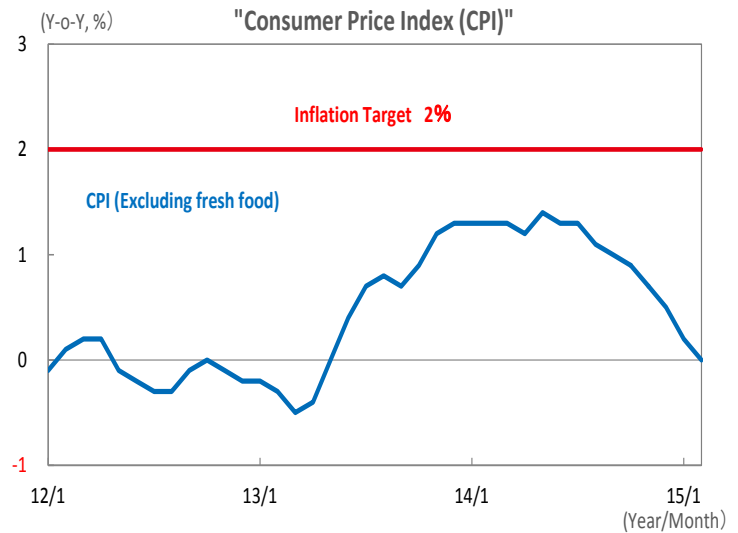


Today's Topic **BOJ's Monetary Policy & Market Reaction**

"BOJ's policy unchanged, equity market focuses on corporate earnings growth"

Point 1 **Monetary Policy remains intact**
Inflation target has been maintained, too

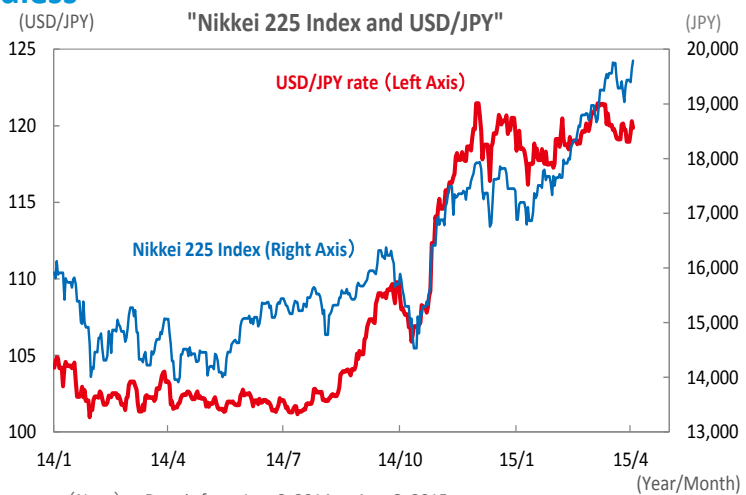
- BOJ held Monetary Policy Meeting (hereafter MPM) over April 7th and 8th and decided to maintain their current quantitative & qualitative easing (hereafter QQE). This aggressive easing policy continues to increase the monetary base approximately JPY80 trillion a year by purchasing massive JGBs, ETFs and J-REITs.
- The central bank reasserted their economic outlook that "The economy continues to grow moderately". The "Tankan" Survey on April 1 reported the business sentiment was likely to take a respite from the recovery, however, the statement on this MPM added a phrase of "Business confidence are growing at a generally favorable pace". Regarding the inflation target, BOJ maintained the previous outlook as "The inflation target of 2% is highly likely to be achievable some time in FY2015 or around".



(Note) Data is from Jan. 2012 to Feb. 2015. Data beyond Apr. 2014 excludes impact of the consumption tax hike. (SMAM's estimation)
 (Source) SMAM, based on Bloomberg L.P. data.

Point 2 **Equity market rally continuing regardless of the BOJ's policy announcement**
JPY turned stronger from soft previous day

- On April 8th, the equity market opened higher in favor of weaker yen and continued climbing after the BOJ's monetary policy announcement. The Nikkei index recovered 19,800 yen for the first time in 15 years during the trading day and closed at 19,789.81 yen up 149.27 yen from the previous day.
- The USD slightly weakened to 119.88 yen as at 15:00 of April 8th on the reversal from strengthening to 120 yen on the previous day.



(Note) Data is from Jan. 6, 2014 to Apr. 8, 2015.
 (Source) SMAM, based on Bloomberg L.P. data.

Future Outlook **Current monetary easing to be continued for the time being, Equity prices to reflect upbeat corporate earnings**

- Two years have passed since BOJ started the QQE. Initially, BOJ set the "target of achieving stable inflation of 2% within 2 years", however, current inflation rate remains far below from their target hindered by lower crude oil price.
- BOJ reiterated their views of "The prices excluding energy are continuing to keep rising" and is likely to continue current monetary policy.

The issue is whether so-called "virtuous cycle" of weaker yen, corporate earnings growth and wage gain can push inflation higher.

- An equity market rally can be expected as the stock prices would reflect solid corporate earnings growth on the back of expectation for renewing all-time high earnings with the help of weaker yen and lower crude oil price.

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