

## Flash Note 31/07/2018

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### US & Japan - Setting up a new trade framework?

#### *Trade*

- NHK reported the Japanese and US governments are finalizing plans to hold bilateral trade talks in Washington on 9-Aug. The story noted US President Donald Trump and Prime Minister Shinzo Abe agreed in April to set up a new framework to discuss “free, fair and reciprocal” trade led by US Trade Representative Robert Lighthizer and Japanese Economy Minister Toshimitsu Motegi.

#### *Bank of Japan – Latest developments*

- BOJ revises down inflation forecasts. It revised down its FY18 CPI forecasts to +1.1% (from the prior +1.3%), FY19 CPI forecast is now fixed at +1.5% (from +1.8%), and FY20 at +1.6% (from +1.8%).
- The bank still believes that “inflation is likely to increase toward 2%, though it will take more time than expected”. Nevertheless, the dot plot showed the majority of board members saw downside risks to the outlook for FY19/20.
- The BOJ voted 7-2 to leaving short term rates at minus 0.1% and long term rates at around 0%, allowing upward and downward movements “to some extent” mainly depending on developments in economic activity and prices.
- It also tweaked the language on JGB purchases, which will be conducted “in a flexible manner,” **though kept the quantitative target of ¥80T per year.**

Best