By Chikako Mogi

(Bloomberg) -- The expected reappointment of Bank of Japan Governor Haruhiko Kuroda will probably offer only a brief respite for yen bears.

Analysts see currency traders instead focusing more on volatility in equity markets and ongoing speculation the Japanese central bank will unwind stimulus.

The yen briefly weakened Friday when local media reported Prime Minister Shinzo Abe is set to nominate Kuroda for a second five-year term, strengthening speculation that has been in the market for weeks. Kuroda’s record easing helped push the yen to almost 126 per dollar in mid 2015, the weakest in more than a decade. The currency was at 108.43 on Tuesday.

The Federal Reserve started to trim its balance sheet last year, while the European Central Bank is also looking to unwind stimulus. Few economists predict the BOJ will deepen its already unprecedented easing after Kuroda failed to achieve a 2 percent inflation target in his first term. Foreign investors think if the BOJ can’t expand stimulus, its next step will be a move toward an exit. Domestic investors only see policy being tweaked.

The identity of Kuroda’s two deputies is still uncertain.

What analysts are saying:

Jun Kato, chief market analyst at Shinkin Asset Management Ltd.:

“There will be relief over the continuity of policy if Kuroda is reappointed, but it won’t guarantee yen weakness as there’s persistent speculation, particularly among foreign players, that the BOJ will eventually raise its yield-curve target level this year. The market may react by temporarily selling yen, but it won’t set a new trend”

Kumiko Ishikawa, currency strategist at Sony Financial Holdings Inc.:

“The market’s focus now has shifted to whether or when the BOJ will move toward less easing, so the topic of the BOJ’s personnel reshuffle won’t keep the yen weak. Kuroda’s reappointment and an official announcement of two deputies could spark temporary yen weakness, but the impact will be limited and short-lived. If a reflationary proponent is selected as a deputy, the price swing may be bigger, but also short-lived”

Shuji Shirota, head of the macroeconomic strategy group at HSBC Securities Japan Ltd.:

“Kuroda’s reappointment theoretically may be a reason for yen weakness, but the currency impact is likely to be neutral as markets will see a continuation of the same policy framework that has failed to attain the 2 percent inflation target. The Fed also got a new chairman and the U.S. side has more in terms of changes to drive its currency, rather than the BOJ. In a way, no surprise is good for authorities as it prevents volatility from rising”
--With assistance from Masaki Kondo.

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