

## Uncharted territory: Japan's negative rates

A negative-interest rate policy goes into effect today: a calm reaction would be welcome. The Bank of Japan announced its new -0.1% rate on some bank reserves on January 29th: over the next fortnight the Nikkei 225 stock market index plunged by 15% (though it leapt yesterday); the yen soared against the dollar before reversing direction slightly. True, global market gyrations prompted a flight to the yen, a safe-haven currency. But negative rates could cut big banks' profits by 8% and regional lenders' by 15%, says Standard & Poor's, a credit-rating agency. The BoJ's unprecedented monetary easing has so far chiefly hit government-bond traders, who saw volumes in their market dwindle; now other financial firms will pay a price, especially if the central bank goes deeper into negative territory. And if more gloom were needed: fourth-quarter data yesterday showed that GDP fell by an annualised -1.4%.

