

Flash Note 27/02/2018

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Fresh news from Asia

JAPAN:

- **Banking-Japan: Finance regulation shakeup seen as game-changer for banks:**
 - Regulatory preparations in Japan could lead to a major shakeup of the banking industry.
 - The Financial Services Agency (FSA) is examining how to change the legal framework so that all providers of financial services are subject to the same rules -- a move that would allow emerging companies such as technology startups to compete directly with traditional financial institutions.
- **Japan markets higher**
 - Japan markets closed higher Tuesday with the Nikkei up 1.07% and Topix up 0.87%.
 - Topix sectors were mostly higher led by mining and electric appliances.
 - Index gains were attributed to overnight US strength, though focus remains on Fed Chairman Powell's testimony.
 - The yen was little changed against the majors.
 - JGB yields were lower with the curve flattening.
- **Yen**
 - **Strong yen emerges as threat for 2018 profitability:** According to a Nikkei analysis, aggregate net profits at 229 Japanese listed companies with a December year-end is expected to grow 4% to ¥3.74T (\$35B) this year, compared with a 30% jump in 2017.
 - Companies on average are assuming an exchange rate of 110 yen to the dollar for 2018.
 - The bulk of listed firms (that close their books in March) are likely to revise their FX rates to 105 if the currency remains strong.
 - Forecasts of Bank of Tokyo-Mitsubishi UFJ and Daiwa Securities are calling for USD/JPY to strengthen toward 105 amid a boost from fiscal year-end repatriation flows.
 - Market positioning on yen is mixed; while asset managers are adding to their longs, most large speculators are clinging to their shorts positions. Leveraged funds remain short.

- **Japan's corporate overseas retained earnings hit record high:**
 - The [Nikkei](#) reported retained earnings at Japanese companies' overseas subsidiaries rose 15.4% to a record ¥4.42T (\$41.3B) last year, as a robust global economy spurs multinationals to invest more abroad.
 - The increase partly reflects an uptick in investment by Japanese companies to expand overseas production and sales networks.
 - Retained earnings now accounts for 50% of direct investment income, compared to the mid-40% range in recent years.

CHINA:

- **Regulation - Market watchdog to ramp up oversight of back-door listings:**
 - Companies that have their first listing rejected will have to wait at least three years before they try again.
 - The steps are the latest by the regulator to tighten its grip on the vetting process to ensure the quality of listed companies.
- **China cuts red tape for foreign banks:**
 - [Xinhua](#) cited a China Banking Regulatory Commission (CBRC) statement that rules for foreign banks have been revised, cutting red tape for foreign banks.
 - The new policies became effective on 13-Feb. According to the report, the CBRC scrapped approval procedures for four items including overseas wealth management products and portfolio investment funds.
 - Banks only need to report their services to authorities rather than obtaining approval in advance.
 - **Regulator asks insurers to rectify overseas investment violations:** [Xinhua](#) cited China Insurance Regulatory Commission (CIRC) statements that three insurers -- Ping An Insurance (Group) Company of China, New China Life Insurance and China Re Asset Management Company -- were required to take measures to rectify overseas investment projects that violated regulations. The CIRC did not specify the irregularities.
- **China to continue proactive fiscal policy in 2018:**
 - [Xinhua](#) cited a Politburo statement that China will continue proactive fiscal policy and prudent monetary policy in 2018.
 - According to the statement, China will make further progress in supply-side structural reform, accelerate innovation, deepen reform in fundamental key areas, and take tough steps to address major risks, carry out targeted poverty alleviation, and prevent and control pollution.

Best
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Source: Factset/Datastream/Andbank