

Today's Topic

Latest financial market trends -- Explore the possibility of Chinese economic recovery

Point 1

Chinese economic growth seems to have entered a multiple year downward trend

Careful observation of economic data is necessary

- Chinese economic growth seems to have entered a multiple year downward trend due to structural adjustment of the manufacturing industry. In the short run, the Chinese economic downturn may pause, supported by monetary easing, economic stimulus measures and weaker RMB. We need to monitor economic data such as fixed asset investment to acknowledge the situation of the Chinese economic slowdown.

Point 2

Developed country economies are expected to remain solid

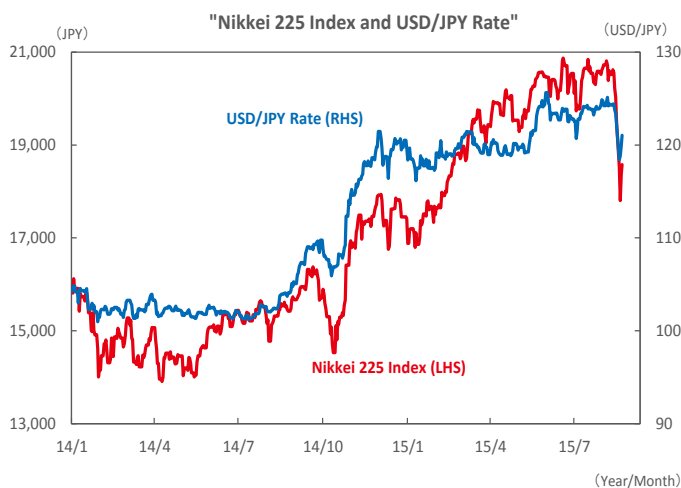
US rate hike from September looks unlikely

- On the other hand, developed country economies are expected to remain solid, even though negatively affected by the economic slowdown of China and emerging countries, as economic expansion under subdued inflation, stable and low long term interest rates and aggressive monetary easing are expected. Meanwhile, possibility of the US interest rate hike in September seems to have become very low, taking into account the possibility of a global economic slowdown, falling commodity prices and current financial market turmoil.

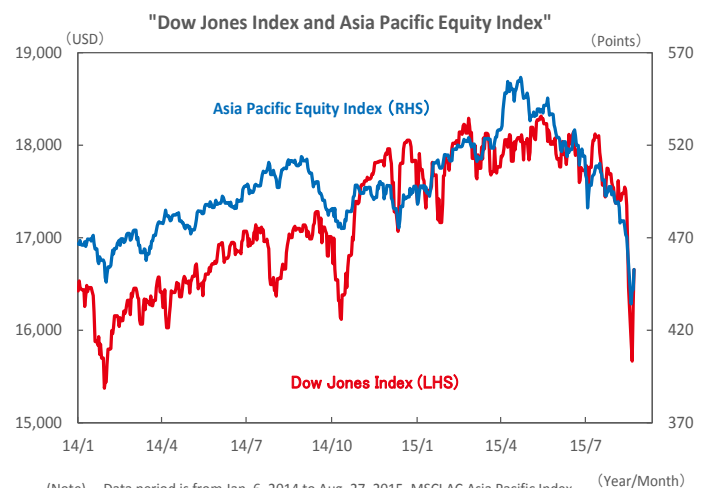
Future Outlook

Developed countries' monetary easing underpins the global financial market, however, Chinese economic recovery must be confirmed

- Although the global stock market seems to have factored in the bad news to a certain extent, as it had over reacted to risk factors, it is expected to react sensitively to various events until the market confirms improvement in the Chinese economic data.
- Despite the strengthening of the JPY due to risk averting sentiment in the market, we expect the Forex market will stabilize once the market as a whole settles down reflecting the important factors such as interest rate difference between the US and Japan, Japan's current account surplus and the diversion of monetary policies of BOJ and FRB remain unchanged.



(Note) Data period is from Jan. 6, 2014 to Aug. 27, 2015.
(Source) SMAM, based on Bloomberg L.P. data.



(Note) Data period is from Jan. 6, 2014 to Aug. 27, 2015. MSCI AC Asia Pacific Index is used for Asia Pacific Equity Index.(Price Index, Local currency basis).
(Source) SMAM, based on Bloomberg L.P. data.

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