

## **Yen firms after Bank of Japan holds policy steady Source: [XM](#)**

**[Broker \(Review and Forex Rebates up to 85%\)](#)** The Bank of Japan decided not to increase monetary stimulus at its policy meeting on Friday and kept interest rates and its asset purchase program unchanged. Although the move was expected, analysts had not ruled out a surprise move by the central bank following its shock announcement one year ago to expand its stimulus program. The decision came despite the Bank's admittance that it will take longer to meet its 2% inflation target, therefore pushing back the time frame to meet its objective to the second half of fiscal 2016. Previously it had said that it expects to meet its target by September 2016, which is the end of the first half of fiscal 2016. The Bank lowered its inflation forecast to 0.1% for 2015 and the growth forecast to 1.2%. September inflation figures out today underscored the challenge facing the Bank of Japan to lift inflation towards its target. CPI fell to 0% in September from the previous month, while the core rate, which excludes fresh foods, was unchanged at -0.1%. This was the second month in-a-row of negative inflation, although the figure was slightly above estimates of -0.2%. Also out today was household spending, which fell by 0.4% in September against estimates it would grow by 1.2%. The majority of analysts still expect the Bank of Japan to provide further stimulus at a later date as it may choose to wait until after the Fed's December meeting. In the meantime, the Japanese government raised expectations that it may announce a supplementary budget of up to 3 trillion yen to boost growth. But the

decision will likely come after third quarter GDP numbers are released on November 16. The dollar briefly spiked down to 120.28 yen after the Bank's announcement but later rebounded and rose to 120.92 yen before heading back down again to settle around 120.74 yen in late Asian session. The euro edged up against the dollar to test the 1.10 handle. It was last trading at 1.0991 dollars and against the yen, it was slightly lower at 132.73 yen. The pound continued to make gains against the dollar, touching a high of 1.5358 before retreating to 1.5335 dollars in late Asian trading. Crude oil prices headed lower for a second day as mixed data on Thursday did little to ease concerns of oversupply. US oil futures were down at \$45.49 in late Asian trading on Friday. Coming up later today, the Eurozone flash CPI for October will be the main data coming out of the Euro area. While later in the US session, personal income and spending data for September will be looked at closely, along with the Chicago PMI and University of Michigan final confidence index for October.