Schroders

# Weekly market watch

As at Friday September 7, 2018

## Equities

| Region / Country | Index | Close | Net Change | Performance Year-to-date | Performance 52-week |
|---|---|---|---|---|---|
| **Asia-Pacific** | | | | | |
| Hong Kong | HSI | 26,973.47 | (915.08) | -9.85% | -2.51% |
| India | BSE 30 | 38,389.82 | (255.25) | 12.72% | 21.25% |
| Japan | Nikkei | 22,307.06 | (558.09) | -2.01% | 15.73% |
| Singapore | STI | 3,134.39 | (79.09) | -7.89% | -2.92% |
| South Korea | KOSPI | 2,281.58 | (41.30) | -7.53% | -2.65% |
| Taiwan | WSE | 10,846.99 | (216.95) | 1.92% | 2.23% |
| Shanghai | COMPOSITE | 2,702.30 | (22.95) | -18.29% | -19.70% |
| **Europe** | | | | | |
| France | CAC | 5,252.22 | (154.63) | -1.14% | 2.69% |
| Germany | DAX | 11,959.63 | (404.43) | -7.42% | -2.74% |
| Italy | FTSE MIB | 20,447.69 | 178.22 | -6.43% | -5.87% |
| Russia | RTSI | 1,050.51 | (41.78) | -9.00% | -5.42% |
| UK | FTSE 100 | 7,277.70 | (154.72) | -5.33% | -1.61% |
| **Americas** | | | | | |
| Brazil | IBOV | 76,416.01 | 11.92 | 0.02% | 4.09% |
| Mexico | IPC | 48,971.14 | (576.54) | -0.78% | -2.54% |
| Nasdaq | CCMP | 7,902.54 | (185.82) | 14.47% | 23.52% |
| US | S&P 500 | 2,871.68 | (29.45) | 7.41% | 16.49% |
| US | DOW | 25,916.54 | (70.38) | 4.84% | 18.97% |

## Bonds

| | Close | Yield Week ago | Yield Month ago | Yield Year ago |
|---|---|---|---|---|
| 10 Year Gilt | 1.4590 | 1.4270 | 1.3250 | 0.9720 |
| 10 Year OAT | 0.7190 | 0.6820 | 0.7290 | 0.6140 |
| 10 Year Bund | 0.3870 | 0.3260 | 0.4090 | 0.3070 |
| 10 Year Japan | 0.1130 | 0.1070 | 0.1160 | 0.0100 |
| 10 Year Treasuries | 2.9388 | 2.8604 | 2.9730 | 2.0387 |

## 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.

# Equity Markets

## US

- U.S. stock markets fell Friday on concerns over additional U.S. tariffs on Chinese imports and after strong U.S. jobs and wages data suggested the Federal Reserve would maintain its pace of raising interest rates. The Dow Jones Industrial Average fell 0.31% on Friday, pushing the index down 0.19% for the week to close at 25,916.54. The S&P 500 dropped 0.22% on Friday and 1.03% on the week to end at 2,871.68. The Nasdaq fell 0.25% on Friday and posted a 2.55% decline on the week, its largest weekly drop since March, to settle at 7,902.54.
- US President Donald Trump said Friday that the US would impose tariffs on an additional $200 billion in Chinese imports “very soon” unless China makes trade concessions and was ready to impose tariffs on an additional $267 billion in Chinese goods – in effect, all remaining Chinese imports -- “on short notice” if the Chinese retaliate, as they have promised to do. The comment period on the proposed $200 billion tariff package ended Thursday, with many U.S. businesses warning about the impact of higher prices on U.S. consumers and on the U.S. economy.
- The US has started trade negotiations with Japan to reduce its large trade surplus with the U.S., President Trump said Friday. Trump said that if those negotiations did not bring produce an agreement, Japan knows “it’s a big deal.” Trump told the Wall Street Journal his good relationship with the Japanese leadership would end when he tells them how much they have to “pay.”
- Trade talks between the United States and Canada continued last week, though no deal on a revision of the North American Free Trade Agreement (NAFTA) was reached. Trump said that the negotiations were “moving along” but did not predict the outcome. On August 27, the United States and Mexico announced a new bilateral trade deal that would revise the terms of NAFTA. Canada was left out of that deal, raising questions about the future of trilateral deal. Even though Trump vowed to seek Congressional approval of the Mexico deal on its own, Congressional leaders warned they would not approve a deal that didn’t include America’s northern neighbor and preserve NAFTA.
- The Department of Justice warned big tech companies on Wednesday that it would investigate them over free speech and competition issues. Attorney General Jeff Sessions said he would meet with his state-level counterparties to discuss whether social media platforms were hurting competition and stifling free speech. The DoJ announcement comes a few days after President Trump complained that Google, Facebook and Twitter did not adequately display news coverage favorable to him. All three denied they blocked conservative news sites.
- Facebook announced it will spend S$1.4 billion ($1 billion) to build its first Asia-Pacific data center so that it can expand its “data intensive” services like live video and virtual reality. The region is the company’s largest market by active users.
- The share price of sportswear giant Nike fell Tuesday in reaction to the company’s decision to feature controversial former NFL quarterback Colin Kaepernick in part of its new ad campaign celebrating the 30th anniversary of its iconic “Just Do It” slogan. Kaepernick, who as a player knelt during the national anthem in 2016 to protest violence against African-Americans, has become a lightning rod for those who support and oppose his political views. Kaepernick is suing the NFL for collusion in preventing him from playing since 2016.
- Shares in electric carmaker Tesla fell as much as 10% on Friday after two top executives at the company said they were leaving and chief executive Elon Musk was shown appearing to smoke marijuana during a live-streamed interview. The company’s new chief financial officer announced he was leaving less than a month after taking the job, while the head of human resources said she would not return from a leave of absence. Their departures following that the company’s chief communications officer, whose last day was Friday. A growing number of analysts suggested the continued upheaval required a change in the company’s leadership.
- Shares in oilfield service firm Halliburton fell Wednesday after its chief executive said that labor shortages and price constraints would slow growth of its North American business, cutting third quarter profits by 8 to 10 cents a share. The company was expected to report earnings of 59 cents a share.
- The stock price of New York-listed Chinese e-commerce firm JD.com fell to its lowest level in 18 months on Tuesday on news that Richard Liu, the company’s billionaire founder, had been arrested over the weekend and was being investigated in the US state of Minnesota on suspicion of rape. Liu denied the charges. He was later released and returned to China. Minnesota police said its investigation is on-going.
- Shares in Amazon rose to $2,050.50 on Tuesday, valuing the company at more than $1 trillion. Amazon is the second company with a $1 trillion valuation, following Apple, which reached the plateau last month. Microsoft and Google parent Alphabet are considered most likely to be the next to join the “four comma club.”
- Shares in tech firm Broadcom rose sharply on Friday after the company reported a 13% year-on-year rise in revenues to $5.1 billion in the quarter ended August 5 due to strong demand from data centers. Net income rose to $1.19 billion, more than double the year-earlier period. For the current quarter, the company expects net revenue of about $5.4 billion, just above analysts’ current expectations.

## UK

- London stocks fell last week on rising global trade tensions and continued worries about Brexit. The FTSE 100 fell 0.56% on Friday and 2.08% on the week to finish at 7,277.70.
- Britain's GMB union, on the nation's biggest with 600,000 members, called on Tuesday for a new referendum on Brexit, saying that promises made during the original referendum campaign had not been kept. With less than seven months to go before the UK is due to leave the European Union in late March next year, London and Brussels have not yet worked out an agreement on how their relationship would work after Brexit. The government has started preparations for a no deal Brexit, which businesses have warned would lead to economic chaos. Markets were cheered Tuesday when Bank of England Governor Mark Carney said he was talking to the UK government about extending his term so he could oversee the Brexit transition.
- British digital lender Acorn OakNorth, which uses artificial intelligence to approve loans to small businesses, raised $100 million in funding that will help it sell its programs to other banks. The company has more than doubled its loan portfolio to $2.2 billion since the start of the year. The fundraising, which values the three-year-old company at $2.3 billion, is a further sign that investors believe that digital lenders will upend the traditional banking system.
- Retirement homebuilder McCarthy & Stone said it full-year operating profit would be about 24% below the year-earlier level due to a weak market in southern England. Revenues for the year to the end of August are expected to be slightly ahead of a year ago, with higher selling prices offsetting a decline in the number of units sold. However, operating profit will be lower than the company's previous guidance.
- In contrast, Barratt Developments, the UK's largest homebuilder, reported record pre-tax profits in the year to June on strong demand for new housing. Pre-tax profits rose 9.2% from a year earlier to 836 million pounds, as revenues rose 4.8% to 4.9 billion pounds. About 40% of the homes sold by the company benefits from the government's "Help To Buy" program, which allows people to buy a new home with a deposit of as little as 5%.
- Shares in UK bookmaker William Hill rose more than 5% on Wednesday after it announced a partnership with US casino operator Eldorado Resorts to take advantage of recently liberalized US laws on sports betting and online gambling. William Hill will get access to Eldorado's 23 million customers in 11 states, a figure that will increase after Eldorado completes its acquisition of Tropicana Entertainment. William Hill said it plans to open five sports books in New Jersey, West Virginia and Mississippi within weeks.
- British Airways admitted late Thursday it had suffered a major breach of its customer financial data, affecting some 380,000 people. The attack is the first since a broad new data protection law went into effect at the end of May, which gives regulators the ability to fine companies for breaches of their computer systems. BA notified authorities on Thursday night and its customers on Friday of the breach. Shares in BA owner International Consolidated Airlines Group (IAG) fell sharply in early trading Friday on the news.
- UK's Royal Mail expanded its operations in Canada on Monday, buying package delivery service Dicom Canada for C$360 million ($276 million). The former British postal monopoly has been struggling due to a decline in letter volume and so has invested heavily in other services, particularly in North America.

## Europe (ex. UK)

- European stocks fell last week on concerns about rising global trade tensions. The Eurofirst 300 rose 0.05% on Friday, but the index was still down 2.25% on the week to 1,460.67
- Commerzbank, Germany's second largest lender, was officially dropped from the Dax stock index of the nation's 30 leading listed companies, German stock exchange company Deutsche Boerse announced Wednesday. Commerzbank had been part of the index since it began in 1988. It will be replaced by Wirecard, a payments service provider that boasts a market capitalization twice that of Commerzbank. Wirecard's stock price has doubled so far this year on faster revenue growth. Deutsche Bank, Germany's biggest lender, was dropped from the Euro Stoxx 50 index for the first time since its inception in 1998. However, rumors continued to swirl in Frankfurt financial circles that Germany's two largest banks would soon merge.
- Shares in pharmaceutical and chemicals firm Bayer AG fell Wednesday after its warned that full-year revenues and earnings would be lower than expected to due to delays in its takeover of Monsanto. Bayer shares fell to a five-year low last month after a California court ruling held the company liable for cancer found in workers who used Monsanto weed killers, exposing it to potentially billions of dollars in claims.
- Unions threatened Irish discount airline Ryanair with a new round of strikes, as the carrier's labor troubles this summer continued. Unions representing cabin crew in Italy, Portugal, Belgium, Spain and the Netherlands said they would call a strike no later than September 13.
- The European Union announced Friday that it would decide by January 28 next year on whether to approve the proposed merger of the rail units of Germany's Siemens and France's Alstom. If approved, the company would have $16 billion in revenues and be listed and headquartered in France.

- Ford Motor Co. may slash as many as 24,000 jobs in Europe, or 12% of its European workforce, as it tries to revive its fortunes there, the Sunday Times reported. Ford lost $73 million in Europe in the April to June quarter and faces increased uncertainty about the effects of Brexit.
- Shares in Deutsche Bank fell on Friday on reports that the Chinese government would force Chinese conglomerate HNA to sell its overseas assets, including its entire 7.6% stake in Germany's largest bank. HNA would gradually sell its Deutsche Bank stock over the next 18 months, according to the reports.

### Japan

- Tokyo stocks fell 0.80% on Friday, down for the sixth consecutive trading day, in reaction to the Hokkaido earthquake and rising trade concerns. The Nikkei 225 Index dropped 2.44% for the week to end at 22,307.06.
- A major earthquake struck Hokkaido early Thursday, cutting power and shutting industrial production in much of the region. More than half the region was still without power late Friday. The lack of power is a major risk to the dairy industry, with Hokkaido accounting for more than half of the nation's milk production. Toyota suspended some production due to the effects on its supply chains.
- Toyota announced Wednesday that it was recalling 1 million of its cars, including its popular Prius hybrid, due to a fire risk. The recall is the biggest since March last year, when it recalled cars to replace faulty Takata airbags.
- Suzuki announced Tuesday that it had transferred its entire 50% stake in its auto production joint venture to its partner in the company, Chongqing Changan Automobile Co. and will exit the Chinese market. Suzuki ended another Chinese joint venture in June.
- Three Japanese department store operators reported Monday higher same-store sales in August after weakness in July. Sales at Isetan Mitsukoshi Holdings Ltd., rose 2.9% from a year earlier, while J. Front Retailing Co. sales rose 2.7%. and Takashimaya Co. sales gained 0.9%. Sales were boosted by strong demand for seasonal products such as parasols and sunglasses amid scorching heat in August. Their sales declined in July due to the impact of heavy rain that hit western Japan. Sales at Seven & i Holdings Co.'s Sogo & Seibu Co. dropped 0.4%, the second straight monthly decline, due in part to the impact of a typhoon.

### Asia-Pacific (ex. Japan)

- The Shanghai Composite rose 0.40% Friday but still fell 0.84% for the week to close at 2,702.30 on concerns about additional US trade sanctions and further worries about the tech sector.
- Hong Kong stocks were virtually unchanged Friday (-0.01%) as the market waited for new information on trade and the tech sector. The Hang Seng Index fell 3.28% over the week to close at 26,973.47.
- Taiwan's Taiex Index fell 0.71% on Friday and was down 1.96% over the week to end at 10,846.99, on concerns about the U.S.-China trade dispute.
- South Korean stocks fell 0.26% on Friday and 1.78% on the week to close at 2,281.58, on global trade worries and concerns about lack of progress in nuclear disarmament negotiations with North Korea.
- Singapore stocks fell 0.42% on Friday and fell 2.46% on the week on trade concerns. The Straits Times Index closed at 3,134.39 on Friday.

### Emerging Markets

- Brazil stocks rose 1.76% on Friday but fell 0.34% on the week, as pressure on the real from Argentina's currency crisis weighed on the market. The Bovespa closed at 76,416.02.
- Mexican stocks rose 0.53% on Friday, but the IPC was still down 1.16% for the week to end at 48,971.14, as emerging market stocks took a hit from the Argentine crisis.
- Indian stocks rose 0.38% on Friday, on gains in energy and automobile stocks as the rupee regained some lost ground. But the BSE 30 still fell 0.66% for the week to 38,389.82, its worse week since June.
- Russian stocks rose 0.37% on Friday as the ruble recovered from the 30-month low posted on Thursday amid prospects for more U.S. economic sanctions. The RSTI still fell 3.82% over the week to settle at 1,050.51.

## Alternative Assets

- Crude oil prices fell on the week on worries that rising global trade tensions would hit demand and signs of rising seasonal inventories. The October West Texas Intermediate contract fell 2 cents on Friday to $67.75 per barrel and was down 2.9% on the week, the first loss in three weeks. The November Brent crude contract, used to price international oils, rose 0.4% on Friday but fell 1% on the week to close at $76.83.

- Gold prices fell on Friday and on the week as strong U.S. jobs data boosted the dollar and supported further Federal Reserve interest rate hikes this year. December gold fell 0.3% on Friday and fell 0.5% over the week to settle at $1,200.40 per troy ounce.

# Fixed Income

## US

- The yield on benchmark 10-year U.S. Treasuries rose to 2.9388% last Friday from 2.8604% at the previous week's close, as rising trade tensions prompted a flight to safety.
- The August employment report released Friday was a bit stronger than expected, with nonfarm payrolls up 201,000 compared with the 195,000-increase expected by analysts. But the August rise followed a net downward revision of 50,000 in the previous two months, data released by the Bureau of Labor Statistics showed. The unemployment rate was unchanged in August at 3.9%, against expectations of a decline to 3.8%. Average hourly earnings rose 0.4% in August after an unrevised 0.3% gain in July. Hourly earnings now stand 2.9% above its year ago level, up from 2.7% in July. Even with this uptick, wage growth is still lags levels usually seen with this tight of a labor market. The overall average workweek was unchanged from 34.5 hours in the previous month. The combination of earnings and hours worked should be positive factors for personal income growth in August.
- The U.S. international trade gap widened to $50.1 billion in July from $45.7 billion in June, a slightly wider shortfall than the $50.0 billion deficit expected and the largest monthly increase since March 2015, data released by the Commerce Department Wednesday morning showed. The overall July trade gap was much wider than the second quarter average, so if the trade gap does not narrow in August or September, net exports could be a large drag on third quarter growth. The trade gaps with China and the EU both hit record high levels in July, ammunition for those in favor of further trade sanctions. The gap with Canada also widened this month, while the gap with Mexico narrowed, but both were wider than a year ago.
- The value of new factory orders fell 0.8% in July, below the 0.6% decrease expected by analysts in an MNI survey, data released by the Commerce Department Thursday morning showed. Durable goods orders were unrevised from the 1.7% decrease reported in the advance estimate. Nondurable goods orders rose 0.2% on gains in textiles and beverages. Factory orders excluding transportation were up 0.2% in the month following a 0.4% gain in June, 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 0.1% rate from the 0.2% gain in the advance report. In addition, unfilled orders were flat in July, showing steady demand for products. Transportation orders fell 5.2% in July, an upward revision from the 5.3% decrease in the advance estimate, still driven by sharp aircraft declines offset by a gain in motor vehicles orders. Nondefense capital goods new orders fell by 4.5% but were up 1.6% when excluding aircraft.

## UK

- The yield on 10-year Gilts rose to 1.4590% at the end of last week from 1.4270% the previous week on concerns over rising trade tensions and Brexit.
- Bank of England Governor Mark Carney told the Parliament's Treasury Select Committee he was prepared to stay on as BOE head beyond June 2019. Appearing before the TSC to give evidence on the August Inflation Report, Carney gave his first public response to media speculation about whether he would extend his time as governor. In response to questions, he revealed he had told Treasury head Philip Hammond he was willing to remain in his post to help see through the Brexit process and that he anticipated an announcement "relatively shortly." Mark Carney's term of appointment was originally for up to eight years from July 1 2013 but in 2016 he had said that he would leave on June 30 2019. In the event of no deal between the UK and the EU by the March 2019 date for Brexit, Carney and his MPC colleagues Andy Haldane and Silvana Tenreyro stressed that inflation was likely to rise due to a fall in sterling. Carney said foreign exchange option prices indicated that "there would be another downward movement in sterling" in the event of no deal.
- UK manufacturing sector activity growth was significantly slower in August, the latest IHS Markit/CIPS Purchasing Managers' Index (PMI) showed. The headline manufacturing PMI dropped to a 25-month low of 52.8 in August, down from a revised reading of 53.8 in July (initially 54.0). The move shows a significant softening in the manufacturing sector, with a dip in business optimism to a 22-month low boding poorly for the outlook. According to the details of the release, both output and new orders grew at a weaker pace in August. The latter expanded at the slowest pace in 25 months, pulled lower by the first contraction in new export orders since April 2016.
- UK services sector activity picked up pace in August, with strong gains seen in business activity and new work, data from IHS Markit/CIPS showed Wednesday. The IHS Markit/CIPS UK Services Purchasing Managers' Index (PMI) rose to 54.3 in August from 53.5 in July, slightly above the MNI median of 54.0. The rise marked the 25th successive month the

headline index is above the 50-mark delineating expansion and contraction. The headline index was underpinned by strong growth in both business activity and incoming new work relative to July. Improving business conditions also underpinned a rebound in employment growth, rising at the fastest pace in six months.

– UK house price inflation accelerated in August, with year-on-year growth picking up to 3.7% from 3.3% in July, according to data from Halifax, the UK's leading mortgage provider. The more volatile monthly numbers also showed house prices rising 0.1% in August after a strong rise of 1.4% in July. On a quarterly basis, house prices rose 1.9% in the June-August period relative to March-May.

## Europe (ex. UK)

– The yield on benchmark 10-year Bunds rose to 0.3870% last week from 0.3260% at the previous week's final bell on rising trade concerns.

– Economic activity in the euro area rose 0.4% in the second quarter of 2018, unchanged on the flash reading and in line with market expectations, according to data published by Eurostat Friday. Supporting growth in the second quarter was gross fixed capital investment and, to a lesser extent, household consumption. The former expanded 1.2% q/q to contribute 0.3 percentage point to overall growth, while household consumption grew 0.2% q/q, accounting for an additional 0.1pp of quarterly growth. Offsetting this was net trade, which subtracted 0.2pp from quarterly growth, with a 0.6% q/q rise in exports more than offset by a 1.1% q/q rise in the flow of goods entering the euro area.

– Euro area economic growth was steady in August, aided by solid growth rates in both the manufacturing and service sectors, an IHS Markit survey published Wednesday showed. The Eurozone Composite Purchasing Managers' Index (PMI) rose marginally to 54.5 in August, up from 54.3 in July, and slightly better than the earlier flash estimate of 54.4. While the index has signaled rising activity across the bloc for over five years, growth rates remain considerably below those delivered around the turn of the year. "The Eurozone PMI shows the recent run of robust growth of business activity, new orders and employment extending into August," said Chris Williamson, Chief Business Economist at IHS Markit. "The survey data for the third quarter so far suggest the single currency area is on course to at least match the 0.4% expansion of GDP seen in the second quarter," he added.

– Growth in Eurozone industrial prices hit a 15-month high in July, data published by Eurostat Tuesday showed. Industrial prices were up 0.4% on the month and rose 4.0% on the year - the highest y/y growth since last April. Energy was once again the driving force, up 1.1% m/m, the same rate of growth as in June but down from May's 2.7% reading. Recent euro weakness has also fed inflation. As energy prices begin to return to more normal territory, leaving behind unfavorable base effects, industry prices should begin to taper.

– Germany's industrial sector got off to a weak start in Q3, factory orders data released by the German Federal Statistical Office showed. Undershooting consensus projections again, factory orders slumped by 0.9% m/m in July. Economists were expecting a 1.8% m/m July rebound, particularly following the 3.9% m/m decline in June (revised up marginally from the originally reported -4.0%). Nevertheless, industrial orders remain at robust levels - comfortably above both historical and recent averages.

– German industrial production also declined in July, falling 1.1% m/m and leaving the y/y rate at +1.1%. Analysts had penciled in a small rebound (+0.2% m/m). The monthly drop in output was steeper than in June (revised up to -0.7% from an originally reported -0.9%), but a 2.3% rise in April meant that the 3-month rolling average level of orders ticked slightly higher, as production remains far above both historical and recent averages.

## Japan

– The yield on 10-year Japanese government bonds rose to 0.1130% at the end of last week from 0.1070% at the previous week's close as the Bank of Japan continued to allow slightly higher yields.

– Bank of Japan Governor Haruhiko Kuroda said the BOJ will not raise interest rates for an extended period, confirming the bank's latest policy stance, the Yomiuri Shimbun reported on Sep. 1. Kuroda also warned that downside risks to the global economy are higher than in the spring due to the U.S.-China trade dispute and fund outflows from emerging economies. In an interview with the newspaper, Kuroda said, "We have no plans to raise interest rates for a fairly long period." Raising rates soon "would not have a positive impact on the economy and financial institutions," he said. Asked how long the bank will maintain its forward guidance adopted at its July 30-31 policy meeting, Kuroda replied, "We don't set any specific timeframes, such as 1 year, 3 years or 5 years. We are committed to continuing the current low interest rates as long as uncertainties persist." He also said it would be appropriate for the BOJ to achieve its 2% inflation target before his second five-year term ends in April 2023.

– Bank of Japan board member Goushi Kataoka repeated Thursday his call for stronger monetary easing to cope with downside risks in the future. He also said the improvement in the output gap is likely to slow next year and U.S. trade disputes will hurt Japanese exports. At its July 30-31 meeting, the BOJ board decided in a 7-to-2 vote to make its long-term interest rate target and asset purchases more "flexible," allowing the nearly flat Japanese government bond yield to steepen slightly in line with firmer growth and inflation. The BOJ adopted "forward guidance" for the policy rates to show that it is "strengthening its commitment" to guiding low inflation to its stable 2% target. Kataoka dissented, arguing that it would be better to promise additional easing in the event of a downward revision to the board's longer-term inflation outlook.

– Combined capital investment by non-financial Japanese companies surged 12.8% on year in the April-June quarter after rising 3.4% in January-March, the results of a quarterly survey of capital investment and corporate profits by major companies released Monday by the Ministry of Finance showed. The results are likely to lead the government to revise up its estimate for Q2 GDP, which is due to be released on Monday, Sept. 10.
– Japan's real average household spending was flat in July but managed to post a slight gain from a year before, with a continuous heat wave having both upward and downward effects, data released Friday by the Ministry of Internal Affairs and Communications showed. Real average spending by households with two or more people posted the first year-on-year rise in six months in July, up 0.1%, after adjustment for the gap caused by using two different survey methods, coming in firmer than the MNI median economist forecast for a 1.0% fall.
– The average wage growth in Japan slowed in July on shorter overtime working hours after total wages surged in June on early summer bonus payments at some firms, preliminary data released Friday by the Ministry of Health, Labour and Welfare showed. Total monthly average cash earnings per regular employee in Japan rose 1.5% on year to Y376,338, the 12th straight year-on-year rise, compared to the recent median growth rate of +0.9%. It followed gains of 3.3% in June, 2.1% in May and 0.6% in April. In real terms, average wages rose just 0.4% on year in July, the third straight year-on-year rise after +2.5% in June.

Source: Market News International