

MNI BoJ Review – Jan 2026

Meeting Date: Thursday 22 Jan - Friday 23 Jan 2026

Link To Statement: <https://www.boj.or.jp/en/mopo/outlook/gor2601a.pdf>

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MNI POV (Point Of View): Steady, Uncertainty Remains On Next Hike Timing

As widely expected, the BoJ left rates on hold at its January policy meeting. This was the broad sell side consensus along with market pricing, which gave little chance to a hike at the meeting. A move was seen as very low risk, particularly after the December hike at the end of 2025.

Much focus was on the outlook in terms of when the next BoJ hike may materialize. Considerable uncertainty rests on future BoJ rate hike timing, with BoJ Governor Ueda stating further tightening is likely in the press conference which followed the meeting, but wouldn't be drawn on timing. The governor noted the still depressed levels of real rates, as indicative of still accommodative monetary policy settings. At each meeting, the merits of shifting policy will be judged on analysing the data.

The central bank likely has greater clarity around the external backdrop compared with the first half of 2025, when the tariff conflict threatened to derail the global economic outlook. Such fears have no doubt subsided, with key Asian economies seeing generally positive export trends through the tail end of 2025. This was likely a factor in the nudge higher in the BoJ's growth projections.

Still, domestic uncertainty is now likely higher. The near term snap election called by PM Takaichi raises uncertainty over the fiscal outlook. If Takaichi is returned to power with a stronger mandate it could embolden her efforts to raise growth via fiscal stimulus. It could also see greater pushback on the BoJ tightening agenda, as the government pushes a strong growth agenda. Government officials, have stated, in recent months that it is still too early to call an end to Japan deflation risks.

Concerns around the fiscal outlook with calls for reducing the food sales tax being made ahead of the election by a variety of parties is a clear headwind for JGBs. This was a factor in last week's sharp JGB sell-off. Longer term trends from a JGB curve standpoint will also be eyed in terms of where the BoJ is in relation to its longer term goals of achieving sustainable inflation around 2%. As will JPY weakness and its impact on imported inflation.

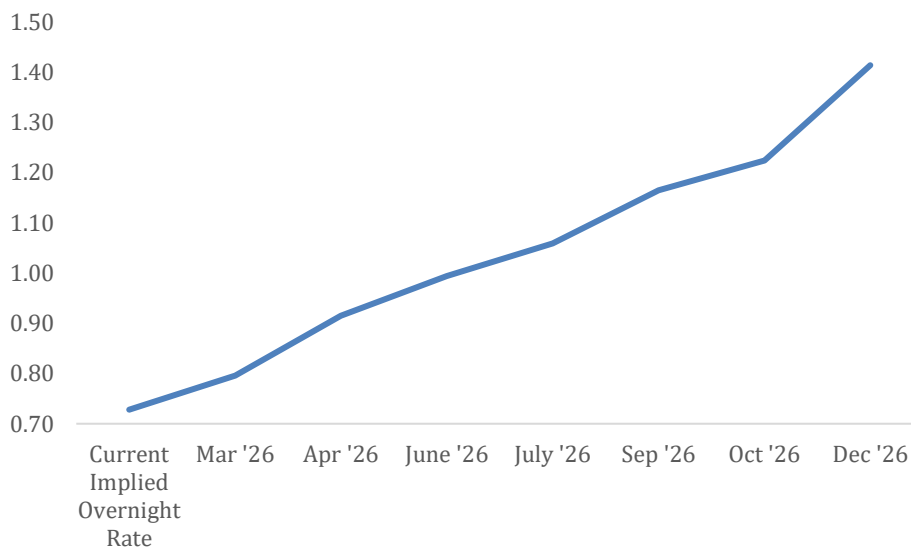
The central bank did nudge higher some of its inflation forecasts as well, but there was little change in terms of its broader outlook. It maintained the view that underlying CPI inflation and the rate of increase in CPI are likely to hit the target in the second half of the projection period.

Our sense is that the next window for a BOJ hike will be around mid year, consistent with market pricing of a June hike (see below for more details). Still, there are risks this could be moved forward, potentially to April. Watch points will be fiscal impetus post the election, along with JPY trends (weakness beyond 160 in USD/JPY could prompt an earlier hike), while by April we should also have more information on 2026 wage outcomes. Some sell-side analysts note though that SME wage information is only due around mid year (hence the central bank may wait until then to tighten rates further).

BoJ Market Pricing: Next Hike Priced By June 2026

Market pricing, as at today, gives only a modest chance to a hike at the March policy meeting. April has an implied rate of 0.915%, against a current effective rate of 0.728%, so around 75% chance of a 25bps tightening priced in. A full hike is more than priced in for the June meeting, while by year the implied rate is above 1.40%.

Figure 1: BoJ-Dated OIS – Today



Source: MNI – Market News / Bloomberg

MNI BoJ WATCH: UEDA POINTS TO HIKES, GIVES NO CLUES ON TIMING

*By Hiroshi Inoue
Jan 23, 2026*

TOKYO - Bank of Japan Governor Kazuo Ueda on Friday indicated that future rate hikes are likely, with real interest rates at significantly low levels, but provided no hints as to their timing or pace, and reaffirmed a commitment to intervene in bond markets should yields move at an exceptional rate.

“Our stance hasn’t changed that the Bank will raise the policy rate to adjust the degree of easy policy if the outlook for the economy and prices is realised,” Ueda told reporters after the BOJ’s board decided eight-to-one to keep the policy interest rate unchanged at 0.75%, saying it continues to assess the impact of December’s rate hike on economic activity and the financial environment.

Hajime Takata was the sole dissenter, calling for the policy rate to rise to 1.00% and citing upside risks to prices.

Ueda said the financial environment remains accommodative after December’s rates move. But his lack of specificity regarding the pace of hikes initially weakened the yen, sending it briefly to 159 to the dollar before it recovered to around 158.

YEN WEAKNESS

The currency has depreciated since Prime Minister Sanae Takaichi took office in October, when it was at 147 against the dollar.

“I wouldn’t comment on levels of forex. Generally speaking, the forex rate is determined by interest rate differentials and other factors,” Ueda said. But he added that the weak yen will boost import prices, which will filter through to domestic prices and could affect price expectations at a time when underlying CPI inflation is already approaching to 2% target. (See [MNI POLICY: BOJ Sees Risk Stronger Wages Fuel Faster Hikes](#))

While Japanese companies are becoming more willing to raise prices, with price revisions in or after April an important but not decisive factor for the BOJ’s rate decisions, movements in the yen are more likely than previously to impact inflation, Ueda said.

BOND SELL-OFF

Referring to the recent surge in Japanese government bond yields, Ueda said the BOJ will conduct JGB operations in a flexible manner should yields move in an exceptional manner, but he did not elaborate as to what the Bank would regard as exceptional.

“We remain in close contact with the government, and the BOJ and the government will each play a role against any rapid moves in JGBs,” he said, adding “It is very important for the government to ensure fiscal discipline.” (See [MNI POLICY: BOJ Sees Little Chance Of JGB Intervention](#))

The end of the fiscal year has been behind the recent rise in very long-term JGB yields, Ueda said, adding that despite a recent fall high volatility continues.

“Long-term interest rates are rising rapidly. They reflect market players’ views on the economy, inflation and the outlook for monetary policy.”

Amid concern over an increase in JGB issuance, the 10-year JGB yield rose to 2.380% on Tuesday, the highest level since February 1999, and 20-, 30- and 40-year yields climbed.

The BOJ slightly raised its inflation forecasts for fiscal 2026 but largely retained its view for fiscal 2027. Median forecasts for core and core-core CPI for fiscal 2026 were revised to +1.9% and +2.2% from October's 1.8% and 2.0%, respectively. The median forecast for core and core-core CPI for fiscal 2027 were 2.0% and 2.1%, versus 2.0% and 2.0%.

But the BOJ now expects core CPI to fall below 2% more quickly, in the first half of this year instead of only the first half of fiscal 2026.

“Risks to economic activity and prices are generally balanced,” the BOJ said.

It maintained the view that underlying CPI inflation and the rate of increase in CPI are likely to hit the target in the second half of the projection period.

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Sell-Side Views

DAIWA: “The BOJ remained on hold at its 22-23 January MPM. Board member Hajime Takata's proposal to raise the policy rate to 1%, on the basis that the price stability target has been more or less reached and that there is substantial upside risk to domestic prices given the recovery in overseas economies, was voted down. We would note that in 2025, Mr. Takata and board member Naoki Tamura both proposed a rate hike at the September MPM, three months ahead of the actual hike to 0.75% in December.

The BOJ also revised up some of its economic and inflation forecasts. We would note that the distribution of board members' forecasts shows that several have bullish forecasts for the core CPI. This hawkish view of consumer prices is consistent with the BOJ's improving assessment of the Japanese economy.”

Goldman Sachs: “We continue to expect the next rate hike in July 2026. The BOJ aims to achieve 2% inflation, with both wages and prices rising. For this reason, in addition to the shunto wage hikes cited as a reason for last December's rate hike, it is emphasizing wage growth at SMEs, which are not covered in shunto spring wage negotiations. In this regard, wage increases for SMEs are decided toward the summer, with reference to the shunto results and wage rise trends of rival companies. Therefore, as the BOJ can confirm SME wage hike trends from surveys in July, we think the next rate hike will be in July 2026. However, there is much uncertainty around the timing of the rate hike, and it could be brought forward if the yen depreciates further.

There are also risks around the pace of rate hikes and the terminal rate. In its January Outlook Report, the BOJ maintained its forecast that inflation will temporarily fall below 2% going forward, due to factors such as a slowdown in food prices. However, although we see it as a low probability, if (contrary to this outlook) the inflation rate does not fall sufficiently and remains high, it could suggest that the BOJ has fallen behind the curve. In that case, the BOJ would need to accelerate the pace of its semiannual rate hikes.”

ING: “The positive tone on growth and inflation doesn't necessarily mean the BoJ will expedite its rate hikes much earlier than expected. After listening to Ueda's comments, we believe that the possible rate hike timing could be June, not October.

We still think that core-core inflation is expected to decline, but at quite a slow pace. As long as it remains above 2% by the end of 1H26, this should give support for the BoJ hike.

Given the cautious approach by the majority of the board on inflation, we think the BoJ will wait until June, even if it sees a strong inflation hike in April. We will monitor how core-core inflation moves along with the BoJ's projection. As Ueda mentioned, the April Price Action is quite important. As April is the beginning of Japan's new fiscal year, businesses tend to adjust their price tags in that month. If the price action remains quite strong, supported by solid wage growth in Spring Wage Negotiations, the BoJ will hike in its June meeting.

We'd like to note that, depending on the snap election called by Prime Minister Takaichi, there is a lot more uncertainty surrounding the BoJ's policy.”

JPM: “As widely expected, the BoJ kept the policy rate unchanged. In the Outlook Report, the cautious stance maintained through the October Report was revised, and the BoJ returned to the view that underlying inflation will remain around the target throughout the forecast period. The main focus was on Governor Ueda's press conference, but he did not clearly signal an acceleration in the pace of rate hikes, instead maintaining the approach of assessing data at each meeting. As we expected, it was difficult for Governor Ueda to deliver a hawkish message at the press conference held on the same day as PM Takaichi's dissolution of the Lower House. As a result, USDJPY rose during the press conference. We continue to expect the next rate hike to come in April.

In the Outlook Report, both growth and inflation forecasts were revised upward, and the previously downward risk

bias was returned to neutral. The only new factor incorporated should be the FY2025 supplementary budget, but the magnitude of the revision is somewhat large, likely reflecting a correction of the excessive pessimism that remained in the October report.”

MIZUHO: “It is difficult to say anything with confidence about the timing of the BOJ's next rate hike given that the central bank itself probably does not have a specific timeframe in mind at this point. That said, a return to the pre-Trump-tariff normalization cadence of "roughly one hike every half-year" would perhaps make the June or July 2026 meetings the most likely candidates. And we consider July a slightly better bet than June given that (1) the BOJ might see a case for taking its time now that the policy rate is at a three-decade high and (2) a quarterly "Outlook for Economic Activity and Prices" update is due at the July meeting.

- We do not envisage any further hikes beyond 1.00%. The BOJ's communications suggest to us that the central bank will still consider the policy rate to be in "accommodative" territory even if and when it reaches 1%, the bottom end of its 1%–2.5% estimate range for "neutral". An eventual explanation to this effect should make”.

Societe Generale: “We had previously forecast the next rate hike to be in June or July. However, given today's stronger-than-expected core-core CPI forecasts, the BoJ's upward revision of its assessment for underlying inflation and a new reference to the possibility that exchange rate fluctuations could affect underlying inflation, we have decided to bring forward our forecast for the next rate hike to April.

The results of the BoJ's Tankan survey, to be released on 1 April, and information from the April BoJ Branch Managers' Meeting will be crucial in determining the next rate hike. Within the Tankan survey, we particularly note the following three data:

- (1) the inflation outlook for large non-manufacturing companies (5 years ahead)
- (2) the DI for small and medium-sized enterprises' financial position
- (3) the DI for lending attitude of financial institutions toward small and medium-sized enterprises.

(1) is closely correlated with the BoJ's composite index of inflation expectation (10 years ahead), which the BoJ uses to assess medium- to long-term inflation expectations. This reached 2% in the December Tankan survey.”

TD: “No huge surprises from BoJ's statement and decision. The Bank kept the target rate on hold at 0.75% (cons: 0.75%) in a 8-1 vote with hawkish-leaning voter Takata calling for a 25bps hike. On the new economic forecasts, core CPI in FY26 was lifted to 1.9% (prior: 1.8%) and maintained at 2.0% for FY27. GDP was also upgraded to 1.0% in FY26 (prior: 0.7%) , with some moderation in FY27 at 0.8% (prior: 1.0%) given PM's Takaichi's supplementary budget. The BoJ didn't offer anything new in their characterization of the economic & price outlook.

Gov. Ueda also repeated previous remarks today which isn't surprising to us as Japan prepares for elections on Feb 8. Following the aggressive JGB moves over recent days, Ueda said that the BoJ would consider potential bond purchase operations to engineer stable yields, in line with previous comments. On the neutral rate, Ueda also refused to guide markets expectations for further rate hikes using this metric and said it's "hard to pinpoint". Any hawkish hint would be Ueda's remark that he's watching April prices (earliest data release would be in end May) which signals a plausible June hike (fully priced by OIS now). We believe investors are taking a buy-on-dip bias in USDJPY while awaiting MoF's move as USDJPY looks set to break 160 if USD strength returns.”