

For his part, the central bank chief is walking a tightrope. He has conceded his much vaunted original 2-year timeframe will be missed due to inflation, but clearly also feels like he cannot give the government any scope to relax on their medium-term fiscal consolidation plan, as this was an explicit precondition for the conduct and support of extraordinary monetary easing in the first place. It warrants some 3-month vol premium on yen assets and a particularly close following of domestic data and news in the interim. Both mark a sharp shift from what was always likely to be a very quiet 4 or 5 months following last December's election.

<image001.gif>

<http://www.boj.or.jp/en/mopo/outlook/gor1504a.pdf>

http://www.boj.or.jp/en/research/wps_rev/rev_2015/data/rev15e03.pdf

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