

Macro Roundup Article

Headline: Yen Surges as Kuroda's Yield Cap Shock Sparks Normalization Bets

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Tweet: The Bank of Japan shocked analysts by letting Japanese 10-Year bonds yield rise from 0.25% to 0.5%. The yen strengthened to 132.28 per dollar, compared with 137.16 immediately before the announcement. @Bloomberg

Summary: Bank of Japan Governor Haruhiko Kuroda shocked markets by doubling a cap on 10-year yields, sparking a jump in the yen and a slide in government bonds in a move that helps pave the way for possible policy normalization under a new governor. The BOJ will now allow Japan's 10-year bond yields to rise to around 0.5%, up from the previous limit of 0.25%, while keeping both short- and long-term interest rates unchanged, according to a policy statement Tuesday. "Whatever the BOJ calls this, it is a step toward an exit," said Masamichi Adachi, chief Japan economist at UBS Securities and a former BOJ official. "This opens a door for a possible rate hike in 2023 under a new governorship."

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