

## What Next From the Bank of Japan?

The outcome of the Bank of Japan (BOJ) Monetary Policy meeting on 28-29 July will be closely watched for the possibility of unconventional monetary easing measures that could possibly spur inflation. Inflation expectations in Japan have declined significantly since BOJ Governor Haruhiko Kuroda attempted to ease monetary policy by introducing negative interest rates in January. The BOJ's new core CPI (excluding fresh foods and energy), which the BOJ has indicated as a gauge of price trends, had slowed to 0.8%yoy in May.

With the BOJ's 2% inflation target remaining highly elusive, there has been speculation that the BOJ could introduce helicopter money, which essentially involves an increase in the budget deficit which is financed by a permanent increase in the central bank's monetary base, and not the issuance of government debt. However, the likelihood of helicopter money by the BOJ is very slim as the direct financing of government debt is prohibited under Article 5 of the Public Finance Act. The BOJ had also refuted the possibility of introducing helicopter money in the media.

Instead, the BOJ could possibly cut the interest on excess reserves balances to -0.3%. Excess reserves balances are cash reserves held with the BOJ over and beyond required reserves under the reserve deposit requirement system. Other possibilities include an expansion of the BOJ's quantitative easing programme, which could mean an increase in the scale of ETF purchases (currently JPY3 trillion/year) and Japanese government bond buying (currently JPY 80 trillion/year). The BOJ has been under pressure to expand its stimulus in recent months, particularly as growth in Japan remains tepid, while the yen has strengthened on the back of demand for haven assets, and inflation has stalled.

With Shinzo Abe's government in the midst of finalising one of the largest fiscal spending packages since Abe took office, the BOJ might be persuaded to coordinate its monetary easing efforts, in another bid to revitalise the economy. A simultaneous expansion of the BOJ's monetary easing and government stimulus would essentially bring 'Abenomics' back to where it first started. However, it remains to be seen if more of the same three and a half years on would yield a substantially different result this time around.

 Value      % w/w  
 Change

### Equities

Dow Jones Indus. Avg	18,570.9	+0.3
S&P 500 Index	2,175.0	+0.6
MSCI AC Asia Pacific	134.0	+0.2
S&P/ASX 200 Index	5,498.2	+1.3
Hang Seng Index	21,964.3	+1.4
Ho Chi Minh Stock Index	649.9	-2.2
Jakarta Composite Index	5,197.3	+1.7
FTSE Bursa Malaysia KLCI	1,657.4	-0.7
KOSPI Index	2,010.3	-0.3
Karachi 100 Index	39,151.8	-0.1
S&P Bse Sensex Index	27,803.2	-0.1
Shanghai Se Composite	3,012.8	-1.4
Stock Exch Of Thai Index	1,509.1	+1.1
Straits Times Index	2,945.4	+0.7
Taiwan TAIEX Index	9,013.1	+0.7
TOPIX Index (Tokyo)	1,327.5	+0.8

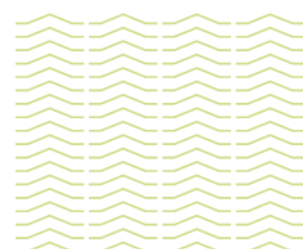
### Bonds / Currencies

US 10YR Treasuries	1.5663	2bps
EUR/USD	1.0977	-0.5
USD/JPY	106.13	+1.2
GBP/USD	1.3109	-0.6

### Commodities

Gold (Spot)	1,322.5	-1.1
Crude Oil (WTI)	44.2	-3.8
RJ/CRB Commodity Index	182.9	-3.2

Source: Bloomberg (last trading price for week ended 22 July 2016)



## Disclaimer

This publication is for information only. Any opinion or view presented by Fullerton Fund Management Company Ltd (“Fullerton”) [UEN: 200312672W] is subject to change without notice. Past performance or any prediction projection, or forecast is not necessarily indicative of future performance. Information herein may contain projections or other forward looking statements regarding future events or future financial performance of countries, markets or companies and investors must assess the relevance, accuracy and adequacy of the information, and perform independent investigations as deemed necessary. Please note that the securities mentioned herein should not be considered a recommendation to purchase or sell any particular security. This publication prepared without regard to the specific investment objectives, financial situation or needs of any investor. Although the information was compiled from sources believed to be reliable, no liability for any error or omission is accepted by Fullerton or its affiliates or any of their directors or employees for any loss whatsoever arising directly or indirectly from any use of this publication. Investments are subject to risks, including possible loss of principal amount invested.

### **For additional information on Fullerton and its funds, please contact:**

Fullerton Fund Management Company Ltd  
60B Orchard Road #06-18 Tower 2  
The Atrium@Orchard Singapore 238891

T +65 6828 6100 [fullertonfund.com](http://fullertonfund.com)  
F +65 6828 6484 [info@fullerton.com.sg](mailto:info@fullerton.com.sg)