

As at Friday August 3, 2018

### Equities

Region / Country	Index	Close	Net Change	Performance	
				Year-to-date	52-week
<b>Asia-Pacific</b>					
Hong Kong	HSI	27,676.32	(1,127.96)	-7.50%	0.41%
India	BSE 30	37,556.16	219.31	10.27%	16.50%
Japan	Nikkei	22,525.18	(187.57)	-1.05%	12.89%
Singapore	STI	3,265.73	(59.25)	-4.03%	-1.83%
South Korea	KOSPI	2,287.68	(7.31)	-7.29%	-4.50%
Taiwan	WSE	11,012.43	(63.35)	3.47%	4.81%
Shanghai	COMPOSITE	2,740.44	(133.15)	-17.14%	-15.99%
<b>Europe</b>					
France	CAC	5,478.98	(32.78)	3.13%	6.79%
Germany	DAX	12,615.76	(244.64)	-2.34%	3.79%
Italy	FTSE MIB	21,586.85	(368.23)	-1.22%	-0.95%
Russia	RTSI	1,145.08	(6.66)	-0.81%	11.24%
UK	FTSE 100	7,659.10	(42.21)	-0.37%	2.47%
<b>Americas</b>					
Brazil	IBOV	81,434.98	1,568.88	6.59%	21.95%
Mexico	IPC	49,302.57	(341.37)	-0.11%	-3.88%
Nasdaq	CCMP	7,812.02	74.60	13.16%	23.21%
US	S&P 500	2,840.35	21.53	6.24%	14.89%
US	DOW	25,462.58	11.52	3.01%	15.60%

### Bonds

	Close	Yield		
		Week ago	Month ago	Year ago
10 Year Gilt	1.3290	1.2800	1.2430	1.1490
10 Year OAT	0.7400	0.7030	0.6380	0.7190
10 Year Bund	0.4080	0.4030	0.2940	0.4530
10 Year Japan	0.1100	0.1040	0.0330	0.0690
10 Year Treasuries	2.9488	2.9542	2.8309	2.2212

### Base lending rates

Prime Rates	Latest	6 months ago	12 months ago
US	5.00	4.50	4.25
Canada	3.70	3.45	2.95
Japan	1.48	1.48	1.48
Britain	0.75	0.50	0.25
ECB	0.00	0.00	0.00
Switzerland	0.50	0.50	0.50
Australia	1.50	1.50	1.50
Hong Kong	5.25	5.25	5.25

% change is for indication only; local currency except where stated.

- U.S. stock markets rose modestly last week, as strong earnings data more offset renewed concerns about rising trade tensions between the U.S. and China. The Dow Jones rose 0.05% over the week to close at 25,462.58, the S&P 500 added 0.76% to end at 2,840.35, while the Nasdaq rose 0.96% to settle at 7,812.01.
- President Donald Trump is considering more than doubling the proposed tariff rate on an additional \$200 billion in Chinese imports to put additional pressure on China to settle the on-going trade dispute. Trump now wants to slap tariffs of 25% on those imports, above the 10% he originally proposed. On Friday, China threatened to retaliate by placing 25% tariffs on \$60 billion of U.S. goods, including liquefied natural gas. Low-level trade talks between the two nations to resolve the crisis have stalled, leading U.S. officials to consider applying more pressure.
- The Senate overwhelmingly passed on Thursday a defense spending bill that, among other things, would increase the authority of the Committee on Foreign Investment in the United States (CFIUS) to screen and potentially block investments in the U.S. by China and other foreign countries on national security grounds. The bill left out a provision that would have reinstated penalties against Chinese tech firm ZTE. The bill was passed by the House of Representatives last week and now goes to President Trump for his signature.
- Apple Inc. on Thursday became the first company to reach a \$1 trillion valuation, beating tech rivals Microsoft, Amazon and Alphabet to the mark. Its shares rose during the week after the company reported on Tuesday stronger-than-expected fiscal third quarter revenues and profits on stronger app sales. Revenues rose 17% from the year-earlier period to \$53.3 billion, with earnings rising 32% to \$11.5 billion. Unit sales of its flagship iPhone rose only 1%, but smartphone revenues rose 20%, boosted by a higher average price for those sales. Apple Services revenue, which include the App Store, iCloud and Music, rose a strong 31% to \$9.5 billion, though this included a one-time gain of \$236 million from the resolution of lawsuits.
- Shares in electric car maker Tesla rose Wednesday after the company announced better sales and cash outflow in the second quarter and repeated its prediction that it would be earnings and cashflow positive in the third and fourth quarters. The company reported a loss of \$718 million in the second quarter, more than double the \$336 million shortfall in the year-earlier period. However, sales were a stronger-than-expected \$4 billion in the second quarter, up 43% from the second quarter 2017. Operating cash outflow slowed to \$130 million in the second quarter compared to \$398 million in the first three months of the year. Including capital spending, cash outflow fell to \$740 million, down from \$1.06 billion in the first quarter and below analysts' estimates.
- Facebook revealed that it had removed 32 pages and accounts from both the Facebook and Instagram platforms for what it described as a coordinated disinformation campaign to influence the mid-term elections in November. The company stopped short of blaming Russia for the campaign, though it noted that it was very similar to the disinformation practices during the 2016 presidential election that have been linked to Russia. Facebook has struggled in recent months to shore up its credibility after being heavily criticized for not doing enough to prevent fake accounts and disinformation links, with its stock price suffering as a result.
- Google has drawn up plans to relaunch a search engine in China, which would mean it would have to bow to a Chinese government requirement that it censor its content, according to media reports. However, talks between Google and the Chinese government have not gone smoothly and the company is facing heavy criticism in the U.S. for the idea. Google pulled out of China in 2010 after refusing to censor its search results.
- Consumer products giant Procter & Gamble said Tuesday it was raising prices on many items due to higher commodity prices caused in part to the effect of trade tariffs on paper pulp imports from Canada. P&G said it began informing retailers in North America that it would raise prices by 5% for some of its most popular products, including Bounty paper towels, Charmin toilet paper and Puff tissues. It has already raised the price of its Pampers diapers by 4%.
- Operating profit at grain trading firm Archers Daniels Midland rose three-fold in the second quarter to \$566 million, despite the effects of the U.S.-China trade war on its products, particularly soybeans. Adjusted for one-time items, profits were \$1.02 per share, up 79% from the year-earlier period, well above expectations for 78 cents per share.
- Pharmaceutical giant Merck posted stronger-than-expected earnings in the second quarter, backed by gains in its Keytruda immunotherapy drug. The company posted profits of \$1.06 per share, above Wall Street expectations, on revenues of \$10.5 billion.
- Pharmaceutical firm Pfizer announced Tuesday stronger-than-expected second quarter profits, but also lowered its forecast for the full year. Second quarter profits rose to 81 cents per share, above expectations of 78 cents, but the firm now expects full-year profits will be in a range of \$53 billion to \$55 billion, down from the previous range of \$53.5 billion to \$55.5 billion due to the stronger dollar exchange rate. Last month, Pfizer was forced to roll back an announced drug price increase after heavy criticism from President Trump.
- Kraft Heinz shares rose sharply Friday after the company reported better-than-expected earnings while promising to introduce new products and continue pursuing good acquisitions. Second quarter net sales rose 0.7% from a year earlier to \$6.7 billion, while adjusted earnings were \$1 per share, above expectations for 92 cents.

- London stocks fell last week on rising worries about Brexit and a further increase in global trade tension. The FTSE 100 fell 0.55% over the week to finish at 7,659.10.
- Profits at oil major BP rose sharply in the second quarter, boosted by higher prices and increased production. Underlying replacement cost profits rose to \$2.8 billion, up four-fold from the \$684 million in the year-earlier period. The profit result was higher than analysts' expectations for a gain to \$2.7 billion.
- Royal Bank of Scotland announced Friday its first dividend since it was bailed out during the Global Financial Crisis. The move will attract more investors to buy the company's share and so allow the British government to continue to unload the 62.4% of the bank that it still owns. The bank reported a profit of 96 million pounds in the second quarter, despite the \$4.9 billion fine it paid to settle litigation with the U.S. Department of Justice, well above expectations for a loss of more than 700 million pounds.
- Barclays reported on Thursday a strong performance in the second quarter, with pre-tax profit rising to 1.9 billion pounds, almost triple the 659-million-pound gain reported in the year-earlier period, on sharply lower bad loan and legal impairments. Net profit rose to 1.2 billion pounds, above analysts' expectations and a sharp reversal from the 1.4-billion-pound loss a year earlier. However, the bank's stock price fell after it warned that the good performance of impairments was not sustainable.
- Shares in engineering firm Rolls-Royce rose Thursday after the company predicted its profits for the full year would hit the upper end of its projections, even though it posted a net loss in the first half. The company posted a pre-tax loss of 1.3 billion pounds in the six months to June, due to higher cost to fix problems with its Trent 1000 jet engine and to continue its corporate restructuring. Nevertheless, the company raised its profit forecast for this year to 400 million to 500 million pounds, at the higher end of its previous prediction of 300 million to 500 million pounds.
- Heavy equipment maker Weir reported on Tuesday a 20% rise in its first half profit on a recovery in North American shale oil drilling and an expansion of mining operations globally. Pre-tax profit rose to 90 million pounds in the first half, as revenues rose 15% from a year-earlier to 1.1 billion pounds, a strong recovery from the sharp deterioration in business it experienced after the collapse of oil prices in 2014.

## Europe (ex. UK)

- European stocks fell last week on weaker Eurozone GDP data and concerns about rising global trade tensions. The Eurofirst 300 fell 0.73% on the week to 1,523.93.
- Profits at industrial conglomerate Siemens AG rose 2% to 2.2 billion euros in its fiscal third quarter, even though revenues fell 4% to 20.5 billion euros. Its Digital Factory unit, which integrates hardware and software, showed a profit rise of 54% from a year earlier, while profits at its Power and Gas unit fell 56%. Siemens cut 7,000 jobs in the underperforming energy unit last November and it under pressure from investors to sell it.
- French banking giant Societe General announced Thursday better-than-expected results in the second quarter, with net banking revenue rising to 6.5 billion euros, up 24% from a year earlier. The investment banking unit improved its results, with revenues inching up 0.5%, well above the 13% decline posted in the previous quarter.
- Fellow French bank BNP Paribas also showed better-than-expected results, though they were more modest than those of SocGen. Net income fell slightly to 2.39 billion euros, above analysts' expectation for a drop to 2 billion euros. Underlying net profit was above expectations. Revenues in its international business rose during the quarter, while sales in its corporate bank fell.
- German industrial conglomerate ThyssenKrupp issued a profit warning Tuesday ahead of next week's earnings announcement, saying expenses have been higher-than-expected for a number of on-going projects. The company now expects earnings of about 1.8 billion euros, at the low end of its previous projection of 1.8 billion euros to 2.0 billion euros. The earnings warning comes only weeks after the company's chief executive and its chairman resigned over heavy criticism of the company's restructuring plan, which included spinning off its European steel-making operations into a joint venture with Tata Steel Europe.
- Dutch brewer Heineken NV announced Friday that it had agreed to a \$3.1 billion partnership with the company that controls China Resources Beer Co., China's largest brewer, to tap into the world's fastest growing beer market. Heineken, the world's number two brewer, will take a 40% stake in CR Beer, while China Resources Enterprise, which controls CR Beer, will buy a 0.9% stake in Heineken, resulting in a net investment by Heineken of \$1.9 billion.
- Sales and profits at French pharmaceutical firm Sanofi were flat in the second quarter as continued struggles at its diabetes unit and negative exchange rate effects offset gains in other corporate units. Net sales grew 0.1% from a year-earlier to 8.2 billion euros, while net income rose 0.4% to 1.6 billion euros. The company expects that results will improve later this year after it purchases of two biotech firms earlier this year bear fruit in creating treatments for rare disorders.

- The Turkish lira fell to its lowest level in history against the U.S. dollar, exacerbating tensions in the fragile Turkish economy, after the U.S. government imposed sanctions on two senior Turkish government officials for the government's failure to release a U.S. minister on trial on terrorism and espionage charges. Turkey threatened to retaliate. The NATO allies were already on edge after Turkey agreed to buy Russian anti-aircraft missiles.

## Japan

---

- Tokyo stocks, like their Asian counterparts, fell last week on rising trade tensions between the U.S. and China as well as concerns about the Bank of Japan's move to allow slightly higher long-term interest rates. The Nikkei 225 Index fell 0.83% over the week to end at 22,525.18. Nevertheless, the Japanese stock market became the second largest stock market in the world by capitalization, overtaking China but still trailing the U.S.
- Toyota announced Friday that it posted a record profit in its fiscal first quarter but warned that U.S. trade sanctions could have a "very big" impact on results for the rest of the year. Profits rose to 657 billion yen in the April-June period, up 7.2% from a year earlier and its best first quarter result ever. But it maintained its forecast that profits would fall 15% in the fiscal year to March 2019 due to the effects of trade tensions and higher raw material costs.
- Fiscal first quarter profits at Takeda Pharmaceutical were cut nearly in half due to weak sales of its key Velcade anti-cancer drug, boosting the case for the company's acquisition of Irish drugmaker Shire to improve its new drug pipeline. Profits in the April-June period fell 46% from a year-earlier to 78 billion yen (\$701 million), while revenues were stable at 500 billion yen. The company maintained its forecast for a 26% drop in profits for the full year.
- Kobe Steel Ltd. said Friday that its profits in the April-June quarter fell 49.4% from a year earlier due in part to the effects of its admission that it had falsified quality control certifications on copper and aluminum products. That scandal cost the company 2.5 billion yen in compensation to other manufacturers and consumers. The company reported a profit of 12.7 billion yen in the fiscal first quarter, down from 25.0 billion yen in the year-earlier period, even though sales rose 10% on strong demand for excavation equipment in China.
- Toshiba announced Thursday that it had completed the sale of failed U.S. nuclear power subsidiary Westinghouse to Canadian fund Brookfield Business Partners LP. Westinghouse filed for bankruptcy in March with \$9.8 billion in debt. With the sale complete, Toshiba will be able to tap for other purposes 39.6 billion yen in loss reserves set aside for Westinghouse.

## Asia-Pacific (ex. Japan)

---

- The Shanghai Composite fell 4.63% for the week to 2,740.44, after the U.S. boosted trade tensions by threatening higher tariffs on an additional \$200 billion of Chinese goods.
- Hong Kong stocks also fell on the week due to rising trade tensions. The Hang Seng Index fell 3.92% over the week to close at 27,676.32.
- Taiwan's Taiex Index fell 0.57% over the week to end at 11,012.43 as rising trade tensions hit all Asian markets.
- Seoul stocks tracked Asian markets lower last week, with the Kospi falling 0.32% to 2,287.68. Samsung's results also weighed on the market, with the industrial conglomerate reporting its profits dropped in the second quarter for the first time in seven quarters on lackluster smartphone sales, which account for 80% of its operating profit.
- Singapore stocks fell last week in line with regional markets. The Straits Times Index fell 1.78% to settle at 3,265.73.

## Emerging Markets

---

- Brazil stocks rose strongly last week after the central bank kept its main interest unchanged at a record low. The Bovespa climbed 1.96% over the week to close at 81,434.98.
- Mexican stocks fell last week after the country's central bank left interest rates unchanged but lowered its growth forecast. The IPC fell 0.69% over the week to end at 49,302.57.
- Indian stocks rose last week as favorable weather forecasts for the rest of the monsoon season boosted consumer and financial shares. The BSE 30 was 0.59% higher for the week at 37,556.16.
- Russian stocks fell last week as oil prices declined further and as U.S. lawmakers considered broadening economic sanctions against Moscow. The RSTI fell 0.58% over the week to settle at 1,145.08.

## Alternative Assets

---

- Crude oil prices fell Friday and dropped for the fourth week in the last five on signs of rising production. The September West Texas Intermediate contract fell 0.7% on Friday to settle at \$68.49 per barrel and was down 0.3% on the week. The

October Brent crude contract, used to price international oils, fell 0.3% on Friday and 2.1% over the week to close at \$73.21.

- Gold prices rose Friday but fell for the fourth straight week last week, as the dollar's strength continued to weigh on traders' willingness to purchase commodities priced in the currency. December gold rose 0.3% on Friday but fell 0.8% over the week to settle at \$1,223.20 per troy ounce.

## Fixed Income

---

### US

---

- The yield on benchmark 10-year U.S. Treasuries fell to 2.9488% last week from 2.9542% at the previous week's close, as rising trade tensions created a modest flight to safer assets.
- U.S. nonfarm payrolls rose 157,000 in July, below the 190,000-increase expected by analysts, according data released Friday. Payrolls in May and June were revised upward by a combined 59,000. The unemployment rate slipped to 3.9% in July from the 4.0% rate posted in June. Average hourly earnings rose 0.3% in July after a downwardly revised 0.1% rise in June. Hourly earnings now stand 2.7% above the year ago level, the same rate as in June. Wage growth is still lagging levels usually seen with this tight of a labor market. The overall average workweek fell to 34.5 hours from 34.6 hours the previous month. The combination of earnings and hours worked should be offsetting factors for personal income growth in July.
- The Federal Reserve, as expected, held the federal funds rate steady at 1.75% to 2.00% on a 8-0 vote on Wednesday. The Fed's policy statement upgraded the language on economic activity, now saying it has been rising at a "strong rate," rather than a "solid rate." The statement also noted that household spending and business fixed investment have "grown strongly," an upgrade from June when it said household spending had only "picked up." The language regarding inflation was little changed, only acknowledging that both headline and core inflation "remain near 2%" compared to the June statement that said inflation had "moved close to 2%." The statement repeated that "further gradual increases" in prices would be consistent with keeping inflation "near the Committee's 2% objective over the medium term." The statement maintained that job gains "have been strong," but modified the language about the unemployment rate to say it has "stayed low" rather than the June statement where it said it "has declined." The FOMC maintained that they will continue to "assess realized and expected economic conditions" as they continue to forge forward in deciding on rate increases. They also repeated that the "stance of monetary policy remains accommodative."
- June personal income, spending, and price data released Tuesday by the Bureau of Economic Analysis suggest inflation is steady, with the year/year rate for the core measure staying at +1.9% for the third straight month and the overall PCE price index staying at +2.2% y/y. The savings rate stayed at 6.8%, with the level higher than previously reported due to the benchmark revisions released a week ago. Current dollar PCE was up 0.4%, lower than the 0.5% gain expected. Real PCE was up 0.3%, the same as in May. June PCE reflects a flat reading in goods and a small gain in services spending, with the same mix for real PCE. Personal income was up 0.4% as expected, led by a 0.4% gain in wages and salaries. There were also income gains for all other categories. Personal taxes rose by 0.3% after a 0.2% gain in May. Disposable personal income posted a 0.4% gain. Real disposable income rose 0.3%.
- The MNI Chicago Business Barometer rose to a six-month high of 65.5 in July, up 1.4 points from June's 64.1. Businesses' operations rose at a swifter pace in July, with activity up for a fourth consecutive month. All but one of the Barometer components strengthened on the month, with only Supplier Deliveries losing ground, leaving the Barometer up 10.1% on the year. Like the headline index, both New Orders and Production recorded six-month highs in July, traditionally a busy month for firms coinciding with the summer holiday season. Both sub-indicators sit comfortably above the neutral-50 mark, up 8.0% year-over-year and 10.6% year-over-year, respectively, and continue to signal robust demand.
- The value of new factory orders rose 0.7% in June, above the 0.4% increase expected by analysts, data released by the Commerce Department Thursday morning showed. Durable goods orders were revised down to a 0.8% gain from the 1.0% increase reported in the advance estimate. Nondurable goods orders rose 0.5% on an increase in chemical products. Factory orders excluding transportation were up 0.4% in the month following a 0.8% gain in May, continuing the string of gains that stretches back virtually uninterrupted for most of the past two years. Durables orders excluding transportation were revised down to a 0.2% rise from the 0.4% gain in the advance report. In addition, unfilled orders were up 0.4% in June, showing an increase of pent-up demand for products that may increase production in the coming months.

### UK

---

- The yield on 10-year Gilts rose to 1.3290% last week, up from 1.2800% at the previous week's finish, on rising concerns about a hard Brexit.

- The Bank of England's Monetary Policy Committee (MPC) voted unanimously for a 25-basis-point rate hike on Thursday, confounding market expectations for at least one dissenting vote in favour of no change. The vote and accompanying commentary indicate a hawkish stance by the central bank. All MPC members voted together for a hike for the first time since May 2007, resulting in the Bank Rate rising to 0.75%. This is the highest Bank Rate since February 2009 when the Bank Rate was 1.0%. All the MPC agreed that "ongoing tightening of monetary policy ... would be appropriate" if the economy evolved as projected.
- UK manufacturing sector activity was lower in July, the latest IHS Markit/CIPS Purchasing Managers' Index (PMI) showed. The headline manufacturing PMI slipped 0.3 point to 54.0 in July from June's downwardly revised 54.3. This meant June was in line with May's read, which was also revised by the same amount. After May's bounce from April's 17-month low and June's steady-as-she-goes reading, July's modest move lower illustrates continued softness in manufacturing growth since the turn of the year, with intermediate goods production falling for the first time in two years. According to IHS Markit, July saw the weakest expansion in UK manufacturing output in 16 months, with both output and new orders exhibiting slower rates of expansion.
- UK house prices rose in June, up 0.6% on the month, with annual gains accelerating to 2.5%, up from 2.0% in June, the latest Nationwide House Price Index showed. Annual house price growth in the Nationwide series has held in a 2 to 3% range since May 2017 but is now bumping along at the lower end of that range, although bouncing from last month's level, which was the slowest in 5 years.
- UK consumer confidence retreated for a second straight month in July, with a summer heatwave and the month's major sporting events proving ineffective in boosting consumer sentiment, the latest survey by GfK found. The headline index slipped from -9 in June to -10 in July, falling back to February's level and coming in below its 12-month average for the first time in five months. The index has stood at or below zero consistently since February 2016. The decline in July was driven by falls in three of its five sub-indices. Consumers' perceptions of both their own personal finances and the general economic situation over the next 12 months deteriorated during July, with both indices declining by a point, to +5 and -26 respectively. The major purchase index recorded the biggest move in July, down two points to -2, suggesting that households remained reluctant to part with sizeable chunks of their disposable income.

## Europe (ex. UK)

---

- The yield on benchmark 10-year Bunds rose to 0.4080% last week, up from 0.4030% at the previous week's final bell, influenced in part on UK Brexit concerns.
- Eurozone GDP growth slowed to +0.3% quarter-on-quarter in the second quarter from +0.4% Q1 and was less than half the 0.7% growth rates posted in the last two quarters of 2017, Eurostat reported Tuesday. The data confirm the euro area has lost considerable economic momentum after a stellar 2017, possibly pointing to downside inflationary pressures in the medium term should the more subdued growth trend persist.
- Euro area inflation inched higher in July, with core inflation clawing back the losses notched in June, a flash report published by Eurostat showed Tuesday. Euro area annual inflation accelerated to 2.1% in July, up 0.1 percentage point from June, and above analysts' expectations for an unchanged outcome. The result means euro area inflation remained above the European Central Bank's target of "below, but close to, 2%", consistent with price stability. The bulk of upward pressure was once again provided by energy. On an annual basis, energy prices rose 9.4% in July, up from 8.0% and 6.1% in June and May, respectively. Stripping out volatile categories, core inflation also picked up in July to 1.1% from 0.9%, signaling rising underlying inflation pressures. Analysts had penciled in only a 0.1 percentage point rise in July.
- Euro area manufacturing activity saw a minor recovery in July following June's 18-month low, but nonetheless extended a recent run of subdued indicators at the start of the third quarter, data released on Wednesday by IHS Markit showed. The final July Eurozone Manufacturing Purchasing Managers' Index (PMI) reading was unchanged from its flash estimate of 55.1, up marginally from 54.9 in June. July's rise was the first since last December's record high of 60.6, the strongest reading since the survey began in mid-1997. Despite stabilising at a respectable level at the start of Q3, the latest reading suggests that the sector is finding it difficult to regain momentum.
- The Eurozone economic sentiment index eased for the fifth month in a row to 112.1 in July from 112.3 in June. Consumer, industry construction and retail sentiment all fell during the month, with only service sentiment rising.
- Eurozone industrial production growth slowed to 0.4% month-on-month in June, half the growth rate in May but above the flat readings in both March and April. The annual output growth rate rose to 3.6% from 3.0% in May due to a favorable base effect.

## Japan

---

- The yield on 10-year Japanese government bonds rose to 0.1100% last week from 0.1040% at the previous week's close, rising to the highest level in 18 months as the Bank of Japan's confirmation that it would allow slightly higher 10-year yields led to a tepid government 10-year auction on Thursday.

- The Bank of Japan tweaked its monetary policy following its meeting on Monday and Tuesday, saying it will allow a larger fluctuation in the 10-year Japanese government bond yield. The yield will now be allowed to rise up to 0.2 percentage point above the central bank's zero percent target, double the fluctuation range allowed previously. The central bank also offered forward guidance, saying that current ultra-low interest rates would remain in place "for an extended period of time."
- In the face of a slow pickup in consumer prices, the Bank of Japan board on Tuesday revised down its medium-term inflation projection, as widely expected, repeating that downside risk to inflation are higher than upside risks. In the bank's quarterly Outlook Report, the median forecast for the core CPI (excluding fresh food) by the nine-member board was revised down to +1.1% for fiscal 2018 from +1.3% projected in April. The median inflation forecast for fiscal 2019 was also revised down to +1.5% from +1.8% made in April and that for fiscal 2020 was lowered to +1.6% from +1.8%. The forecast excludes the direct impact of a sales tax hike to 10% from 8% planned in October 2019. The median economic growth forecast for the current fiscal year was revised down slightly to +1.5% from +1.6% made in April. The GDP projections for fiscal 2019 and 2020 were left unchanged at 0.8%. The board maintained its cautious view, repeating, "Inflation expectations have been more or less unchanged." The BOJ repeated its assessment that "The momentum toward achieving the 2% price target has been maintained but it is not yet sufficiently firm."
- Japan's industrial output posted the second straight month-on-month drop in June, but production rebounded in the April-June quarter, indicating the economy was back on a modest growth track after a temporary slump in Q1, preliminary data released Tuesday by the Ministry of Economy, Trade and Industry showed. Industrial production fell 2.1% on month in June, weaker than the MNI median economist forecast for -0.4% and after -0.2% in May. In April-June, output rose 1.2% from January-March, when it fell 1.3%. Based on its survey of manufacturers, METI projected that industrial production would rise 2.7% on month in July (revised up from +0.8% forecast last month) and gain a further 3.8% in August.
- Japan's retail sales posted the eighth straight year-on-year rise in June due to higher costs for food and energy, high temperatures and a rebound in department store sales, preliminary data released Monday by the Ministry of Economy, Trade and Industry (METI) showed. Retail sales rose 1.8% on year in June, accelerating from +0.6% in May, when there were fewer public holidays compared to a year before, but was still lower than the recent peak of +3.6% in December 2017. Retail sales rose 1.5% month-on-month on a seasonally adjusted basis in June after -1.7% in May.

Source: Market News International

The information is based on management forecasts and reflects prevailing conditions and our views as of this date, all of which are accordingly subject to change. In preparing this document, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was provided to us by or on behalf of the potential investor or which was otherwise reviewed by us. No responsibility can be accepted for errors of fact or opinion.

Past performance and any forecasts are not necessarily a guide to future or likely performance. You should remember that the value of investments can go down as well as up and is not guaranteed. Exchange rate changes may cause the value of the overseas investments to rise or fall.

The information contained in this document is provided for information purpose only and does not constitute any solicitation and offering of investment products. Potential investors should be aware that such investments involve market risk and should be regarded as long-term investments.

Derivatives carry a high degree of risk and should only be considered by sophisticated investors.

The investments mentioned in this document may not be suitable to all investors. The information contained in this document is provided for reference only and does not constitute any investment advice. Investors are advised to seek independent advice before making any investment decision. Past performance is not indicative of future performance. Investment involves risk and investors may not get back the amount originally invested. Please read the relevant offering document carefully, in particular fund features and the risks involved in investing in the fund.

Schroder Investment Management (Hong Kong) Limited is regulated by the SFC. Non-Hong Kong residents are responsible for observing all applicable laws and regulations of their relevant jurisdictions before proceeding to access the information contained herein. The document has not been reviewed by the SFC and may contain information of non-SFC authorized funds. Issued by Schroder Investment Management (Hong Kong) Limited.