

Bank of Japan lived upto its record of being the grandfather of monetary insanity. They once again showed that it matters much for Central banks to be concerned on debt rather than managing inflation .

Their predicament is well known as Much has been riding on BOJ's shoulders as Kuroda tries to limit costs of Tokyo's earlier economic-policy choices. There's never a good time for a financial crisis, but the timing would be especially bad if Japan wobbles this year- which appears very likely. Focus shifts to next MPC in March when Kuroda chairs his last.

BOJ kept policy, targets, YCC unchanged, dovish - their new operative policy tool :

- *BoJ amended rules for a fund-supply market operation to use it as a new tool*

*to prevent long-term interest rates from rising too much, in a show of its resolve to maintain yield curve control for the time being.*

- *Under the amended rules, BoJ can offer funds of up to 10 years against collateral to financial institutions for both fixed- and variable-rate loans.*
- *After announcing the new rules, the BOJ said it will offer five-year loans under the fund-supply operation with a duration of between Jan. 24, 2023 and Jan. 24, 2028.*

**Too much positivity is priced into EUR - markets underestimate the re-tightening potential of financial conditions. Unless global growth persistently accelerates, risks are eventually skewed towards a**

setback.

The rapid energy-driven decline in headline inflation is giving ECB a bit of breathing space - Speculation strong that ECB would opt for a 50 bp rate hike in Feb, reducing hikes to 25 bp starting in March. Break below 1.0766 would be seen as bearish .

UK pay deals hold- as wages lag 11% inflation. CPI today exp 10.5% y/y. Blinken welcomes Northern Ireland talks progress after meeting. ( Resolution of NI protocol impasse - though less likely - would be GBP positive). 1.2301 UBB caps - Downside conviction tested - speedy decline into 21dma at 1.2105 is what should shape up .

USDJPY should get back into its core range 130.00 - 135.00.

USDINR should stay in 81.65 81.85 range  
BOJ model can be put in practice-  
financing fiscal deficit at less than 7.50 %  
is more paramount than inflation.