
**23 January 2026**

# As Ueda stalls, MOF grabs the spotlight

## Key takeaways

- An uneventful Bank of Japan (BOJ) meeting was overshadowed by signs of impending intervention by both Japanese and US authorities.
- The Takaichi government, heading into a general election and facing market pressure over its fiscal policy plans, will be looking for some breathing room, particularly with the BOJ showing no sign of raising interest rates faster.
- While intervention could buy Prime Minister Takaichi Sanae some time, the underlying pressure against the yen is unlikely to abate.

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Following an uneventful Bank of Japan (BOJ) policy board meeting, the Ministry of Finance (MOF) signaled a possible intervention in the foreign exchange markets, conducting a rate check shortly after the conclusion of BOJ Governor Ueda Kazuo's press conference.

The move strengthened the yen by nearly two yen to the dollar, bringing to around JPY 156/USD. Both Finance Minister Katayama Satsuki and Vice Minister for International Affairs Mimura Atsushi declined to comment.

MOF activity suggests that after weeks of aggressive verbal intervention by Katayama and Mimura, **the ministry may be nearing the start of a sustained fight with markets, particularly with the BOJ showing no signs of moving more aggressively to raise rates.**

**The Takaichi government is looking to contain downward pressure from the yen** amidst concerns about the budgetary ramifications (and inflationary impact) of Prime Minister Takaichi Sanae's embrace of a consumption tax cut and other fiscal measures.

**Katayama may also want to keep the yen above the psychologically important JPY 160/USD threshold ahead of the general election campaign**.

Reports of a rate check by the U.S. Treasury, contributing to additional yen strengthening and pointing to a **possible coordinated intervention** follow recent talks between Katayama and US Treasury Secretary Scott Bessent, could likewise be aimed at **backstopping the yen at a politically convenient moment for a sympathetic government**, perhaps not unlike the swap line extended by the U.S. Treasury to Argentine President Javier Milei's government ahead of midterm elections last year.

**Foreign exchange intervention may also play an outsized importance in containing spillover effects on exchange rates from the bond market volatility**, the other consequence of Takaichi's fiscal dovishness.

**BOJ Governor Ueda Kazuo took an ambivalent position on the rise in long-term and ultra-long-term government bond yields**. While on the one hand he suggested that in "exceptional circumstances," the BOJ might intervene to buy bonds and stabilize interest rates, the bank may on the other hand be wary of signaling that it is supporting fiscal expansion, which could prove counterproductive for both long-term rates and the yen.

**It is important to monitor whether concerns that inflation could overshoot the BOJ's two-percent target – and a desire to counter the impression of fiscal dominance – could bolster the cause of monetary hawks** on the policy board. For now, only board member Takata Hajime, who proposed raising short-term rates to 1.0%, voted against the decision to keep rates steady.

But absent a significant course correction by the government on fiscal policy – which is unlikely for the foreseeable future, with Takaichi describing the consumption tax as her "deeply cherished wish" and her broader commitment to using government spending for industrial policy – and a more hawkish turn by the BOJ, **the underlying pressure to sell the yen will likely continue even if MOF intervenes tactically to slow the yen's decline**.

Ultimately, **foreign exchange intervention will once again serve as a stopgap measure** absent a clear signal from the government that it recognizes that it is more committed to fiscal sustainability.

Both the BOJ and MOF are grappling with the consequences of the political pivot in favor of expansionary fiscal policy at a time of rising interest rates. They might be able to tinker with markets on the margin, but they are not the architects of events.

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