

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

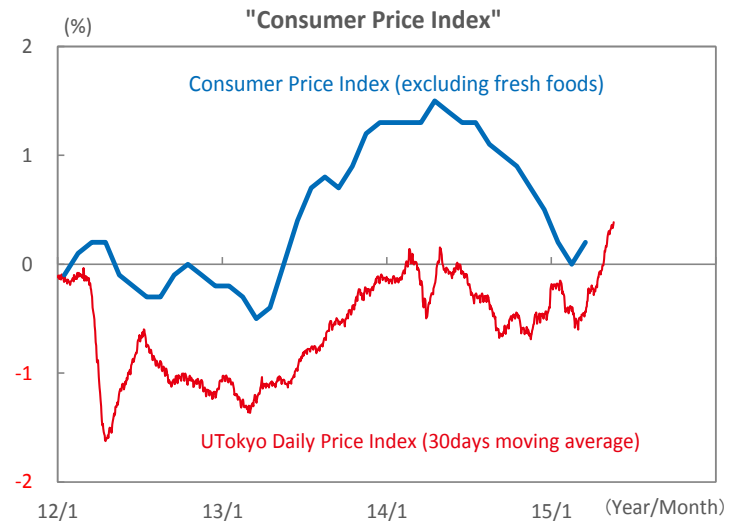
BOJ raised economic outlook, while kept current policy on hold

Point 1

QQE has been maintained

Economic outlook slightly revised upward

- The Bank of Japan kept monetary policy (Quantitative and Qualitative Monetary Easing) unchanged at the Monetary Policy Meeting on May 21st – 22nd.
- The central bank slightly raised its overall assessment of Japan's economy to "has continued to recover moderately," from "has continued to recover moderately as a trend." It raised its assessment as consumer spending hold firm thanks to moderately improving employment and wages, and housing investment showing recovery.
- On the price front, the year-on-year rate of increase in the consumer price index (CPI) has kept on hold its existing forecast of "Inflation expectations appear to be rising on the whole from a somewhat longer-term perspective." March core CPI (excluding fresh food and energy) turned to rise from declining until the previous month. The UTokyo Daily Price Index (30 days moving average) also turned to increase y-o-y in later April and continues rising.



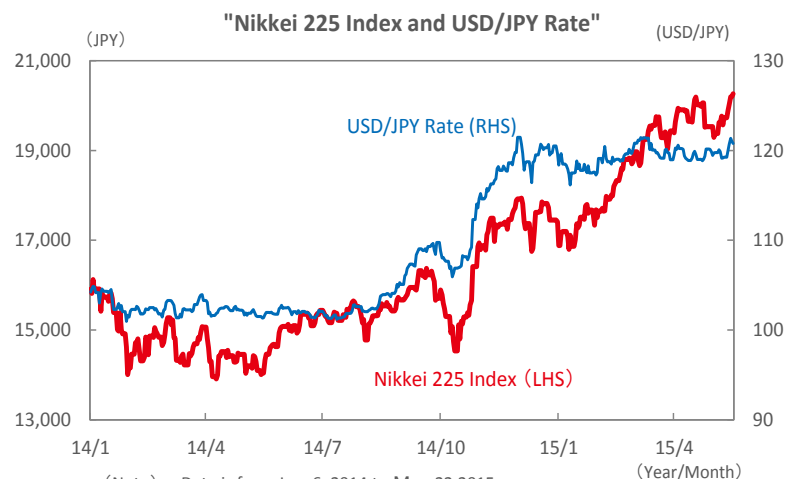
(Note) Data of Consumer Price Index is from Jan. 2012 to Mar. 2015 (Monthly basis, YoY)
 Utokyo Daily Price Index is from Jan. 1, 2012 to May 19, 2015 (Daily basis, YoY).
 Both are calculated excluding impact of the consumption tax hike.
 (Source) SMAM, based on Bloomberg L.P. data.

Point 2

Stocks rallied on the positive economic outlook

USD/JPY slightly receded

- On May 22, the Nikkei index edged +61.54 higher at 20,264.41 yen after the stocks headed higher on the monetary policy release from a directionless trading in the morning. The index advanced for six days in a row in favor of the bank's upward revision in economic outlook.
- USD/JPY moved slightly lower on expectation for Japan's economic recovery. The currency was traded at 120.80 at 3PM on the day.



(Note) Data is from Jan. 6, 2014 to May 22 2015.
 (Source) SMAM, based on Bloomberg L.P. data.

Future Outlook

Stocks would reflect the corporate earnings expansion, while monetary policy is kept on hold for the time being

- In the press conference, Governor Haruhiko Kuroda presented a positive outlook for the economy, "the economy shows a steady improvement." Also, in terms of the additional easing, Kuroda reiterated that "further easing would not be necessary at this moment" and "the bank will keep closely watching the price index in the following Monetary Policy Meetings."
- The stocks are climbing on the back of upbeat corporate earnings. In large, the Japan's share prices will reflect on expansion of the earnings although the equity market sometimes fluctuates on concern over the external factors such as China's slowdown and Greece's debt issues.



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