

**Flash Note**  
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**Alex Fusté**  
[@AlexfusteAlex](#)  
[alex.fuste@andbank.com](mailto:alex.fuste@andbank.com)

## **Japan - Latest developments & Outlook**

### ***Corporate Profits: Japanese companies thrive in Q1 but wary about full year***

- The Nikkei reported that 25% of companies that reported June quarter results posted record profits. More than half registered profit gains, while aggregate profit expanded 5% to mark the eighth straight expansion.
- According to the report, full-year projections to March 2019 envision a 2% decline in profits, but the strong showing in Q1 could help lead profits higher.
- Capital spending plans reach 38-year high. A survey from Development Bank of Japan Japanese companies project capital investment to rise 21.6% in FY18 to ¥19.75T (\$177B). That represents the strongest spending growth estimate since fiscal 1980, and a seventh straight increase.

### ***Bank Of Japan: Not dialing back monetary easing, but testing BOJ tolerance***

- Yields in the 10-year JGBs reached 0.145% in a test of the BOJ's tolerance under the new parameters
- In a speech to business leaders in Kyoto, BOJ Deputy Governor Masayoshi Amamiya said the latest BoJ meeting strengthened the policy framework with a view to persistently continuing with the current powerful monetary easing: “the BoJ will not reduce the degree of monetary easing until the 2% target in CPI is reached in a consistent manner”.

### ***Trade: US, Japan to hold first bilateral talks 9-Aug***

- Japanese Economy Minister Toshimitsu Motegi said on Tuesday that the United States and Japan will hold their first bilateral trade talks in Washington on 9-Aug.
- Motegi told reporters that he wanted to have “constructive talks” towards an expansion of free trade.

### **Assessment & outlook**

- Japanese Equity market: Neutral (year end target for Nikkei at 23,100. Currently at 22,740)
- 10Year Japanese Government Bond: Negative (Year end target at 0.10%. Currently at 0.11%)
- JPY vs USD: Neutral (year end target at 111.2, current 111.61)

- JPY vs EUR: Positive (year end target at 127.9, current 129.7)

Best