

Today's

Topic

## BOJ's Monetary Policy & Equity Market Reaction

### BOJ's policy unchanged, MPM framework revised for further transparency

#### Point 1

#### QQE kept on hold

Framework of MPM will change from January 2016

- BOJ kept its monetary policy (Quantitative and Qualitative Monetary Easing: QQE) unchanged at the Monetary Policy Meeting (MPM) held over June 18 and 19.
- The central bank reasserted their economic outlook that "The economy has continued to recover moderately" and "Inflation expectations appear to be rising on the whole from a somewhat longer-term perspective".
- This time, framework of MPM was revised. The frequency of publication of the "Outlook for Economic Activity and Prices (the Outlook Report)" will increase from the current semiannual basis to a quarterly basis and its content will be more transparent. Although the frequency of holding of the MPM will decrease to 8 times a year from 14 times, transparency of framework seems to improve with more information to be disclosed.

#### "Summary of Revised MPM Framework"

Revised Items	Revised Contents
Frequency of publication of the Outlook Report	The frequency changed from the current semiannual basis to quarterly basis and the report to be released immediately after MPMs. * Publication of the "Monthly Report of Recent Economic & Financial Developments" will be discontinued and integrated into the Outlook Report.
Release of each Policy Board Member's forecast and assessments	Each Policy Board Member's forecast and risk assessments of the economy and prices at the MPM will be released.
Releasing "Summary of Opinions"	The "Summary of Opinions" at each MPM will be compiled and be released in about a week after the meeting.
Changing the frequency of MPMs	Frequency will decrease from current 14 times to 8 times, however, 4 MPMs for the Outlook Reports will be held.

(Source) SMAM, based on Bank of Japan data.

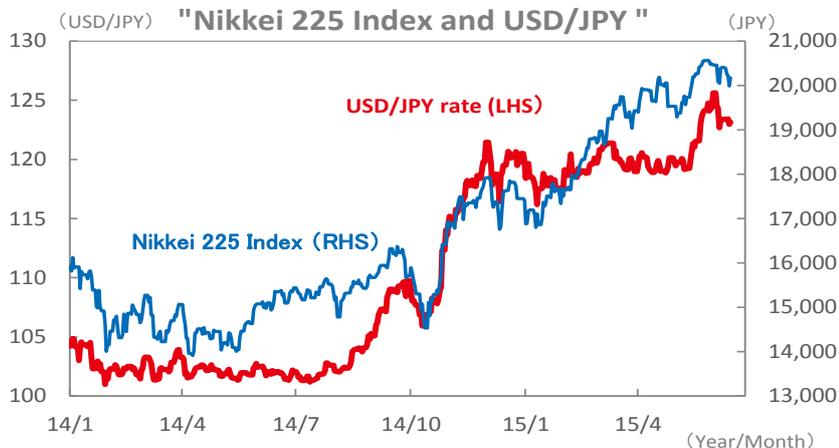
#### Point 2

#### Nikkei 225 recovered 20,000

JPY weakened slightly

- On June 19th, Nikkei 225 opened higher, recovering 20,000 in favour of the higher US and European markets on the previous day, and the index closed 183.42 higher at 20,174.24. The market reacted marginally after the BOJ's MPM.
- Meanwhile, JPY slightly weakened against USD to 123.14 yen at 15:00 (Japan Time) of June 19<sup>th</sup>, after BOJ's policy announcement.

#### "Nikkei 225 Index and USD/JPY"



(Note) Data is from January 6, 2014 to June 19, 2015.

(Source) SMAM, based on Bloomberg L.P. data.

#### Future Outlook

### Monetary policy is expected to remain unchanged for the time being, while Japanese stocks to reflect upbeat corporate earnings

- BOJ Governor Kuroda reasserted at the press conference that "The inflation of around 2% is likely to be achieved in the first half of FY2016 or around". However, the change of BOJ's inflation outlook might be possible in a near future, as it is very unlikely the bank's inflation objective can be achieved within the targeted timing.
- Nikkei 225 has been traded above 20,000 since mid-May supported by upbeat corporate earnings. The equity market might come under pressure of the uncertainty over China's slowdown and Greek crisis, however, it is likely to advance discounting the solid corporate earnings going forward.

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