

Yen slumps as BOJ keeps policy ultra-loose

The yen fell sharply on Friday after the Bank of Japan (BOJ) kept interest rates in negative territory days after the Federal Reserve signalled U.S. borrowing costs would stay high, piling pressure on the Japanese currency.

Meanwhile, the U.S. dollar index was on track for its 10th consecutive weekly increase in the wake of the Fed decision and as the euro fell after weak economic data from France.

The BOJ held interest rates at -0.1% on Friday and reiterated its pledge to keep supporting the economy until it is confident inflation will stay at the 2% target.

"We have yet to foresee inflation stably and sustainably achieve our price target," BOJ Governor Kazuo Ueda said in a press conference.

"That's why we must patiently maintain ultra-loose monetary policy. Having said that, we will of course shift policy if achievement of our target is foreseen."

The yen dropped as low as 148.42 to the dollar, nearing the 150-mark at which analysts have said government intervention to prop up the currency is likely. The dollar was last up 0.43% at 148.23 yen.

"I think it's rather dovish, and that's why we've seen the yen go past 148," said Alvin Tan, head of Asia FX strategy at RBC Capital Markets.

Speculation that Tokyo could intervene to support the yen gathered steam. Japan's Finance Minister Shunichi Suzuki said on Friday he would not rule out any options, warning against a yen sell-off that would hurt the trade-reliant economy.

RBC's Tan said: "The Ministry of Finance is making increasingly explicit verbal intervention warnings, so in that sense I think we are inching towards intervention levels."

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