

Market Letter

Bank of Japan Monetary Policy Meeting (January 2026)

Focus on Long-Term Interest Rate Developments, with Emphasis on Coordination with the Government

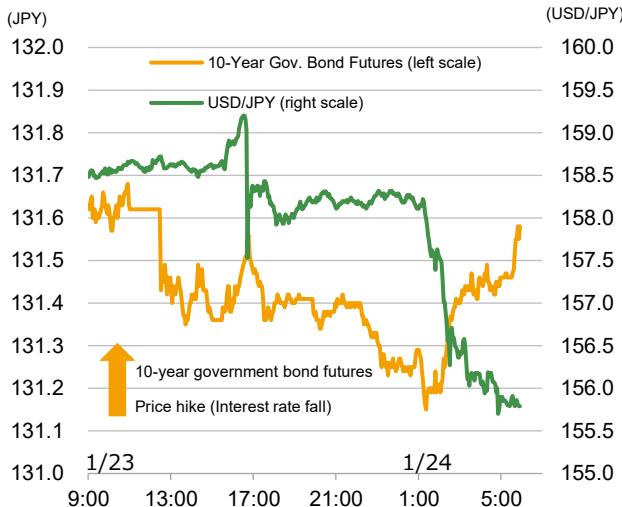
January 26, 2026

Economic and Inflation Forecasts Raised, While Maintaining a Cautious Stance on Rate Hikes

The Bank of Japan (BOJ) held its Monetary Policy Meeting on January 22–23 and, as widely expected by the market, decided to keep the policy interest rate—the uncollateralized overnight call rate—unchanged at 0.75%. In the accompanying Outlook Report, upward revisions to the economic and inflation outlook were notable, reflecting easing concerns over the negative impact of US tariff policies on Japan's economy and prices. In particular, the inflation outlook was revised upward despite expected downward pressure from the government's cost-of-living measures. This suggests that BOJ members have become increasingly confident that the mechanism in which wages and prices rise moderately in tandem will be sustained.

At the subsequent press conference, Governor Ueda noted that “interest rates have been rising at a fairly rapid pace,” signaling a degree of caution. Regarding supply–demand adjustment measures such as Japanese Government Bond (JGB) purchases, he stated that “the BOJ would closely coordinate with the government while carefully assessing conditions based on each party's respective role”. At the same time, he merely reiterated the BOJ's longstanding view that “it would conduct nimble operations only in exceptional situations where long-term interest rates surge sharply amid unusual market conditions.” As for the future course of monetary policy, the BOJ refrained from signaling any urgency to raise interest rates, despite market concerns that policy responses could lag behind developments. A somewhat dovish stance was perceived, and the Yen weakened during the press conference. Subsequently, however, speculation spread in the market that Japanese and US authorities had conducted rate checks—a precursor to possible currency intervention—prompting a rapid appreciation of the Yen to the JPY 155 level per US Dollar during New York trading hours.

Movements in 10-Year Government Bond Futures and USD/JPY



※3-minute chart; uses previous value for non-trading times;
latest value is January 24 at 5:54

Source: Bloomberg; Complied by Daiwa Asset Management

GDP and Inflation Outlook by BOJ Policy Board Members

(YoY, %)	Real GDP	Consumer Price Index	
		(less fresh food)	(less fresh food and energy)
FY2025 (as of Oct)	+0.8~+0.9 <+0.9>	+2.7~+2.8 <+2.7>	+2.9~+3.1 <+3.0>
	+0.6~+0.8 <+0.7>	+2.7~+2.9 <+2.7>	+2.8~+3.0 <+2.8>
FY2026 (as of Oct)	+0.8~+1.0 <+1.0>	+1.9~+2.0 <+1.9>	+2.0~+2.3 <+2.2>
	+0.6~+0.8 <+0.7>	+1.6~+2.0 <+1.8>	+1.8~+2.2 <+2.0>
FY2027 (as of Oct)	+0.8~+1.0 <+0.8>	+1.9~+2.2 <+2.0>	+2.0~+2.3 <+2.1>
	+0.7~+1.1 <+1.0>	+1.8~+2.0 <+2.0>	+2.0~+2.2 <+2.0>

※As of January 2026, the lower bracket <> indicates the median
Source: Bank of Japan; Complied by Daiwa Asset Management

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