

Flash Note: 10/03/2020

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Japanese market rebounds. Why? BoJ & Government measures.

- **Japan benchmarks rebounded on Tuesday**, recovering from a dramatic start on Monday. Topix closed up 1.27% and Nikkei was up 0.85%. JASDAQ rose moderately, while Mothers rallied. Most sectors advanced, led by real estate, warehousing, and with banks also outperforming. On the downside were resources and marine transportation.
- **What's behind the recovery?**
 - Strength in Dow futures led to better sentiment
 - **Elevated speculation of coordinated fiscal and monetary stimulus.**
 - **Also helped some reports saying the US is planning payroll tax breaks.**
- The yen fell back sharply Benchmark 10-year JGB yields spiked as the 5-year auction tailed.
- **BoJ has been actively managing the situation:**
 - February M2 money supply +3.0% y/y vs consensus +2.8% and +2.8% in prior month
- **Japan to unveil new measures:**
 - Meanwhile, PM Abe pressures BOJ to ease ahead of next week's rate review. Abe said the government will work closely with the BOJ to stabilize markets, piling pressure on the central bank to ramp up stimulus next week to fend off risks to the economy. **Based on agreements made among G7 and G20 nations, the government will work closely with the BOJ and authorities of other countries to respond appropriately.**
- **Fiscal support from Japanese Government:** Finance Minister Taro Aso said the government will unveil a second package of steps to cope with fallout from the coronavirus, with a focus on financial support for small businesses. Subsidies to parents who must take leave because of closed schools and beefing up medical facilities will be among the other steps featuring in the package. Funding will come from the remainder of this fiscal year's budget reserve, worth some ¥270B (\$2.62B). Aso shrugged off the need to compile a bigger extra budget, saying that the fallout in Japan from the global coronavirus outbreak is not akin to a Lehman Brothers-like crisis.