

Today's Topic **BOJ's Monetary Policy (December 2015)**

## Introduction of Supplementary Measures for "Quantitative and Qualitative Easing"

### Point 1 Extending the average remaining maturity of JGB purchases

#### Setting up a new ETF purchase program

- BOJ held Monetary Policy Meeting on 17th and 18th December and decided to maintain their current quantitative & qualitative easing (hereafter QQE) and introduced supplementary measures for QQE. BOJ Governor stated that the objective is to ensure smooth asset purchases and to enhance efficiency of monetary policy. They also announced that the measures introduced this time are "NOT recognized as additional monetary easing".
- According to BOJ's announcement, the new ETF purchase program is to purchase ETFs comprised of "firms that are proactively making investments in physical and human capital" with a limit of about JPY 300 billion per annum. However, impact is deemed to be neutral to the stock market as this amount is almost equal to that of sales of shares held by BOJ, which will recommence in April 2016.

#### Major Measures to Supplement "Quantitative & Qualitative Easing"

**Established new ETF purchase program** (purchase of about JPY300billion per annum which will offset impact of sales of equal amount of shares by BOJ resuming again from next April)

**Extending the average remaining maturity of JGB purchases** (from around 7-10 years to 7-12 years.)

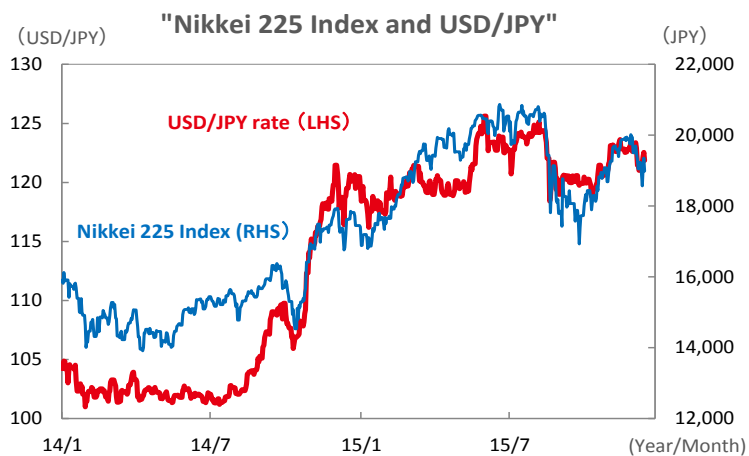
**Increasing the maximum amount of each issue of J-REIT to be purchased** (increased from the current "5 percent" to "10 percent" of the total amount of that J-REIT issued)

**Enhancing the Fund-Provisioning Measure to Support Strengthening the Foundations for Economic Growth** (added a new category ("Firms that are proactively making investment in physical and human capital") to the current list)

(Source) SMAM, based on publicly available materials of BOJ.

### Point 2 Equity market closed lower after high volatility during trading hours JPY turned stronger against USD

- On 18<sup>th</sup> December, Nikkei 225 rose more than JPY 500 during trading hours, on the news of the establishment of a new ETF purchase program. Later, it started to drop as the details of the measures became clear. The index closed at JPY 18,986.80, more than JPY 360 lower than the previous day.



(Note) Data period is from 6th January, 2014 to 18th December, 2015.

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

### Future Outlook

#### Support achieving target of stable inflation and virtuous cycle of economy by expanding measures to support corporations

- BOJ Governor Kuroda maintained his view on the timing of achieving "target of stable inflation" of 2% at "around the second half of fiscal 2016". BOJ's clear position to support the virtuous cycle of economy where companies will expand spending along growing profits and to achieve the "target of stable inflation", can be observed. Enhancement of the fund-provisioning measures to "support strengthening the foundations for economic growth", extended also to unlisted corporations, were included in the supplemental measures announced this time.
- At the press conference, BOJ Governor Kuroda repeatedly stated that the decision made this time is not an "additional easing" but recognized as a "supplement" to the current monetary policy. It is quite difficult to expect an additional easing for the time being, as corporate business sentiment has been stable in the latest BOJ Tankan survey and the outlook of BOJ's timing of achieving target of stable inflation was not changed. The recovery of economy and price will remain to be the focal point.

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