement.
  - This is the first such operation since July 2018, and the story suggests that the BOJ looks poised to conduct repeated operations in response to rising yields.

#### Recent announcements from the FED:

- The Federal Reserve provided the clearest hint yet that it could start raising interest rates as soon as March: "The Committee expects it will soon be appropriate to raise the target range for the federal funds rate,"
- End of QE: Fed Chairman Jerome Powell said asset purchases also are likely to halt in March
- The start of Tapering: The FED released a paper outlining principles to start "significantly reducing" the bond holdings on its balance sheet without indicating a specific time frame

Well. There are only two ways to justify such distancing in the implementation of monetary policies:

1. Japan and US live on different planets, with absolutely distant conditions.
2. Both countries live on the same planet but have starkly opposite views of what is happening. Both take a path of monetary policy in accordance with their vision, but clearly one is (very) wrong, and is going to make a serious mistake, with unpredictable consequences.

Now, it's time to bet.

For me, the concept of "Fed mistake" begins to resonate in my mind.