

Today's

Topic

BOJ's Monetary Policy & Equity Market Reaction

BOJ's policy unchanged, equity market fell following weak US economic data

Point 1

Current Monetary Policy kept on hold

BOJ put off the timing for inflation target

- BOJ kept its monetary policy (Quantitative and Qualitative Monetary Easing) unchanged at the Monetary Policy Meeting on April 30.
- In the biannually "Outlook for Economic Activity and Prices Report (Outlook Report)" published on the same day, BOJ put off the timing for achieving 2% inflation to "around 1H of FY2016" from "in or around FY2015." For FY2015 outlook, the central bank slightly revised downward its real GDP forecast to +2.0%, from +2.1%, and its CPI forecast to +0.8%, from +1.0%.
- For FY2017 outlook, the bank posted slightly cautious real GDP forecast as the consumption tax will be raised to 10% in April 2017.

BOJ Policy Board majority forecasts in Outlook Report (April 2015)

(% y-o-y)

	Real GDP	Core CPI (Excl. fresh food)
FY2014 Est.	-1.0 - -0.8 (-0.9)	+0.8
January 2015 forecast	-0.6 - -0.4 (-0.5)	+0.9 - +1.2 (+0.9)
FY2015 Est.	+1.5 - +2.1 (+2.0)	+0.2 - +1.2 (+0.8)
January 2015 forecast	+1.8 - +2.3 (+2.1)	+0.4 - +1.3 (+1.0)
FY2016 Est.	+1.4 - +1.8 (+1.5)	+1.2 - +2.2 (+2.0)
January 2015 forecast	+1.5 - +1.7 (+1.6)	+1.5 - +2.3 (+2.2)
FY2017 Est.	+1.0 - +0.5 (+0.2)	+1.4 - +2.1 (+1.9)

(Note 1) Majority forecasts represent range of forecasts by board members after discarding highest and lowest value.

(Note 2) Both real GDP and the core CPI inflation rate are based on y-o-y comparison, unit is %.
Figures in parentheses are median forecasts.

(Note 3) For Core CPI figure, FY2014 and FY2017 do not factor in the relevant consumption tax hike.

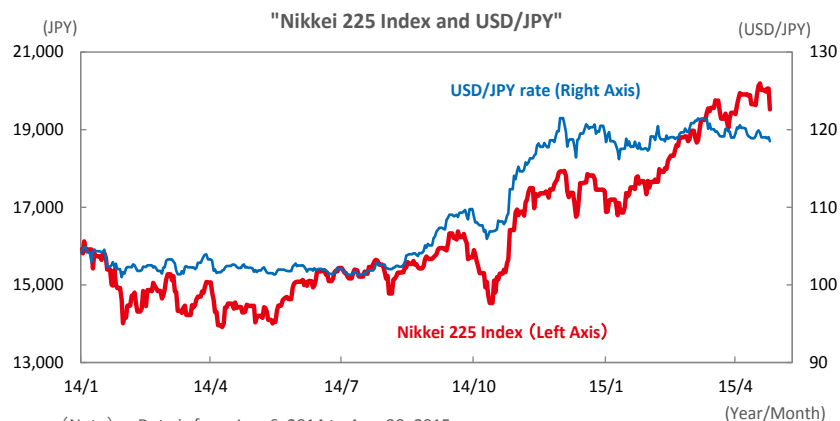
(Source) SMAM, based on BOJ's data.

Point 2

Maintained optimistic inflation outlook

Kuroda denied additional easing

- Haruhiko Kuroda, Governor of Bank of Japan reiterated "underlying inflation trend remains intact" and expressed "additional monetary easing is not required at this moment". He also added the BOJ's decision to put off the timing of achieving 2% inflation is mainly due to slower recovery in consumption.
- The "Outlook Report" revised real GDP and CPI forecasts downward, however, BOJ kept its monetary policy unchanged for the time being, maintaining its underlying inflation trend outlook.



(Note) Data is from Jan. 6, 2014 to Apr. 30, 2015.

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

Future Outlook

Japanese stocks to reflect upbeat corporate earnings

- On April 30, Nikkei 225 closed lower at 19,520.01 yen, down 538.94 yen on the back of weaker than expected US GDP data in Jan. – Mar. quarter that slowed to + 0.2% annualised from the previous quarter. In addition, the market negatively reacted after BOJ posted its maintaining current monetary policy.
- The slowdown in the US economy in the 1Q was mainly caused by a cold winter and the economy is expected to pick up in the 2Q.
- The corporate earnings of Japanese companies are expected to continue increasing on the back of weak JPY and low crude oil price. The equity market are likely to advance discounting the solid corporate earnings as the markets are stabilising.

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