

**Yen stays trapped as Bank of Japan holds monetary policy unchanged**  
**Malaysian Insider**  
**11 March, 2014**

The yen remained trapped in narrow ranges in Asian trade today after the Bank of Japan (BOJ) stood pat and gave no indication that further easing steps were in the cards yet.

The BOJ maintained its massive monetary stimulus as widely expected, and stuck to its view that economic growth and consumer price increases remain on track. It downgraded its view of exports but upgraded its view of capital expenditure and industrial production.

The BOJ's next meeting on April 30 comes after the implementation of a sales tax increase scheduled for April 1. The central bank will also release its semi-annual economic outlook then, which investors say could give it an opportunity to alter its outlook and justify a policy move.

"In order to ease, they have to change their way of looking at the economy, and currently they think the economy looks okay, so they don't feel they need to do anything at all," said Tadashi Matsukawa, head of Japan fixed income at PineBridge Investments.

"But the positive impact of BOJ easing has already started to taper off, even during the October to December period," Matsukawa said.

Data yesterday underscored the economic recovery remains fragile. Japan posted a record current account deficit in January, and its fourth quarter gross domestic product growth was revised down, suggesting the effects of the BOJ's easing might have already begun to wane.

The dollar and euro were trading water against the Japanese currency, nearly flat on the day. The greenback bought 103.30 yen, after wavering in a 103.20 to 103.43 yen range, while the single currency changed hands at 143.22 yen, after wobbling between 143.08 yen and 143.44 yen.

The dollar was barely changed against a basket of major currencies, inching up slightly to 79.804.

**Euro's resilience**

The euro edged down about 0.1% against the dollar to US\$1.3865, but remained not far from a 2-1/2-year peak of US\$1.3915 touched last Friday.

The euro's resilience held up even as the crisis in Ukraine continued. A pro-Russian force opened fire in seizing a Ukrainian military base in Crimea yesterday and NATO announced reconnaissance flights along its eastern frontiers.

Investors also warily watched developments in China, where short-term rates and the yuan both stabilised, after they fell yesterday following weak exports data released over the weekend.

"China is not a factor today, but it could emerge at any time as a factor weighing on risk," said a market researcher at a foreign exchange consultancy in Tokyo. – Reuters, March 11, 2014

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Source: <http://www.themalaysianinsider.com/business/article/yen-stays-trapped-as-bank-of-japan-holds-monetary-policy-unchanged>