

## Flash Note 10/07/2017

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### Morning news coming from Asia

#### JAPAN

##### *Macro*

- Core machinery orders fall (3.6%) m/m in May vs consensus +1.7% and (3.1%) in prior month.

##### *Central Bank*

- BoJ's policy to persist. Until? Governor Kuroda reiterates easing policy to remain until inflation target is reached: BoJ Governor Haruhiko Kuroda, at the central bank's branch managers' meeting, reiterates the current policy stance and stated that the yield curve control with quantitative easing measures would be maintained until the core CPI surpasses 2% in a stable manner.
- Reverberations from the BoJ's extraordinary measures implemented Friday to keep long-term rates near zero, suggest that sustaining firepower (in order to keep long dated yields anchored as overseas interest rates continue to climb) may prove challenging.

##### *Politics*

- PM Abe's popularity continues sharp decline: A Yomiuri poll showed Japan Prime Minister Shinzo Abe's cabinet approval rating fell to 36% from 49% in June, marking the lowest reading during Abe's current tenure. Abe announced a cabinet reshuffle in early August, aiming to win back public confidence, following a resounding party defeat in the Tokyo gubernatorial election.

## CHINA

### *Overseas Acquisitions*

- China's overseas acquisitions recover from doldrums according to a Rhodium Group study, which showed the number of overseas acquisitions valued at more than \$5M announced during May and June came to 44, compared to 29 in the Feb-Apr period. The value of deals rose to \$28.6B in Q2 from \$16.6B in Q1. The study suggests the increase is narrowly confined to specific industries related to the Belt and Road Initiative.

### *Central Bank*

- China's financial market to become more market-based: China will raise the efficiency of the central bank operations (standing lending facility, medium-term lending facility and reverse repos). China will also seek further improvement in market-based exchange rate formation mechanism for its currency to increase the flexibility of the yuan against the US dollar.
- Neither loose nor tight: The PBoC will continue to maintain a tight but balanced level of liquidity for the rest of the year. Recent PBoC statements indicated that monetary policy is likely to remain neither loose nor tight this year, and deleveraging and risk controls are still important factors to consider in policy making.
- June FX reserves stable at \$3.057T

Best regards,

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