

## Flash Note 15/06/2018

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### Hawkish Fed. Dovish ECB. What about the BoJ's speech yesterday?

#### **BOJ leaves policy unchanged**

- The BOJ maintained (8-1 vote) the yield curve control policy as expected, leaving short term rates at minus 0.1% and long term rates at around 0%.
- Board members voted unanimously to maintain the asset purchase program (to buy other asset than fixed income instruments).
- The policy statement noted the core CPI is in the range of 0.5-1.0%, still well below the targeted 2%. Nevertheless, the BOJ will look into why inflation remains weak and could downgrade its price forecasts for FY18 and later. Particularly slow inflation data in April, surprised many at the central bank.
- Monetary Policy Outlook: Economists remain roughly divided over when the bank of Japan will begin unwinding its massive stimulus program, with one camp forecasting it will be sometime next year and others predicting tapering will not begin until 2020 or later. All agreed inflation will linger well below the central bank's elusive 2% target for some time.

#### **Corporate: Wage growth likely to reach the 3%. sharpen business focus under investor scrutiny**

- Large firms' summer bonuses reach record at ¥967,386, up 6.71% from a year earlier. Wage growth looks likely to reach the government's 3% target.
- Japanese companies, under the bigger scrutiny of foreign investors, and pressured to offload unprofitable operations, are shutting down or selling off a record number of business units. Listed companies scaled back 68 business segments in the first four months of the year. The figure reached nearly half of the 140 logged for 2017, meaning that the total for all of 2018 may exceed the record set in 1999.

In a nutshell. We saw a dovish BoJ. Even more dovish than the ECB.

Best