

# European Central Bank, Bank of Japan Hold Rates Steady



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The European Central Bank (ECB) maintained its key interest rate at its record high but kept the door open to rate cuts as early as spring. Following a series of aggressive interest rate increases, investors are zeroing in on how soon rates will fall. Yet, the ECB remains concerned that inflation could rebound if they were to cut rates prematurely. ECB President Christine Lagarde confirmed as much when she said that officials decided it was too early to discuss interest rate cuts this week.

However, Lagarde did not push back strongly against the market's forecast of rate cuts starting in April, sending European stock markets into a rally while yields on eurozone government debt decreased, indicating investors expect reduced borrowing costs. The euro declined to \$1.083, falling by more than half a cent against the dollar.



Elsewhere, the Bank of Japan (BOJ) has kept investors in the dark regarding when it will change policy after sticking with its negative interest rate. The BOJ has

maintained its -0.1% short-term rate, and has indicated it is becoming more confident about achieving its long sought after inflation target.

With this hold, The BOJ has reestablished itself as a global outlier on policy, as both the Fed and ECB have hinted at rate cuts later this year.

BOJ Governor Kazuo Ueda stated certainty in the outlook is gradually increasing.

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