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The Day Ahead: Who is Haruhiko Kuroda? And Why He's Your Friend Today

Perhaps you're already well aware that Haruhiko Kuroda is the head of the **Bank of Japan (BOJ)**, and a Ben Bernanke of sorts when it comes to bringing an aggressive, avant garde stance to Japan's monetary policy, especially with respect to crisis response and quantitative easing.

Last week markets read a lot into the fact that the BOJ didn't buy as many bonds as it had in the previous buying operation. It was a reduction of $88mln (10 billion yen)--a very small amount in the big picture of central bank bond buying, but to some, a sign that Japan was thinking about **shifting gears** on its policy stance.

Overnight, Kuroda put that speculation to rest, saying it's **not time** to even discuss an exit from stimulus programs with inflation still nowhere close to 2%.

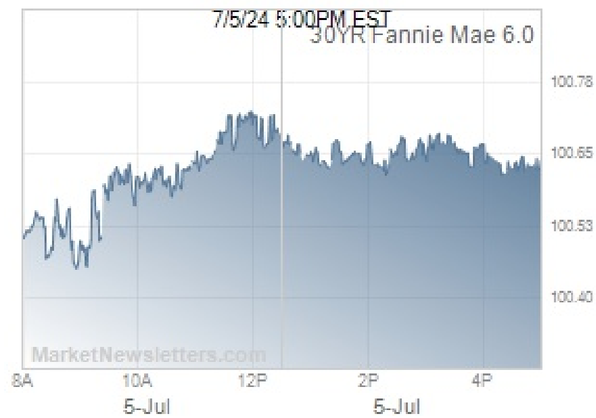
While the announcement caused obvious volatility in Japanese markets, the US response was more measured. Bonds were already in somewhat stronger territory after the BOJ's official policy announcement at 10:15pm ET. When Kuroda's press conference began at 1:30am ET, the bulk of the overnight gains flooded in over the next hour. Still, it's important to note that the buying didn't occur in one big spike. This suggests some level of **measured decision-making** behind the rally as opposed to a pure reaction mechanism.

Underlying motivations aside, bonds have some serious ground to cover if they hope to convince analysts and traders that a broader shift in momentum is possible. The overnight rally has the potential to serve as the start of that process, but **equal potential** to stand as another periodic correction to the broader trend toward higher rates. If we're to entertain something better than that, we'd need to see one of the pivot points convincingly broken in today's chart.

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.61	+0.22
MBS GNMA 6.0	100.74	+0.21
10 YR Treasury	4.2818	-0.0784
30 YR Treasury	4.4857	-0.0440

Pricing as of: 7/5 5:59PM EST



Average Mortgage Rates

	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.03%	-0.05	0.00
15 Yr. Fixed	6.44%	-0.01	0.00
30 Yr. FHA	6.50%	-0.05	0.00
30 Yr. Jumbo	7.24%	-0.01	0.00
5/1 ARM	7.05%	-0.02	0.00
Freddie Mac			
30 Yr. Fixed	6.95%	+0.09	0.00
15 Yr. Fixed	6.25%	+0.09	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.03%	+0.09	0.62
15 Yr. Fixed	6.56%	+0.09	0.54
30 Yr. FHA	6.90%	+0.11	0.95
30 Yr. Jumbo	7.11%	-0.01	0.50
5/1 ARM	6.38%	+0.11	0.54

Rates as of: 7/5

There is no significant economic data on tap today. While this week's Treasury auction cycle is somewhat more important than normal, today's 2yr auction is the least important among them. That said, whereas I would typically **not** be interested in a 2yr auction at all, today's is at least worth a look because of the recent curve trading landscape. In other words, much of the momentum in bonds has been driven by bets on the spread between longer and shorter term rates. If the 2yr auction provides a strong comment on shorter term rates, it could affect the longer end (i.e. the **stuff we care about**) more than normal. We're not talking about anything massive here, but perhaps enough to see a response.

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