Monthly Economic Report

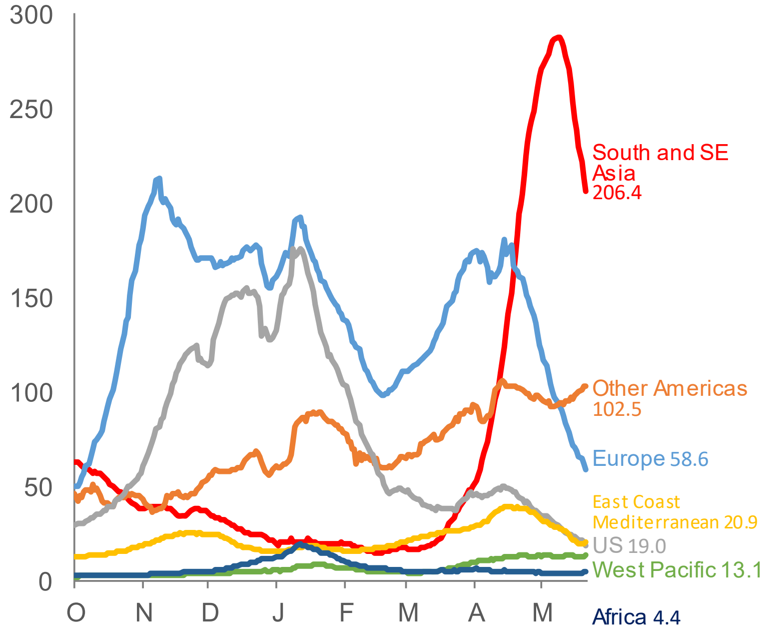
May 26, 2021

Mizuho Research & Technologies, Ltd.

Topic of the month (1): the number of new Covid-19 caseloads is dropping, mainly in developed countries in Europe, the US and India

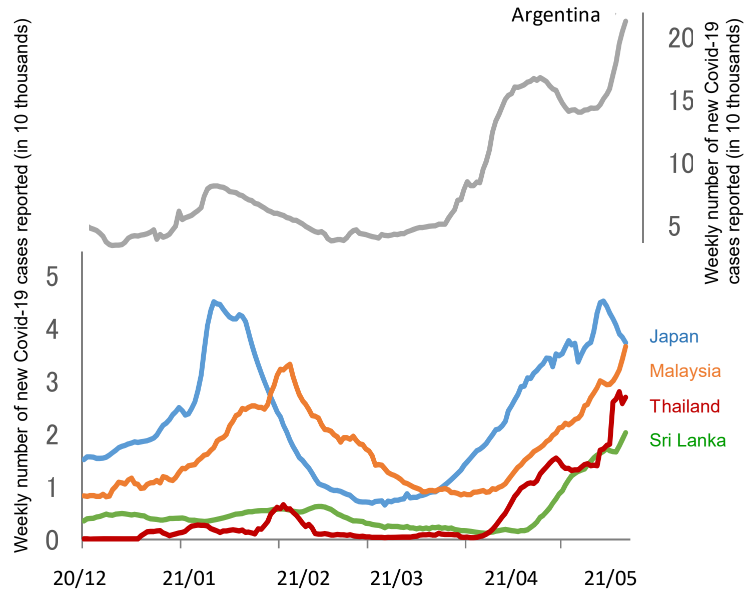
- Cumulative global infection caseloads reached 166.84 million as of the morning of May 24.
- The weekly number of new Covid-19 caseloads dropped significantly to 4.249 million (previous week: 4.992 million)
  - The number of new Covid-19 cases is falling not only in major developed countries such as in Europe and the US, but also in India, resulting in fewer new caseloads worldwide.
  - On the other hand, countries where infections are currently spreading are mainly the emerging countries of Southeast Asia such as Malaysia and Thailand, and major South American countries such as Argentina and Brazil. Although the number of new weekly cases in Japan has started to decrease, it still remains the 13th highest number of cases in the world.

Number of weekly new Covid-19 caseloads reported worldwide



Note: Figures represent number of cases counted as of May 23 (latest data as of May 21). Regional classification based upon the WHO
Source: Made by MHRT based upon Johns Hopkins University and WHO

Number of weekly new Covid-19 caseloads reported in countries facing outbreaks

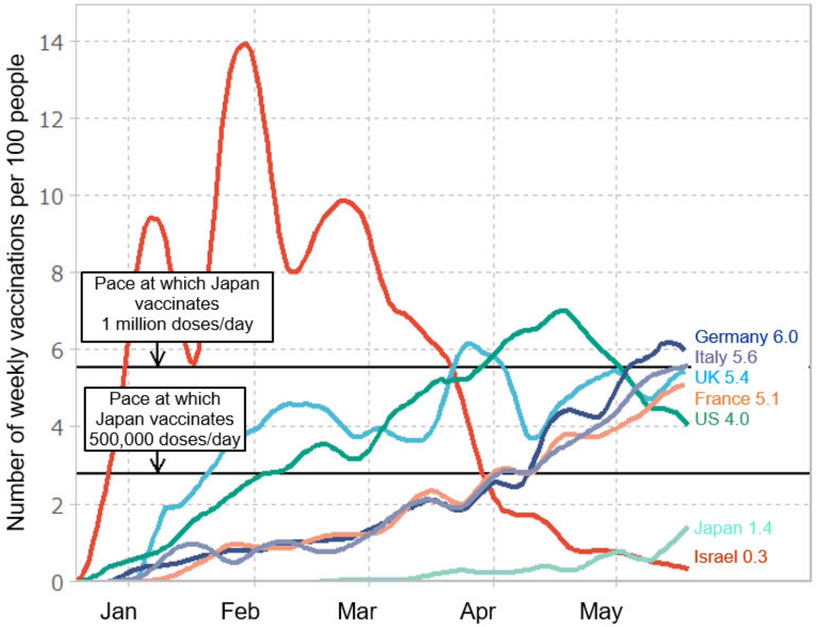


Note: Figures represent number of cases counted as of May 23 (latest data as of May 21)
Source: Made by MHRT based upon Johns Hopkins University

Topic of the month (2): global vaccination trends show major European countries maintaining a brisk pace of vaccination

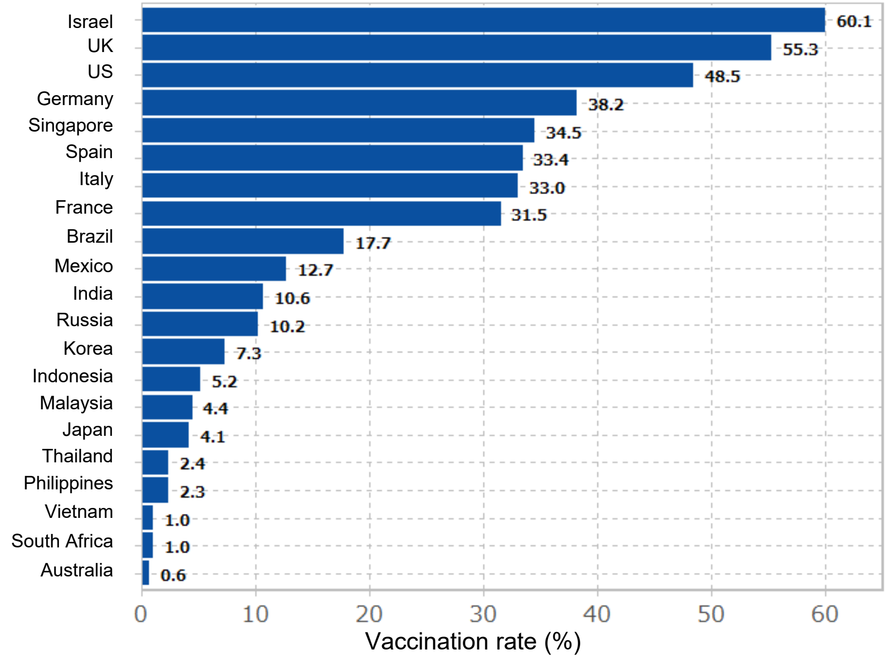
- Overseas, the pace of vaccination in the US is slowing, while vaccine rollouts are progressing in major European countries.
  - Germany and Italy reports weekly vaccination counts at about six doses per 100 people, on par with the UK during its peak. Germany's first-dose vaccination rate has reached just under 40%, ranking the fourth highest among major countries after Israel, the UK and the US.
  - In the UK, the pace of vaccination slowed in May, but has picked up again. On the other hand, the pace of vaccination in the US is steadily slowing.
  - The vaccination rate in Japan is still low among the major countries, but the pace is currently picking up. This lags 2.5 months behind major continental European countries.

Number of weekly vaccinations per 100 people by country



Note: Figures represent data as of May 21 (latest data is from May 19).
Source: Made by MHRT based upon Our World in Data

Vaccination rates in major countries (percentage of those administered at least one dose of vaccine)



Note: Counted as of May 21 (latest data as of May 19).
Source: Made by MHRT based upon Our World in Data

Europe: moves to ease restrictions to resume tourism services. Keep a close eye upon the risk of variants spreading

- In many European countries, there are moves to ease entry and domestic infection control measures. Among the background factors are the vaccine rollouts and the coming summer tourism season.
  - While the countries are aligned in the requirement of proof of negative test results or vaccination at their time of entry, entry between countries within the EU via land routes, where borders are not controlled, is effectively a loophole.
- Due in part to the spread of Covid-19 variants, it is necessary to keep a close eye on the risk of not being able to contain further infections.
  - The UK government is easing restrictions, while increasing its vigilance against the spread of the Delta variant. While they are accelerating vaccinations, they are considering contingency plans such as local lockdowns.

Europe: tourism-related infection prevention measures

Restrictions	UK	Germany	France	Italy	Spain	Greece
Entry (by air)	In principle, required to show proof of tested negative or received vaccine (Proof should be submitted to airlines, except for entries from very limited low-risk departure countries)					
Entry (by land)	In principle, required to show proof of tested negative or received vaccine (After entry to a country, required to submit certificates to the controlling health bureaus via websites, etc., except for entries from very limited low-risk countries)					
Domestic situation	(May 17 onward) Restaurants (including indoor tables) and hotels may be operated. Domestic travel ban lifted, except for unnecessary and unurgent travel (June 21 onward) Infection prevention measures planned to be lifted	(May 7 onward) Those who are vaccinated or have recovered from infection may be exempt from infection control measures such as nighttime outing restrictions. Restrictions such as obligation to wear masks and ensuring social distance in public spaces will continue to apply	(May 19 onward) Restaurants reopen terrace seats (June 30 onward) Curfew and restrictions on the number of people in public facilities will be lifted	(June 1 onward) Indoor eating and drinking services allowed until 6 pm (excluding areas where the spread of infections is ongoing) (June 21 onward) Curfew planned to be lifted	(May 9 onward) Alert situation was lifted for the first time in half a year. Curfew lifted in many states. Business restrictions and obligation to wear masks continue	(May 14 onward) Shortened the curfew time zone. Retail stores restarted operation. However, the number of people in stores is restricted, and obligation to wear masks continues. (June onward) Bars reopened

There are loopholes for entry via EU land routes

Source: Made by MHRT based upon European Commission, Japanese embassies, JETRO, websites, news reports, etc., from relevant countries

UK: countermeasures to the spread of variants

- **"[Local lockdowns] would be an option and we cannot rule anything out…our preferred outcome is that we really double down and get the vaccination rates up in those areas that are seeing these problems." (George Eustice, Secretary of State for Environment, Food and Rural Affairs, UK)**

Source: Made by MHRT based upon the Financial Times

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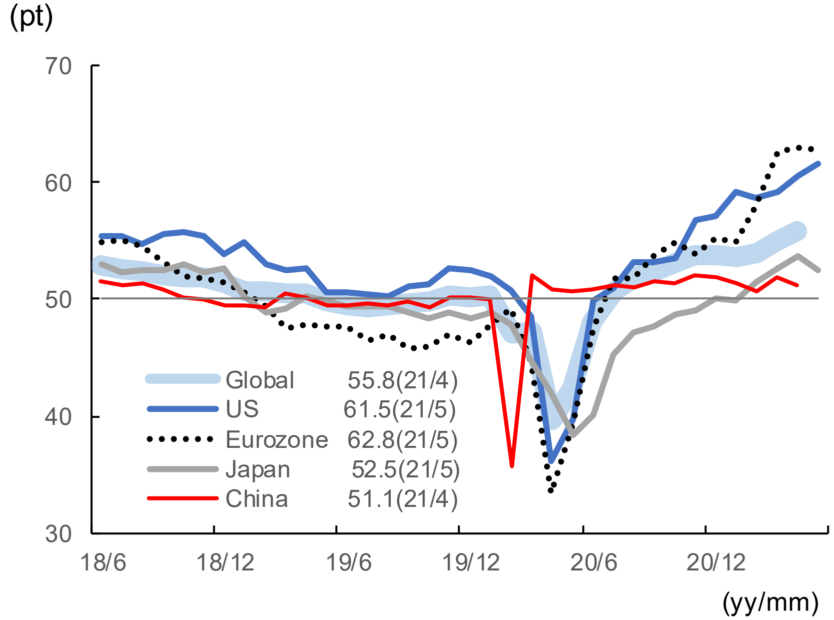
1. Current state of the global economy: European economies currently improving, in addition to the US and China

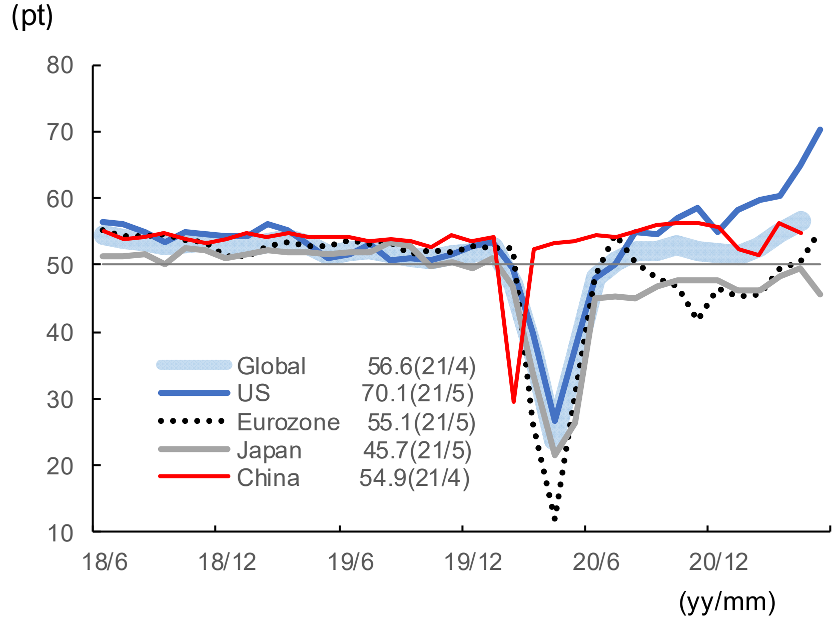
- The US and Chinese economies, the main drivers of the global economy, are continuing to follow an expansion track.
  - Consumer spending is strong in the US. Given the improvement of service consumption reflecting the easing of restrictions, the nonmanufacturing PMI rose to 70.
- The PMI indicates economic recovery from April, even in the Eurozone economies, which experienced negative growth for the second consecutive quarter in the Jan-Mar quarter.
- On the other hand, the Japanese economy may experience negative growth for the second consecutive quarter in the Apr-Jun quarter, following the declaration of a state of emergency.

Manufacturing PMI



Note: The Purchasing Managers' Index (PMI) is an index calculated by weighting indexes such as new orders, output, order backlogs, prices, employment, and quantity of purchases. The reading of 50 in the PMI is the "expansion-contraction" threshold.
Source: Made by MHRT based upon the National Bureau of Statistics of China, Markit Economics.

Nonmanufacturing PMI



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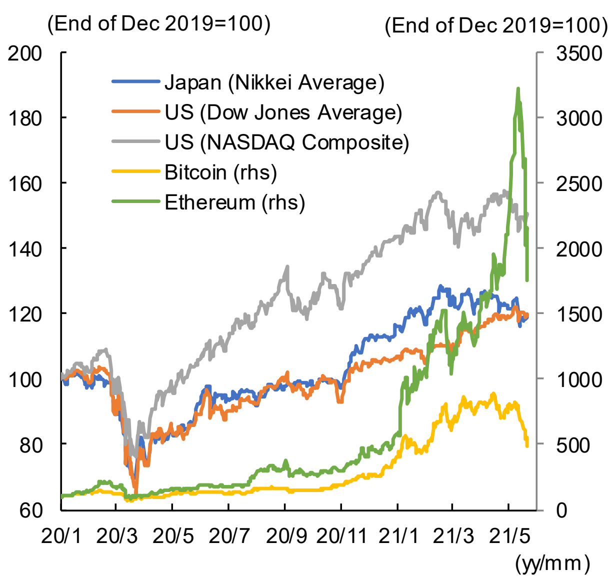
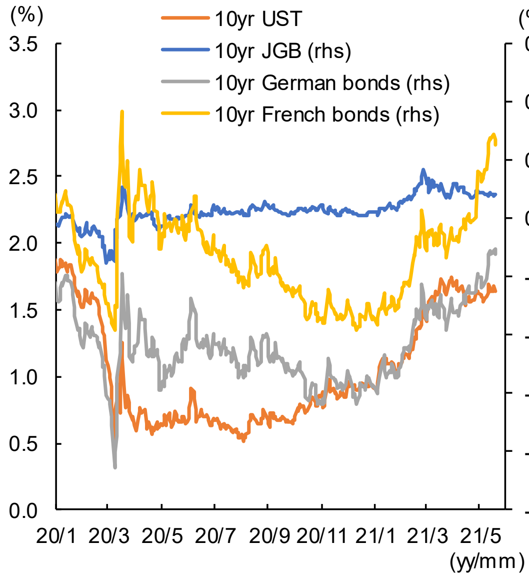
Source: Made by MHRT based upon the National Bureau of Statistics of China, Markit Economics.

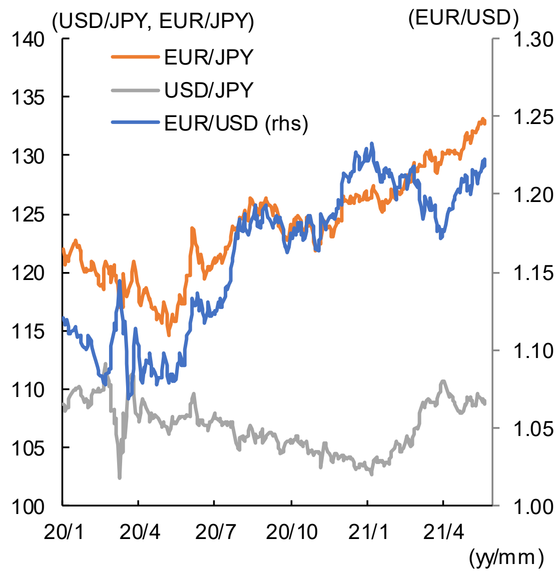
Overview of financial markets: inflation concerns/crypto asset plunges served as a drag on the stock market

- Rising concerns regarding inflation and sharp fall of crypto assets (virtual currency) served as drag on the stock market.
  - ■ US stocks face a heavy upside due to rising inflation concerns following the April CPI, which far exceeds market expectations, and a plunge in crypto assets such as Bitcoin and Ethereum led to the deterioration of investor sentiment.
  - ■ Japanese stocks remained weak due to a sharp fall of crypto assets and caution toward the further spread of Covid-19 in Japan.
- Amid the rise of expectations on economic recovery given the progress in easing of infection control measures in the European countries, eurozone interest rates rose and the euro strengthened against the dollar and the yen.
  - ■ 10yr German bonds temporarily surpassed -0.1% for the first time in about two years. The yen fell to a level against the euro, not seen since September 2018.

Major market trends





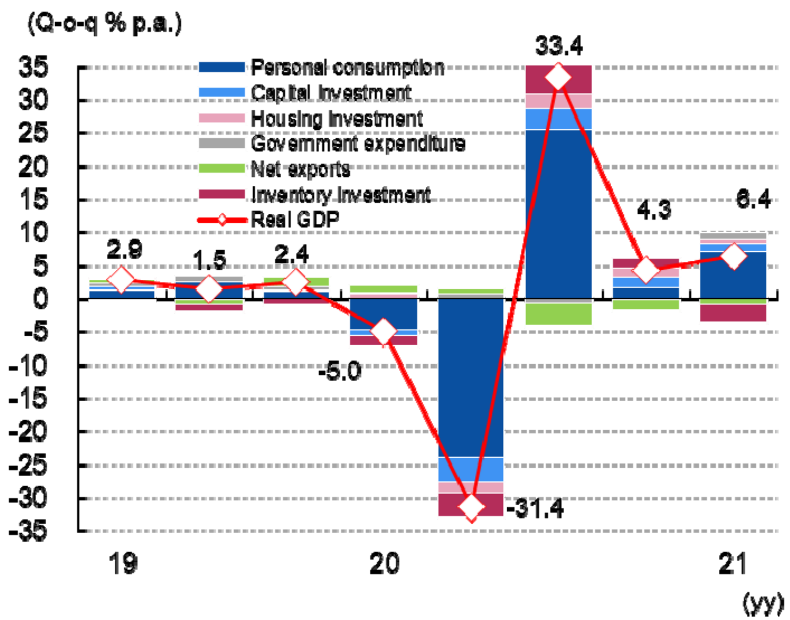


Note: All indexes show actual results up to May 21.
Source: Made by MHRT based upon Refinitiv

2. (1) US economy: the Jan-Mar quarter recovery pace accelerated against the backdrop of policy effects and relaxation of restrictions

- The real GDP growth rate in the Jan-Mar quarter accelerated (2020 Oct-Dec quarter: +4.3% q-o-q p.a. → Jan-Mar quarter: +6.4% q-o-q p.a.). Domestic final demand is favorable due to policy effects and relaxation of restrictions (+4.4% q-o-q p.a. → +9.8% q-o-q p.a.)
  - ■ In addition to accelerated personal consumption growth, housing investment and capital investment continue to increase significantly. Government spending recovers against the backdrop of policy response.
    - ◆ Regarding consumption, goods turned to double-digit growth, while services relating to hospitality services (dining out, accommodation, entertainment, etc.) accelerated.
  - ■ On the other hand, supply could not keep up with strong demand, and inventories were drawn down mainly in the retail and manufacturing industries.

Real GDP growth



Source: Made by MHRT based upon US Department of Commerce.

	20Q4	21Q1	Key points
Real GDP	＋4.3	＋6.4	Confirmed that the pace of economic recovery in the Jan-Mar quarter accelerated
Personal consumption	＋2.3	＋10.7	Consumption is generally strong, including services requiring face-to-face interactions, against the backdrop of cash benefits, increased employment income, and relaxation of restrictions
Housing investment	＋36.8	＋10.8	Housing construction continues to increase, especially for single-family homes
Capital investment	＋13.1	＋9.9	Machinery investment (especially information-processing related) and intellectual property investment increased significantly. On the other hand, construction investment remains sluggish overall
Inventory investment (※)	＋1.4	- 2.6	Manufacturers and retailers (exclusively car dealers) withdraw inventory amid tight supply constraints
Government expenditure	- 0.8	＋6.3	Significant increase in federal expenditures, especially in small business lending programs (Paycheck Protection Program, PPP) and vaccine related purchases
Net exports (※)	- 1.5	- 0.9	Contribution of external demand is negative due to decreased exports and increased imports
Exports	＋22.3	- 1.1	Decreased mainly in goods. Supply constraints seem to have weighed on production for export-related items
Imports	＋29.8	＋5.7	Imports of consumer goods and capital goods boosted overall, driven by strong consumer goods and machinery investment

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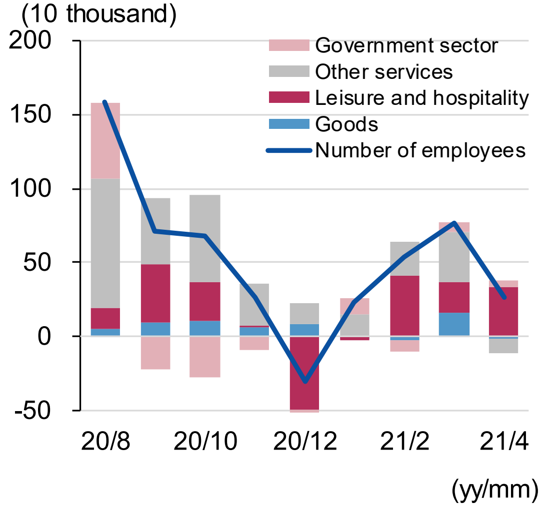
Employment marked a sharp slowdown in April. Labor shortage may have weighed on employment recovery

- Employment growth slowed sharply (March m-o-m change +770 thousand → April m-o-m change +266 thousand). Sluggish overall, except for industries that benefited greatly from relaxed restrictions.
  - Employment growth of leisure/entertainment industry is accelerating, and government employment, mainly related to education, is at the same momentum as the previous month. On the other hand, the goods industry and the service sector excluding leisure/entertainment decreased.
  - As employment did not increase as much as the increase in labor supply (labor participation rate: March 61.5% → April 61.7%), the unemployment rate rose (March 6.0% → April 6.1%)
- Wages rose sharply (March -0.1% m-o-m → April +0.7% m-o-m). Wage increase is accelerating in a wide range of industries, while no signs of deterioration in labor supply and demand are observed.
  - Labor supply increased across macroeconomics, but shortages of human resources demanded by corporations may have weighed on employment recovery and increased pressure to raise wages.
  - Not many corporations plan to raise wages, but the results indicate a risk of further wage-increase pressure due to labor shortages.

Number of employees by industry



Source: Made by MHRT based upon US Department of Labor

Hourly wages by industry

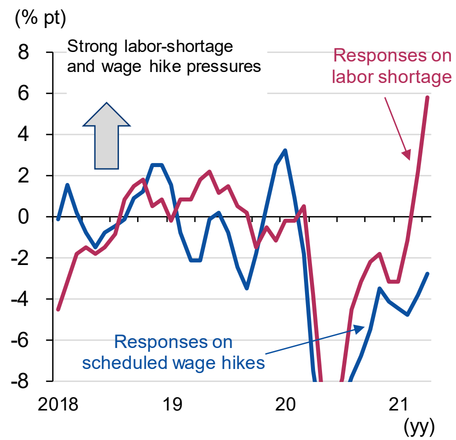
■ indicates sectors showing accelerated growth in April

(M-o-m, %)

	March	April
Private sector	-0.1	0.7
Construction	-0.1	1.0
Manufacturing	0.1	0.6
Wholesale trade	0.3	0.5
Retail sales	0.8	1.4
Transport/warehousing	-0.2	1.6
Public services	0.2	0.5
Information services	-1.6	1.6
Financial activities	0.6	0.2
Professional and business services	0.1	0.4
Education and health services	-0.6	1.3
Leisure and entertainment services	1.2	1.6

Source: Made by MHRT based upon US Department of Labor

Corporate survey on labor shortages and wage hikes



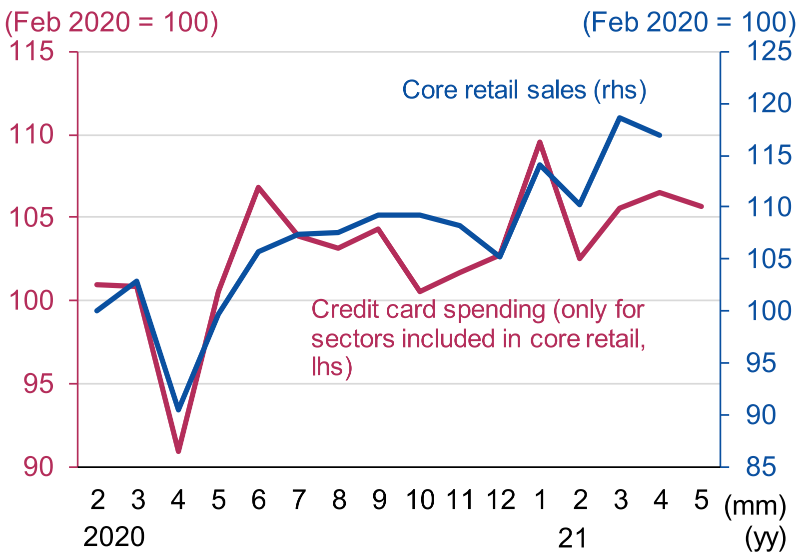
Note: Results represent percentage change of corporations that responded that "job openings are not filled up at the moment" and "plan to raise wages within the next 3 months" (deviation from the 2018-19 average). The latest results are from April 2021

Source: Made by MHRT based upon NFIB

Strong goods consumption in April. Steady progress in restriction easing will be a tailwind for service consumption

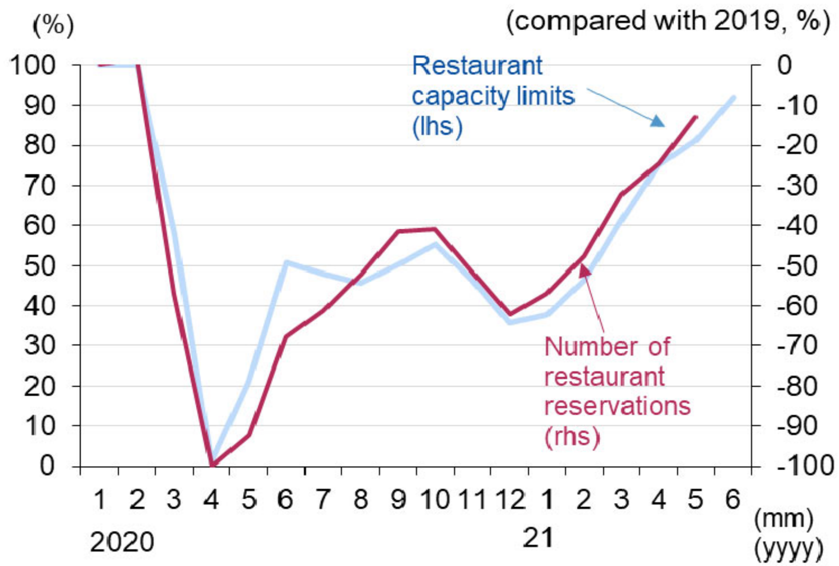
- Core retail sales declined in April (-1.5% m-o-m). Even though the surge of goods consumption is levelling off against the backdrop of fading policy effects and shift of consumption drivers (goods → services), goods consumption remains strong.
  - The rebound from March (+7.6% m-o-m), which surged due to cash benefits, was limited. Credit card spending at retail stores in May remains high.
- The number of restaurant reservations improved in May. Restrictions will continue to be relaxed steadily, such as restaurant capacity limit rising to 90% toward the end of June.
  - Even in states of large economic scale such as New York (May 19) and California (June 15), restaurant capacity limits have been lifted (however, tables must continue to be at least 6ft apart from one another).

Retail sales



Note: Credit card spending in May this year is for the first week
Source: Made by MHRT based upon US Department of Commerce

Restaurant capacity limits and number of restaurant reservations

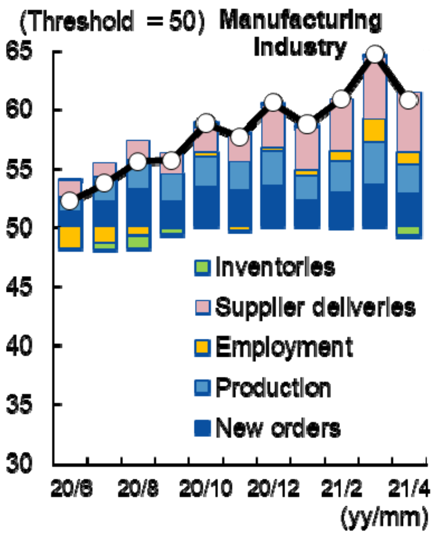


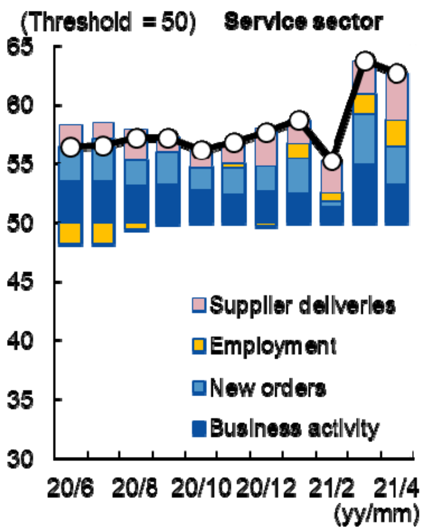
Note: Restaurant capacity limit indicates a weighted average of the upper limits of each state. This year's May and June figures are plan-based.
Source: Made by MHRT based upon various state authorities and Open Table

Amid solid demand, serious supply constraints continue to weigh on corporate activities

- In April, the ISM index fell but remained high in both the manufacturing and service sectors. Results reconfirm the strength of demand and seriousness of supply constraints.
  - ■ The new orders index exceeds 60 in both industries. At the same time, the supplier deliveries index is in the high-70s in the manufacturing industry and in the high-60s in the service sector.
    - ◆ In the midst of severe supply constraints, production could not catch up in the manufacturing industry, which led to a further rise the order backlog index, and further drop of the customer inventory index.
- Although the adverse effects of Covid-19-related restrictions will be mitigated, it is expected that materials and labor shortages will not be resolved until after the summer.
  - ■ Few companies have cited Covid-19-related restrictions as constraint factors for future corporate activities. On the other hand, the majority of manufacturers pointed out material shortages, and 40% of manufacturing and service sectors pointed out labor shortage factors.

Breakdown of ISM index





Source: Made by MHRT based upon Institute for Supply Management

Factors that constrain future corporate activities

	Manufacturing Sector	Service Sector
Covid-19-related restrictions	8%	32%
Availability of inputs	50%	12%
Rising prices of inputs	58%	16%
Ability to adequately staff your business	38%	37%
Rising wages	28%	21%

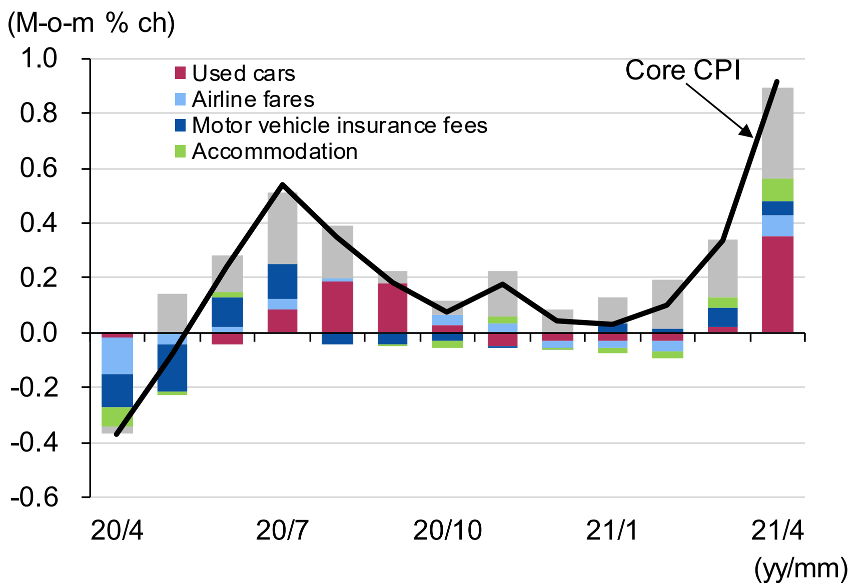
Note: The percentage of companies that answered "Major Constraint" to the question "…to what extent would each of the following pose a constraint on your ability to meet this?" In the service sector, 30% of companies cited Covid-19-related restrictions. However, considering that the state of NY decided to relax restrictions significantly after the survey period (April 2-April 9), it is estimated that the number of service companies that regard restrictions as constraints is considerably reduced.

Source: Made by MHRT based upon Federal Reserve Bank of New York

Core inflation accelerates sharply, mainly due to supply constraints and relaxation of restrictions

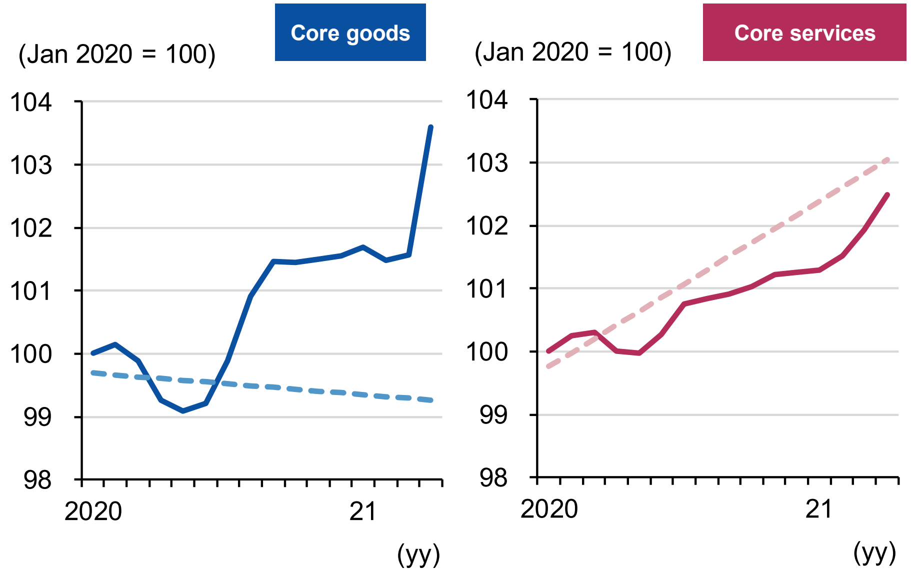
- In April, core CPI rapidly accelerated to +0.9% m-o-m (March +0.3% y-o-y). Some of the items have had a large impact.
  - Used cars sales soared significantly due to insufficient stock. Against the backdrop of the relaxation of restrictions, rising airfares, motor vehicle insurance fees, and accommodation expenses have also served as a significant boost to the overall core CPI. The upward swing of these items combined with the base effect accelerated core CPI to +3.0% y-o-y (March +1.6% y-o-y).
- Inflation is expected to continue above 2% during this year, as the effects of supply constraints and restriction easing remain.
  - Goods prices are currently in an upswing phase. Due to supply constraints, the immediate situation remains pinned at a high level, while its returning trend will come after summer.
  - Although the level of service prices is still low, it is expected to continue its rising trend due to the recovery of mobility as restrictions ease.

Core CPI (m-o-m, contribution breakdown by item)



Source: Made by MHRT based upon US Department of Labor

Trend of core goods and core service prices

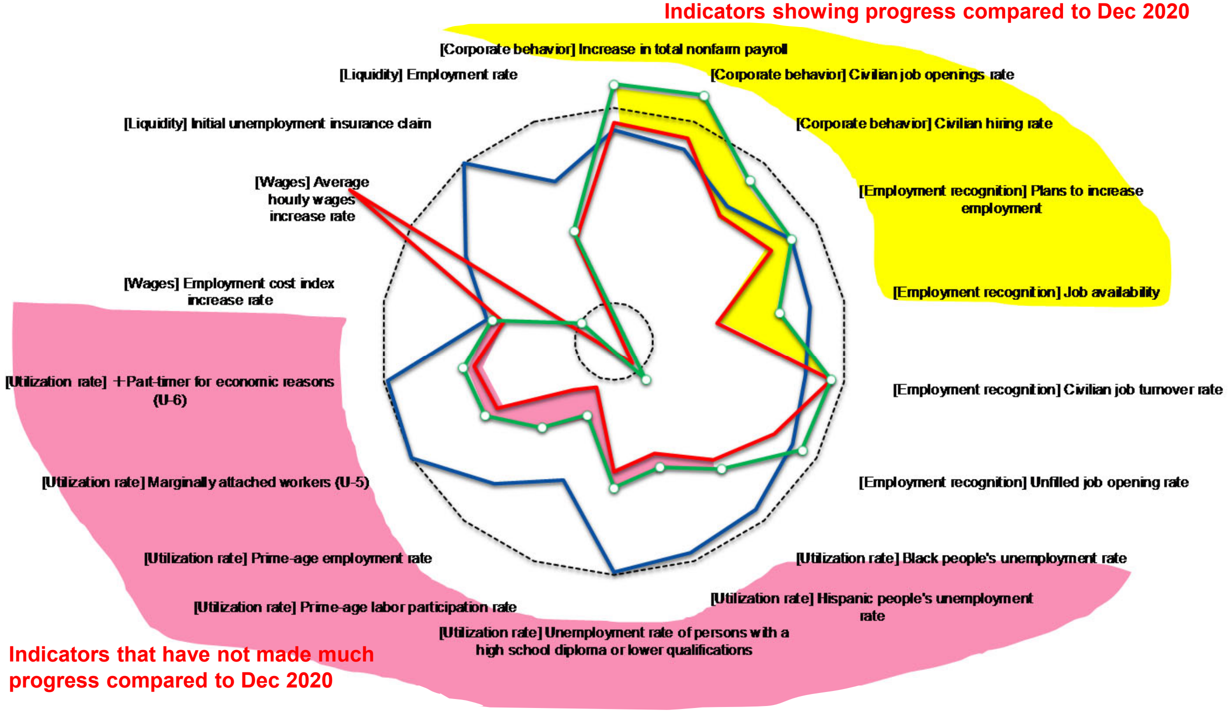


Note: Dotted line indicates pre-Covid-19 trend (Jan 2015 to Dec 2019)
Source: Made by MHRT based upon US Department of Labor

(2) US monetary policy: FOMC minutes state "it might be appropriate at some point in upcoming meetings to begin discussing [tapering]"

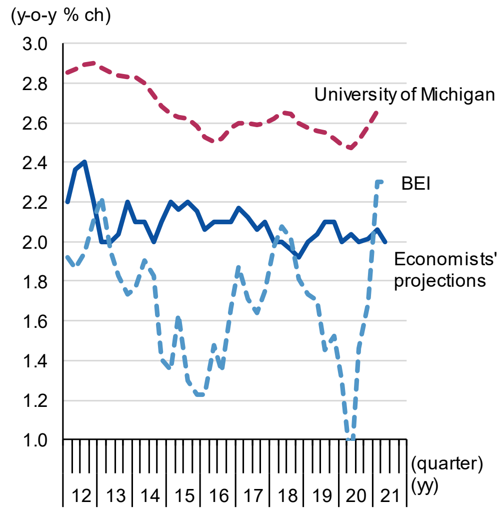
- As of the April FOMC, when the labor market condition was expected to continue to improve significantly, many participants suggested that discussions may begin with the condition of "if the economy continued to make rapid progress."
- The challenge is to materialize the "substantial further progress [toward the Committee’s goals]" presented for the first time at the December 2020 FOMC.
  - Among employment-related indicators, there is a delay in the recovery of the unemployment rate of minorities and others, which represents inclusiveness, and the labor force participation rate and employment rate of prime-age workers.
  - Among inflation-related indicators, stabilization of long-term inflation expectations is key, against the backdrop of the influence of base effects and bottlenecks.

Progress of employment-related indicators



Note: Index with the worst value of 0 and the best value of 100 for 1994-2019 (annulus shown by two black dotted lines)
Source: Made by MHRT based upon US Department of Labor and others

Long-term inflation expectation index

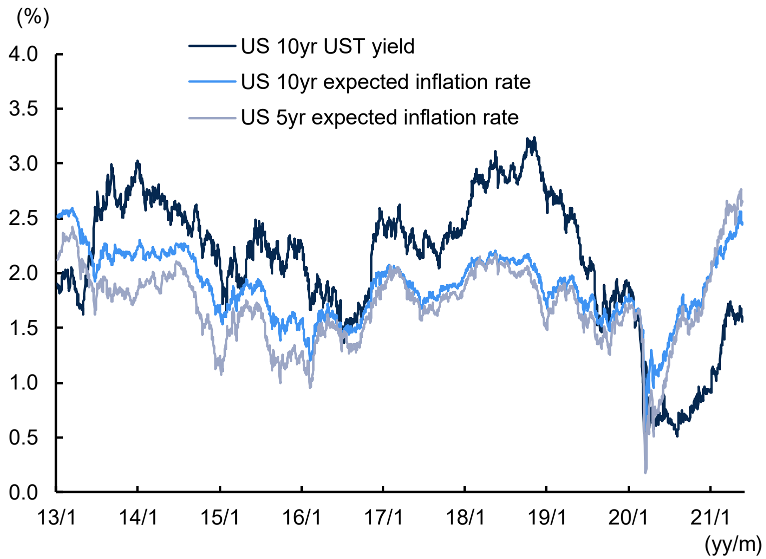


Note: Figures indicate 5-year, 5-year forward inflation expectations
Source: Made by MHRT based upon FRB and others

(3) US bond market: the 10yr UST yield is expected to move around 1.5% to 1.8%

- The 10yr UST yield temporarily rose to the 1.7%-level for the first time in about a month as the CPI significantly exceeded market expectations in April amid lingering concerns about inflation due to factors such as the rise of commodity prices.
  - The 10yr expected inflation rate temporarily surpassed 2.5% for the first time since March 2013. The 5yr expected inflation rate also temporarily rose to the 2.7% level.
- The 10yr UST yield is expected to move around 1.5% to 1.8%.
  - Vice Chair Richard H. Clarida and others are cautious that inflation is temporary and employment recovery is far from FRB's goal, while some bank governors insist on starting tapering discussions soon. US interest rates are expected to move within a narrow range as inflation concerns and tapering expectations linger.

10yr UST yield and expected inflation rate



Note: The expected inflation rate is the break-even inflation rate
Source: Made by MHRT based upon Bloomberg

FOMC participants' remarks on tapering

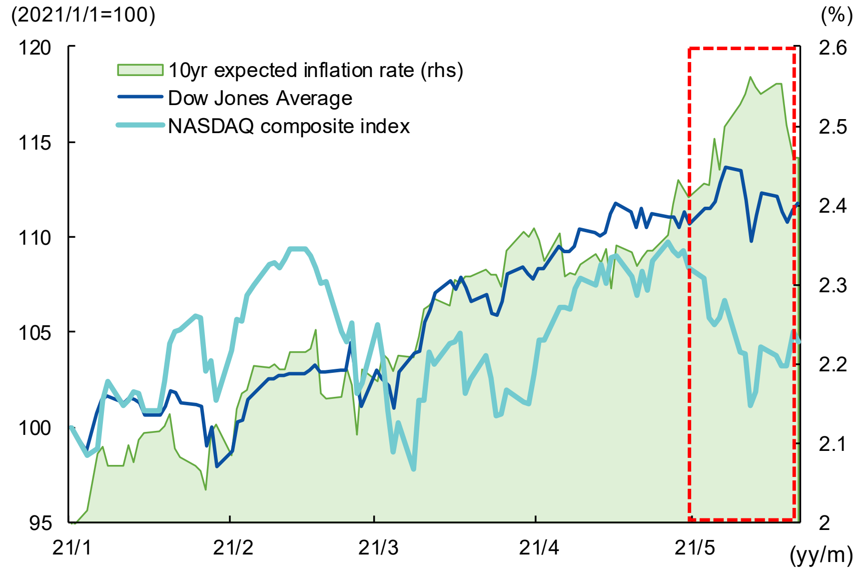
Speaker (Date)	Speaker's comments
Federal Reserve Board Governor Lael Brainard (May 11)	"The outlook is bright, but risks remain, and we are far from our goals…it will be important to remain patiently focused on achieving the maximum-employment and inflation outcomes in our guidance."
Governor Christopher J. Waller (May 13)	"We will not overreact to temporary overshoots of inflation."
Vice Chair Richard H. Clarida (May 17)	"Through that April employment report, we have not made substantial further progress."
Federal Reserve Bank of Atlanta President Raphael Bostic (May 17)	"We are still 8 million jobs short of where we were pre-pandemic. Until we make substantial progress to close that gap, I think we've got to have our policies in a very strongly accommodative situation or stance."
Federal Reserve Bank of Dallas President Robert Kaplan (May 20)	"I have encouraged sooner rather than later we begin a discussion of these [asset] purchases."
Federal Reserve Bank of Philadelphia President Patrick Harker (May 21)	"It is something that, in my mind, we should start to have a conversation about sooner rather than later."

Source: Made by MHRT based upon various press reports, etc.

(4) US stock market: expected to trend steadily due to improved corporate earnings

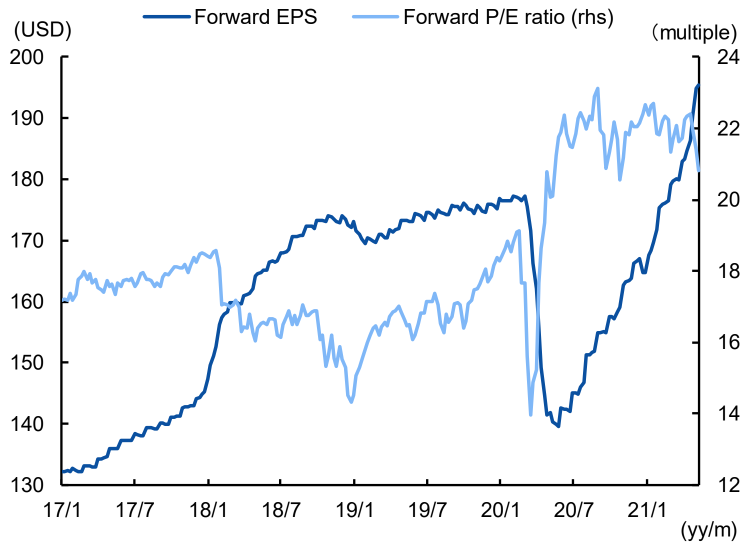
- The Dow Jones Average fluctuated within a band around USD 34,000 due to a tug of war between economic recovery expectations and inflation concerns.
  - ■ In particular, stocks fell in a wide range of sectors including high-tech stocks due to the rise of inflation concerns reflecting the CPI which rose significantly higher than market expectations.
  - ■ Currently, declines in crypto assets such as Bitcoin (May 19) are leading to the deterioration of investor sentiment, thus serving as a drag on the stock market.
- The forward EPS rose sharply due to favorable corporate earnings and expectations toward the normalization of economic activities. The forward P/E ratio dropped to 20.8x due to inflation concerns.
  - ■ 87% of corporate earnings results exceeded early forecasts, while the EPS in 2021 Q1 rose significantly (+52% y-o-y) (as of April 9: +25% y-o-y).
- Although the low interest rate environment and the boost from high-tech stocks will gradually fade, the US stock market is expected to remain firm due to the expansion of corporate earnings.

US stock indices and expected inflation rate



Note: Expected inflation rate is break even inflation rate.
Source: Made by MHRT based upon Refinitiv.

S&P 500 forward EPS and forward P/E ratio

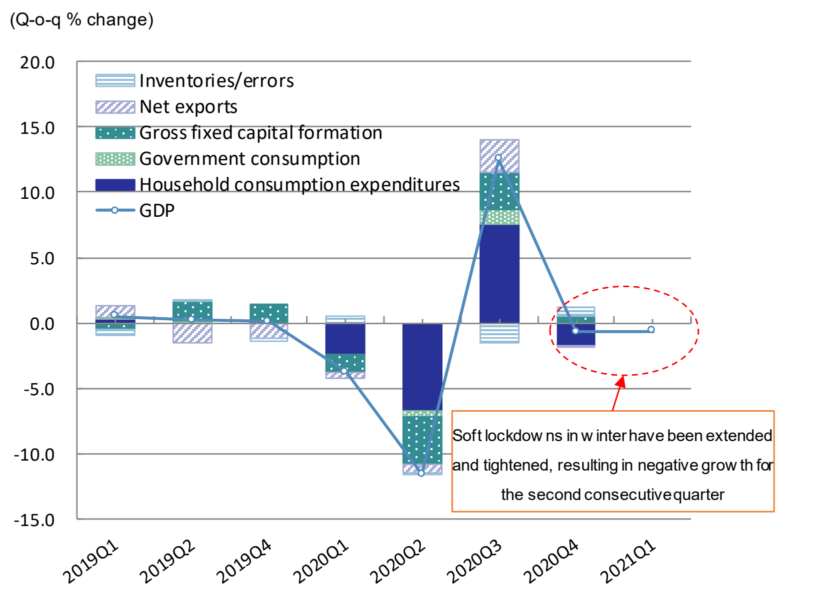


Note: The forward EPS and forward P/E ratio are on a 12-month forward basis.
Source: Made by MHRT based upon Refinitiv.

3. (1) The Eurozone economy: negative growth due to extension / strengthening of infection prevention measures in the Jan-Mar quarter

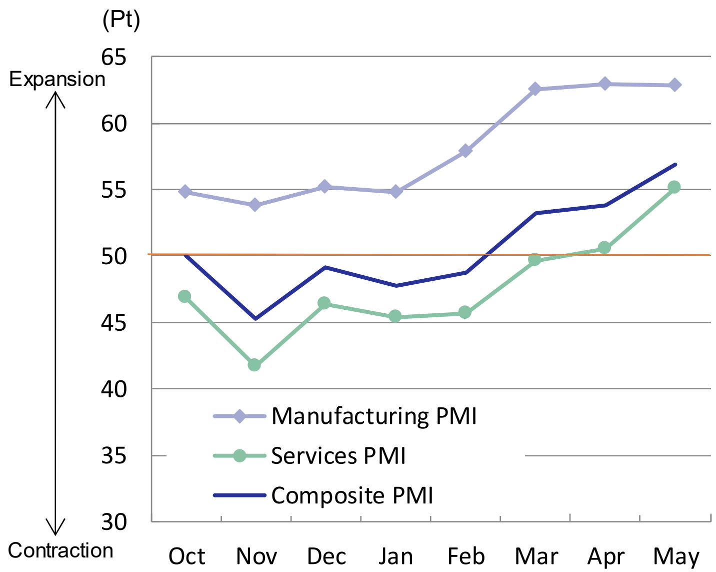
- Eurozone real GDP growth for the Jan-Mar quarter showed negative growth at (-0.6% q-o-q (flash estimate)) for the second consecutive quarter, against the background of a decline in personal consumption in line with the extension and strengthening of soft lockdowns.
- The Eurozone composite PMI in May was 56.9 (flash estimate), exceeding the “expansion-contraction” threshold of 50, which indicates economic recovery.
  - In May, business sentiment in the services industry improved against the backdrop of easing infection prevention measures, boosting the economy as a whole.
- By major country, Germany (-1.8%), where retail store restrictions and other measures continued in the Jan-Mar quarter, Italy (-0.4%), and Spain (-0.5%) marked negative growth. Composite PMI exceeds 50 in all countries since April, indicating economic recovery.

Eurozone : real GDP



Note: Real GDP q-o-q growth and the degree of contribution by demand component.
Source: Made by MHRT based upon Eurostat.

Eurozone: composite PMI

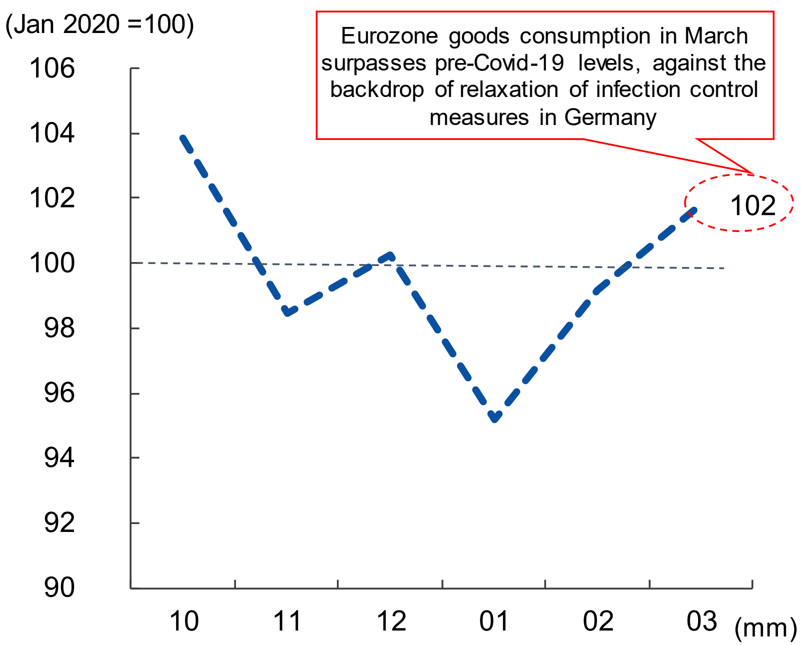


Note: The reading of 50 is the “expansion-contraction” threshold.
Source: Made by MHRT based upon IHS Markit.

March retail sales exceed pre-Covid-19 levels. Consumption recovery is expected to mark a full-fledged resumption in the second half of 2021

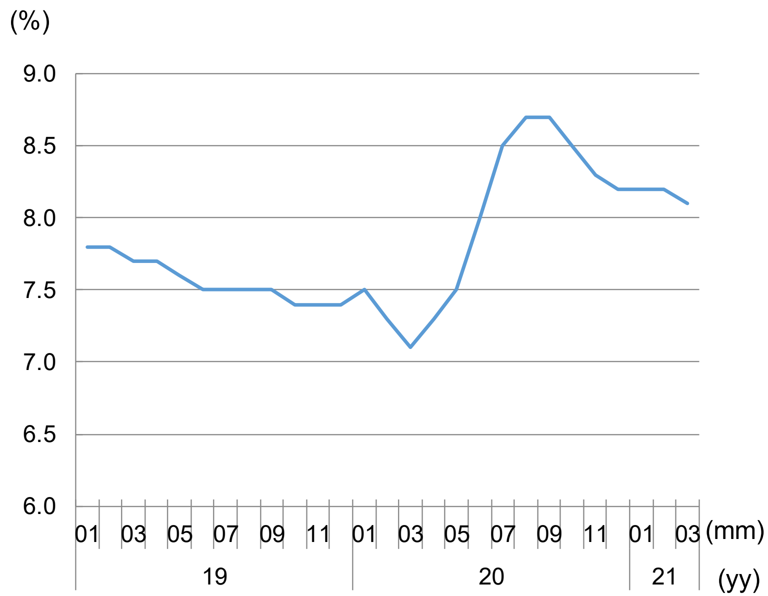
- Eurozone real retail sales in March marked 102 (Jan 2020 = 100), slightly above pre-Covid-19 levels, against the background of the relaxing of infection prevention measures in major countries.
  - The pace of improvement in the employment and income environment is gradual. The unemployment rate in March was 8.1% (-0.1% pt m-o-m), a limited decrease.
- In the second half of 2021, we expect to see vaccine rollouts promoting relaxation of infection prevention measures, while personal consumption shows a full-fledged recovery.
  - Consumer sentiment has generally recovered to pre-Covid-19 levels and is expected to boost consumer spending after the relaxation of infection prevention measures.

Eurozone : real retail sales (excl. motor vehicles)



Source: Made by MHRT based upon Eurostat.

Eurozone : Unemployment rate

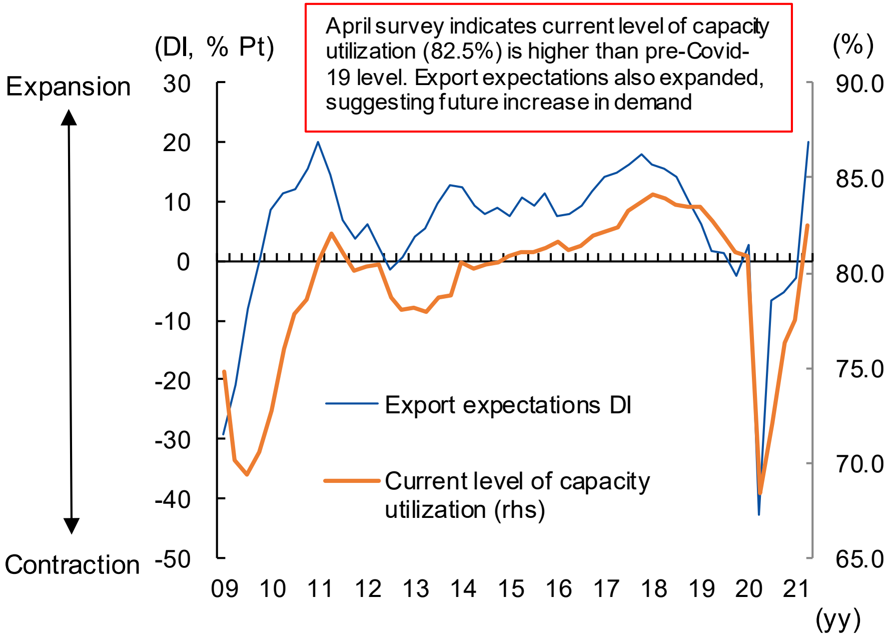


Source: Made by MHRT based upon European Commission.

Capacity utilization rate exceeds pre-Covid-19 level. Going forward, it is necessary to keep a close eye upon supply restrictions centered on equipment and materials

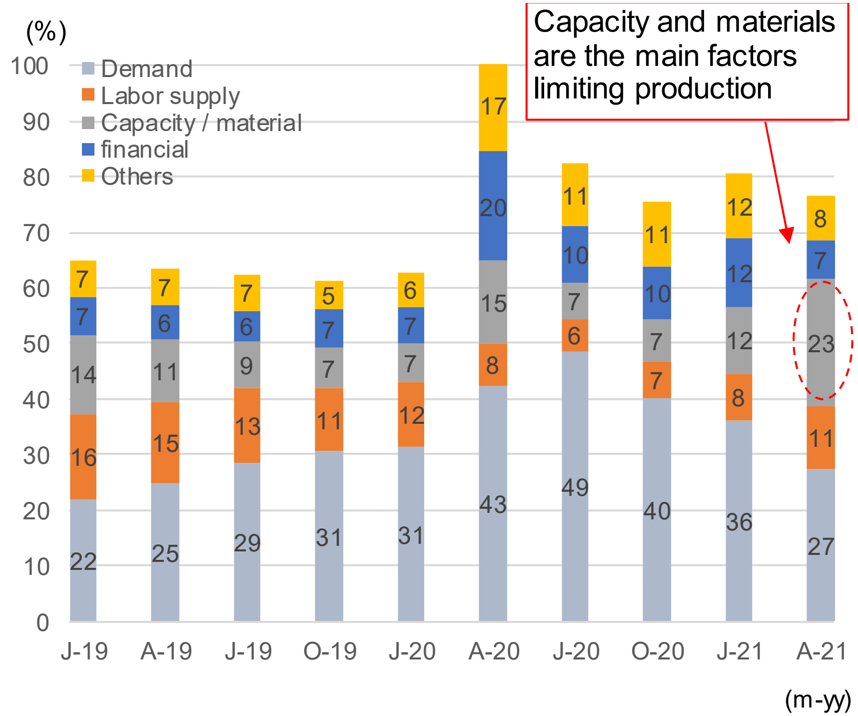
- The capacity utilization rate of the Eurozone manufacturing industry in April was 82.5%, which is higher than the pre-Covid-19 levels (Jan 2020: 80.9%), against the backdrop of strong goods demand.
- It is expected that the manufacturing industry will continue to recover driven mainly by external demand.
  - While the export expectation DI suggests a significant expansion, an increasing number of businesses are citing "tight equipment and materials" market as a limiting factor on production, so supply constraints require attention.

Eurozone : export expectations DI, capacity utilization rate



Note: Survey is conducted every 3 months. Export expectation DI's threshold is zero.
Source: Made by MHRT based upon European Commission.

Eurozone : limiting factors on production



Note: Survey of major factors limiting production. Multiple answers were possible. Survey is conducted every 3 months.
Source: Made by MHRT based upon European Commission.

MIZUHO

(2) ECB is taking a wait-and-see stance. Growth outlook's medium-term risks remain more balanced

- The ECB maintained an accommodative monetary policy stance at the Governing Council meeting on April 22.
  - According to the accounts released on May 14, the ECB assesses that the decision to conduct asset purchases under the pandemic emergency purchase program (PEPP) at a higher pace, made in March, partially contributed to the decoupling of the Eurozone government bond yields from US Treasury yields.
  - The medium-term risk to the economic outlook is seen to be balanced between the upside and downside. While there was a view that the risks were now marginally tilted to the upside, it was also pointed out that the recovery will be delayed in some countries.

Key points of the ECB Governing Council (accounts released on May 14)

＜The story so far＞

- In December 2020, the Governing Council decided on a policy for “preserving favorable financing conditions.”
- In March 2021, the Governing Council decided to conduct asset purchases under the PEPP at a significantly higher pace, and announced that the Governing Council will make quarterly assessments of the financing conditions in holistic and multifaceted manner, including such factors as the economic projections and inflation outlook.
  - It was determined that the rise in market interest rates as of March, when there was high uncertainty around economic recovery, may lead to tightening of the financing conditions.
- In April 2021, the Governing Council maintained an accommodative monetary policy stance, after evaluating that “financing conditions had remained broadly stable.”

＜Key points raised at the April Governing Council (from the accounts released on May 18)＞

(Evaluation of higher asset purchase pace under PEPP decided in March)

- Euro area government bond yields had decoupled from US Treasury yields. In addition to the the renewed rise in Covid-19 infections and the tightening of lockdowns in the euro area, this in part reflected the Governing Council’s March decision to conduct asset purchases under the PEPP at a higher pace.

(About economic recovery)

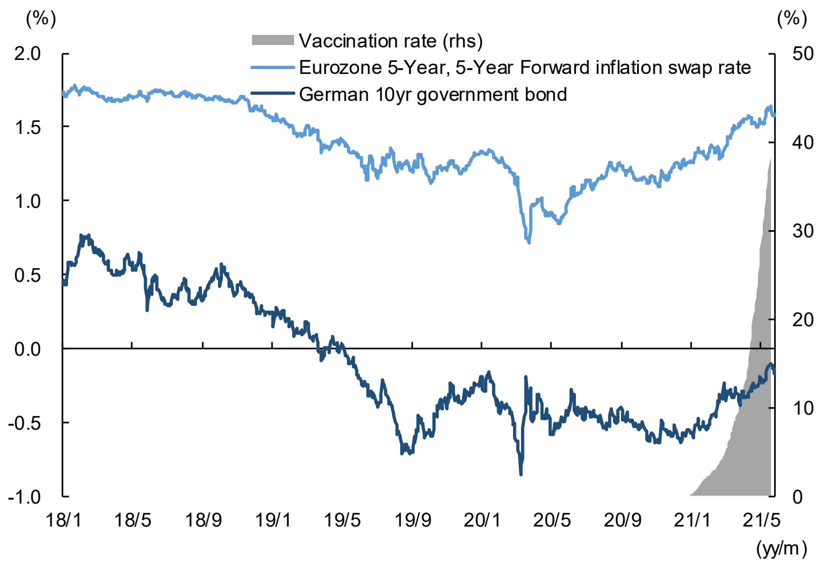
- Risks to the growth outlook remained balanced between the upside and downside over the medium term. The view was also expressed that the risks were now marginally tilted to the upside, with the unwinding of household savings and other factors providing a boost.
- The impact of the pandemic differed across countries. While in some countries activity was expected to return to pre-pandemic levels by the end of 2021, in others it may take until the end of 2022.”

Source: Made by MHRT based upon ECB.

(3) Eurozone bond market: German 10yr government bond expected to move around -0.4 to -0.1%

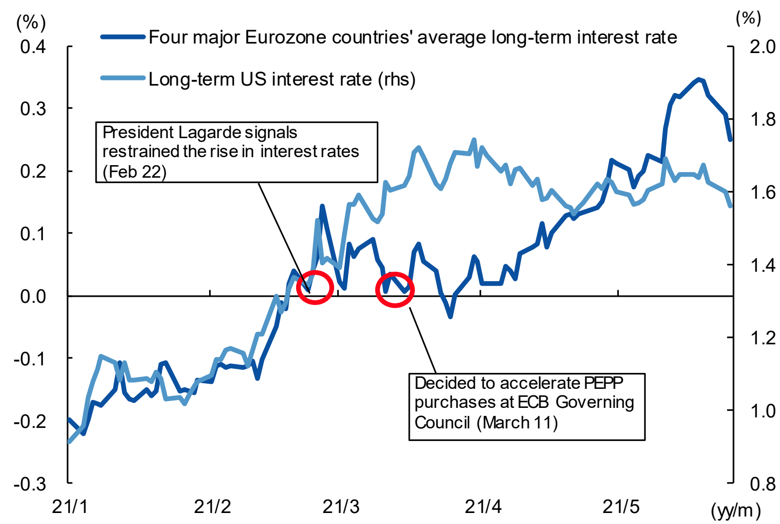
- The yield on German 10yr government bond temporarily surpassed -0.1% for the first time in approximately two years against the backdrop of expectations for economic recovery due to progress in vaccine rollouts.
  - Eurozone's 5-Year, 5-Year Forward inflation swap rate temporarily rose to a level not seen since 2018.
- Looking forward, further rise in the yield on German 10yr government bonds is expected to be limited, and move around -0.4% to -0.1%.
  - Unlike the sharp rise of US interest rates in March, the ECB has not strongly restrained the rise in European interest rates accompanying expectations of economic recovery in Europe.
  - However, we do not expect a further rise of the German interest rate since a significant slowdown in pace of the ECB's PEPP purchases is unlikely amid the lack of sufficient confirmation of a real economic recovery and lingering short-term downside risks.

Long-term German interest rate and Eurozone 5-Year, 5-Year Forward inflation swap rate



Note: The vaccination rate is the percentage of those who received at least one vaccination dose in Germany. Figures represent data as of May 21 (latest data is from May 19).
Source: Made by MHRT based upon Refinitiv and Our One World Data

Four major Eurozone countries' average long-term interest rates and long-term US interest rates

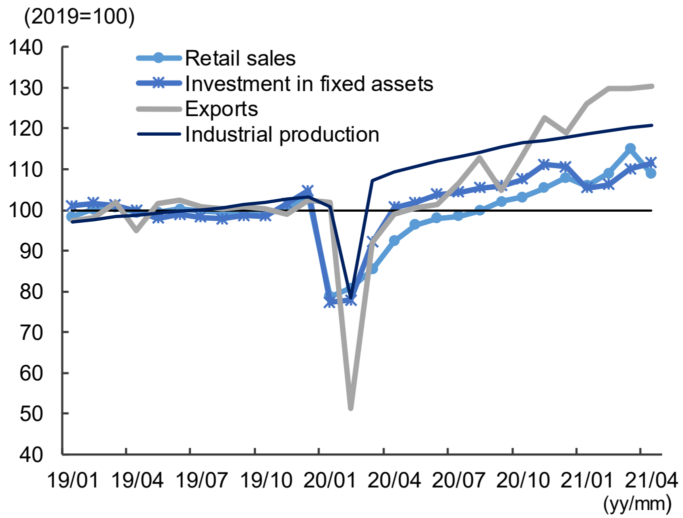


Note: The average long-term interest rate of the four major Eurozone countries is the weighted average of long-term interest rates of Germany, France, Italy and Spain using the nominal GDP in 2019. PEPP stands for Pandemic Emergency Purchase Program.
Source: Made by MHRT based upon Bloomberg.

4. (1) Chinese economy: despite the gradual recovery of key indicators in April, consumer spending is coming to a pause

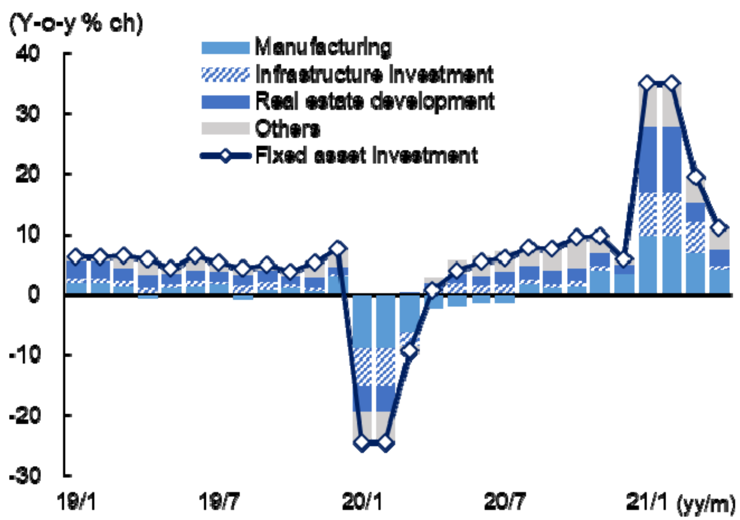
- A look at the key indicators in April reveal the ongoing improvement of exports and investment in contrast to a pause in recovery of consumer spending.
  - Exports of accessories and furniture remained strong, reflecting the recovery of the global economy. By country, exports to the ASEAN where recovery has been slow, contributed to exports.
  - Turning to investment, even though real estate investment was strong, infrastructure investment slowed down. In the manufacturing industry, high-tech related sales maintained a high growth rate of about +30% y-o-y. Industrial production is continuing to expand, driven by high-tech related products such as pharmaceuticals and equipment and machinery.
  - As for retail sales, services continued to follow firm footing, while certain goods that had continued to increase declined.
- The stagnation of consumption will most likely turn out to be temporary, and should continue to follow a gradual recovery against a backdrop of strong external demand and acceleration of investment in high-tech related fields.

Key monthly indicators



Note: Industrial production are estimates based on seasonally adjusted m-o-m change announced by the National Bureau of Statistics of China. Retail sales, investment in fixed assets, and exports are adjusted for seasonal factors by MHRT
Source: Made by MHRT based upon the National Bureau of Statistics of China and CEIC data.

Fixed asset investment (by industry)



Note: Infrastructure investment = the combined total for three sectors: utilities, water/environment/public facilities, and transportation/warehouse/postal services.
Source: Made by MHRT based upon the National Bureau of Statistics of China and CEIC data.

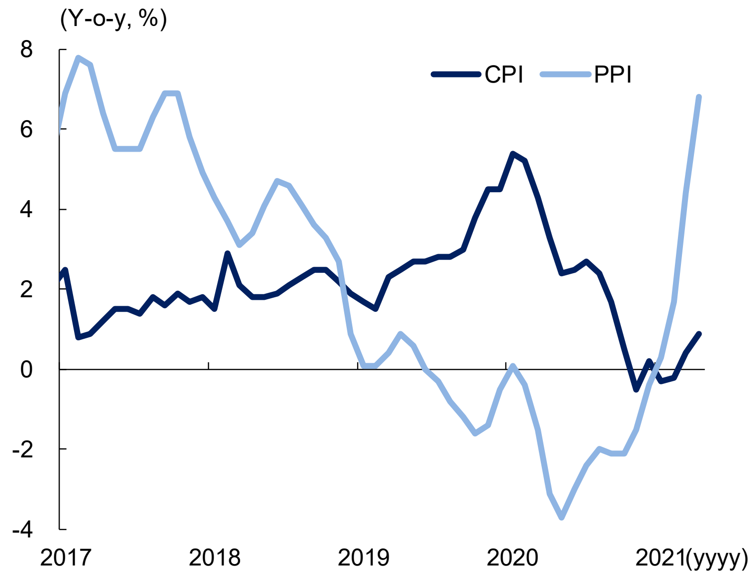
The RMB is gradually rising. The PBOC views import inflation concerns as temporary

- RMB-US dollar rate hits its strongest yuan level in about three years.
  - In addition to the pause in the rise in long-term US interest rates, the yuan strengthened due to the general depreciation of the dollar following the ebb of speculation on an early interest rate hike by the FRB. The yuan recorded 1 USD = 6.40 RMB on May 25, for the first time since June 2018 on a closing rate basis.
- Despite growing concerns about import inflation, the People's Bank of China (PBOC) is unlikely to induce a stronger yuan, thus the yuan is expected to level off.
  - As the PBOC views the surge of the PPI as temporary, it is unlikely that it will guide the yuan higher to curb the impact of import inflation.
  - In view of the current easing of yuan strengthening pressures against the backdrop of expectations toward a rapid economic recovery, we expect the yuan to level off at a high level

RMB-USD rate

Note: 1. The latest value is as of May 25, 2021
2. US-China interest rate differential = 10yr Chinese Bond Yield-10yr UST yield
Source: Made by MHRT based upon CFETS and Bloomberg.

CPI and PPI

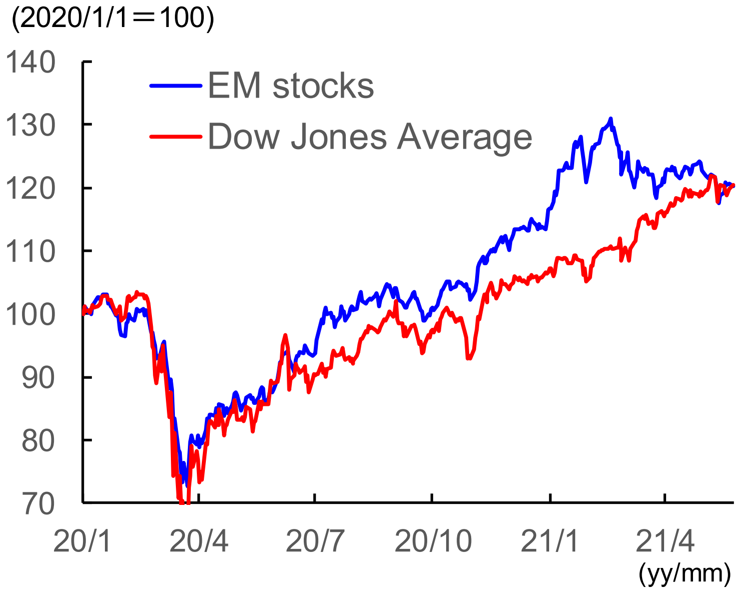


Source: Made by MHRT based upon the National Bureau of Statistics of China and CEIC data.

(2) EM financial markets: in contrast to the rise of currencies among commodity-producing countries, the Brazilian real and Turkish lira are continuing to weaken

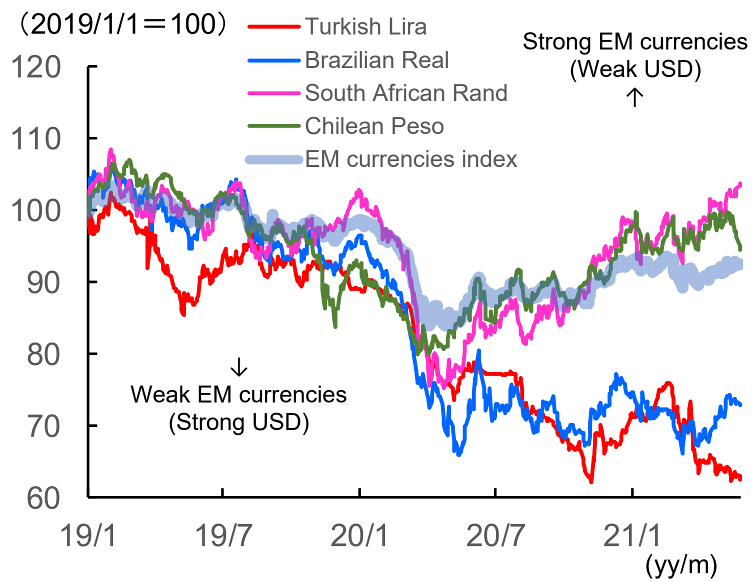
- EM stocks are continuing to flatten out.
  - In contrast to the developed countries of Europe and the US where vaccine rollouts are progressing, the number of new Covid-19 caseloads are increasing in Central and South America and parts of Asia.
- The currencies among commodity-producing countries are strengthening.
  - EM currencies are following a gradual uptrend. The currencies of commodity-producing countries such as the Chilean peso and South African rand are riding on the tailwinds of rising commodity prices.
  - On the other hand, in Brazil, where the Covid-19 pandemic is yet unabated, there are no signs of a recovery of the real. Likewise in Asia, in Thailand and Malaysia, where the number of new cases of Covid-19 is increasing, currencies are currently weakening. In Turkey, where its currency is continuing to weaken, the inflation rate recorded double-digit highs.

EM stocks and Dow Jones Average



Note: EM stocks are indicated by MSCI Emerging Markets
Source: Made by MHRT based upon Refinitiv.

Trend of EM currencies

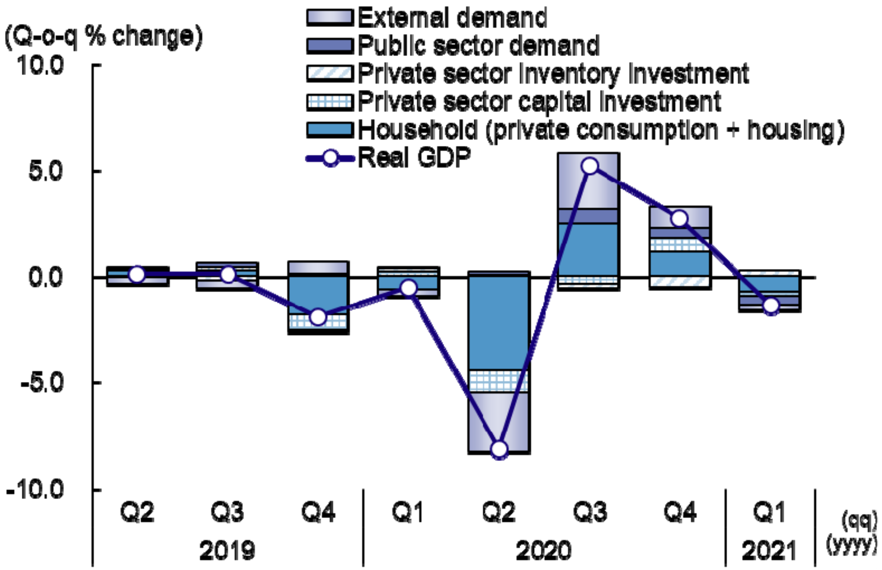


Note: EM currencies are indicated by JP Morgan Emerging Markets FX Index
Source: Made by MHRT based upon Refinitiv.

5. (1) The Japanese economy: Jan-Mar quarter recorded negative growth for the first time in three quarters. Growth expected to remain in negative territory in the Apr-Jun quarter

- The *First Preliminary Quarterly Estimates of GDP* ("*1st QE*") revealed that Japan's real GDP growth in the Jan-Mar quarter of 2021 turned out to be -1.3% q-o-q (-5.1% p.a.), recording negative growth for the first time in three quarters.
  - Exports of capital goods and information-related goods remained strong (+2.3% q-o-q). On the other hand, personal consumption was negative (-1.4% q-o-q) mainly for service sectors due to the second declaration of a state of emergency, and capital investment also paused (-1.4% q-o-q) due to a drop in pent-up demand after the resumption of economic activities.
  - For the Apr-Jun quarter, we expect real GDP to stand at -0.7% q-o-q (-2.8% p.a.), recording negative growth for the second quarter in a row as a result of: (1) a decrease in service consumption due to the third declaration of a state of emergency (lowers GDP by -0.5%) and (2) a reduction in motor vehicle production due to semiconductor shortages (lowers GDP by -1.5%).
  - Our view on growth in FY2021 remains unchanged at +2.7% (+1.4% in calendar year 2021).

1st QE for 2021 Jan-Mar quarter



	2020 Apr-Jun	Jul-Sep	Oct-Dec	2021 Jan-Mar	Apr-Jun
Real GDP	-8.1	5.3	2.8	-1.3	-0.7
(Q-o-q % change, %)	-28.6	22.9	11.6	-5.1	-2.8
(Y-o-y % change)	-10.1	-5.6	-1.1	-1.9	6.0
Domestic demand	-5.2	2.5	1.8	-1.1	-0.6
	(-5.2)	(2.6)	(1.8)	(-1.1)	(-0.6)
Private sector demand	-7.2	2.6	1.8	-0.9	-0.9
	(-5.4)	(2.0)	(1.3)	(-0.7)	(-0.6)
Personal consumption	-8.3	5.1	2.2	-1.4	-1.3
Housing investment	0.6	-5.7	0.1	1.1	-0.5
Capital investment	-6.1	-2.1	4.3	-1.4	0.5
Inventory investment	(0.1)	(-0.2)	(-0.5)	(0.3)	(0.0)
Public sector demand	0.5	2.4	1.6	-1.6	0.2
	(0.1)	(0.7)	(0.4)	(-0.4)	(0.1)
Government consumption	0.2	2.9	1.8	-1.8	0.1
Public investment	2.1	0.7	1.1	-1.1	0.8
External demand	(-2.8)	(2.6)	(1.0)	(-0.2)	(-0.1)
Exports	-17.5	7.3	11.7	2.3	-1.4
Imports	-0.7	-8.2	4.8	4.0	-0.8
Nominal GDP	-7.8	5.5	2.4	-1.6	-2.2
GDP deflator (y-o-y change)	1.4	1.2	0.2	-0.2	-2.0

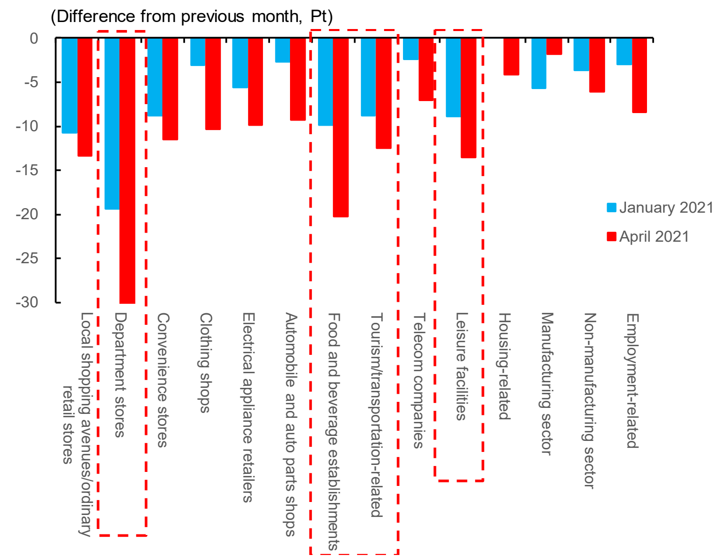
Note: Figures in the right-hand chart indicate changes to the previous quarter (in real terms) unless otherwise noted. The figures in parentheses represent the contribution to growth. Figures for the Apr-Jun quarter 2021 are forecasts
Source: Made by MHRT based upon Cabinet Office, *Quarterly Estimate of GDP*.

MIZUHO

Business sentiment deteriorated with the declaration. Semiconductor shortages will cause a full-scale impact from May onward

- Business sentiment deteriorated due to the declaration of a state of emergency. Looking forward, we expect sentiment to remain weak given the extension of the declaration and the spread of Covid-19 variants.
  - The DI for current conditions (direction) in April deteriorated significantly (-9.9 Pt m-o-m). The breadth of deterioration was worse than at the time of the previous declaration (January: -3.1 Pt m-o-m).
    - Since the current declaration of state of emergency imposes stricter restrictions than the previous one, including requests for closure of restaurants and commercial facilities that provide alcoholic beverages, sentiment among department stores also deteriorated further from the time of the previous declaration, in addition to services requiring face-to-face interactions such as those related to food and beverage.
    - Looking forward, the DI for future economic conditions also deteriorated significantly by -8.1 Pt m-o-m. Due to delays in vaccination, future business sentiment is cautious.
- Since there are only few comments mentioning semiconductor shortages, its impact on business sentiment is limited as of April. Full-scale impact will be felt from May onward.

Economy Watchers Survey: DI for current conditions (direction) and change at the time of declaration (by sector, unadjusted)



Source: Made by MHRT based upon Cabinet Office, *Economy Watchers Survey*.

Comments on semiconductor shortages

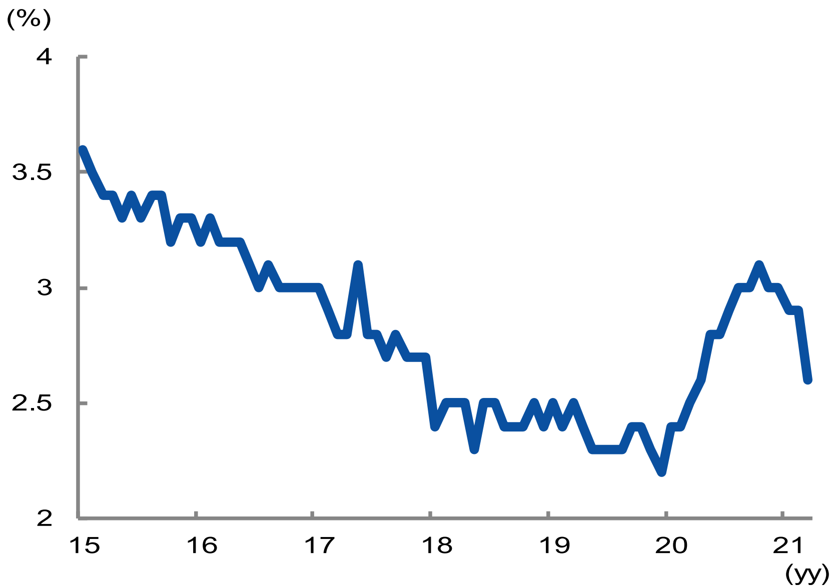
	Sector	Assessment	Comments
Current conditions	Automobile dealer operator	▲	Due to the impact of semiconductor shortages, some cars take time until delivery, so there are cases where opportunities do not lead to sales closures.
	Automobile dealer operator	○	Due to semiconductor shortages, car delivery time is longer, and there are trends of consumers placing orders earlier.
	Transport machinery	□	We hear that China-bound sales are strong. We reduced the planned production volume due to semiconductor shortages, but even if we reduce it, the economy remains reasonably strong.
Future conditions	Transport machinery	□	Although we think demand is strong, we have been informed from finished vehicle manufacturers that production will be reduced in May due to semiconductor shortages. If production is reduced in the same manner three months from now, the same situation will continue.
	Metal products	□	For materials related to automobile-related parts, there is concern that operations will be subdued due to semiconductor shortages, but it has not become an issue specifically.
	Automobile dealer operator	□	Due to the impact of production delays caused by semiconductor shortages, we cannot be optimistic for the next few months.

Source: Made by MHRT based upon Cabinet Office, *Economy Watchers Survey*.

Even though unemployment fell, this was due to workers leaving the labor market

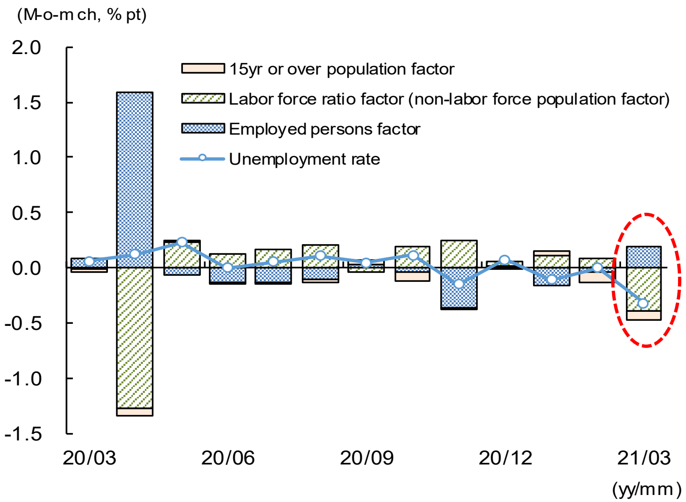
- The unemployment rate in March was 2.6%, a drop from February (2.9%). However, since workers exiting the labor market is lowering the rate, the content is not as good as it appears.
  - The total number of those unemployed decreased (-230 thousand m-o-m) from the previous month, but the non-labor force population increased (+240 thousand m-o-m) for the first time in six months. A portion of workers have exited the labor market, amid such factors as the continuation of reduced-hour operations. The actual unemployment rate may be higher (increase of non-labor force population pushes unemployment rate down 0.4% Pt: estimates by MHRT)
  - The number of new job openings increased (+8.0% m-o-m). However, the level remains significantly lower than the pre-pandemic level, mainly in the services requiring face-to-face interactions sector.
  - Looking forward, due to the impact of the third declaration of a state of emergency, it is expected that cautious recruiting attitudes and employment reduction will occur mainly in the services requiring face-to-face interactions.

Trend of unemployment rate



Note: Seasonally adjusted figures.
Source: Made by MHRT based upon the Ministry of Internal Affairs and Communications, *Labour Force Survey*.

Unemployment rate factors

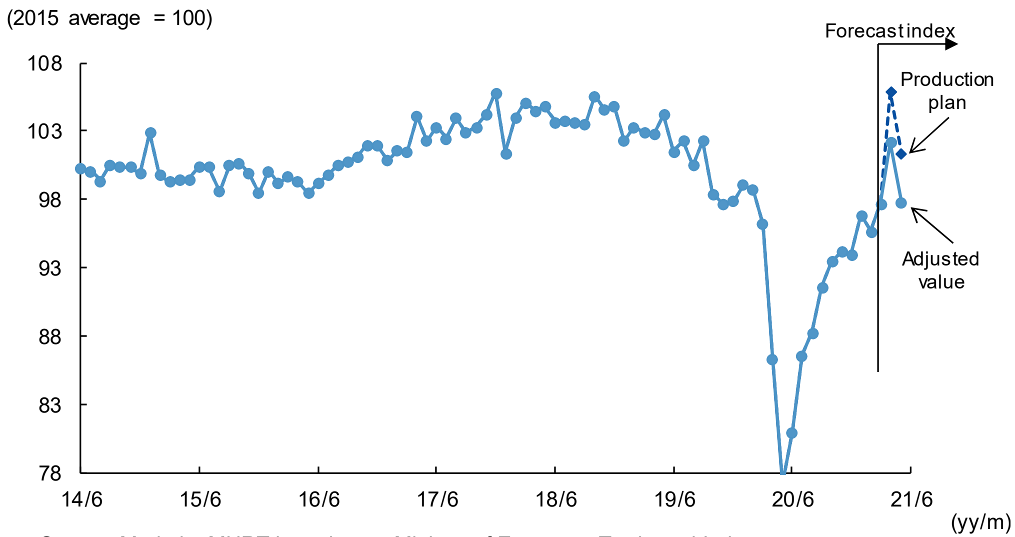


Note: Increase in the number of employed persons, increase in the non-labor force population (decrease in the labor force participation rate), and decrease in the population aged 15 and over are factors that lower the unemployment rate.
Source: Made by MHRT based upon the Ministry of Internal Affairs and Communications, *Labour Force Survey*.

Production in March increased, driven by motor vehicles. On the other hand, keep a close eye on the risk of motor vehicle production cuts in the Apr-Jun quarter.

- Industrial production in March improved by +2.2% m-o-m (February -1.3% m-o-m), turning positive for the first time in two months.
  - The transport equipment manufacturing industry rose sharply (+7.7% m-o-m) in a reactionary rebound to the production cuts accompanying the earthquake off the coast of Fukushima on February 13.
- Production continued to follow a recovery track throughout the Jan-Mar quarter. On the other hand, the downside risk of motor vehicle production in the Apr-Jun quarter requires attention.
  - The Jan-Mar quarter recovery trend continued at +3.0% q-o-q. Capital goods, electronic parts and device industries are expected to continue picking up against the backdrop of online demand and strong capital and housing investment in the US and China.
  - However, in the Apr-Jun quarter, motor vehicle production may fall further across May to June due to the tangible impact of fires at one of the suppliers.

Industrial production index



Source: Made by MHRT based upon Ministry of Economy, Trade and Industry, *Indices of Industrial Production*

Production results/forecasts by major industry/goods

		Actual		Plans		Actual	Plans
		2021/02	2021/03	2021/04	2021/05	2021/Q1	2021/Q2
By sector	Industrial production	-1.3	2.2	8.4	-4.3	3.0	6.3
	Electronic parts & devices	-2.3	-0.9	14.8	-1.0	9.7	12.4
	Electrical/Telecommunications machinery	-2.0	-4.9	19.1	-1.1	3.6	13.5
	Electrical machinery	-3.4	-1.4	17.4	-1.7	3.3	13.6
	Telecommunications equipment	-1.4	-13.8	15.3	4.7	5.1	6.9
	Transport equipment	-3.3	7.7	-4.9	-9.9	-6.6	-7.8
By goods	Capital goods (excl. transport equipment)	1.9	-6.5	34.5	-5.0	5.3	25.0

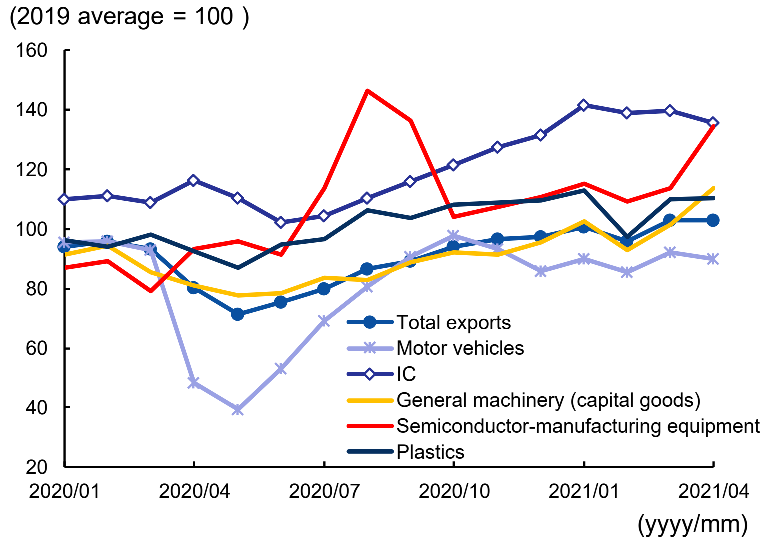
Note: 1. Actual results are based on the industrial production index, and plans are based upon the index of industrial production forecast.
2. 2021 Q2 is calculated upon the assumption of production plans for April and May, and June as a leveled-off production.
3. The figures do not necessarily match public releases due to rounding.

Source: Made by MHRT based upon Ministry of Economy, Trade and Industry, *Indices of Industrial Production*.

Exports leveled off in April, and a temporary decline is expected ahead.

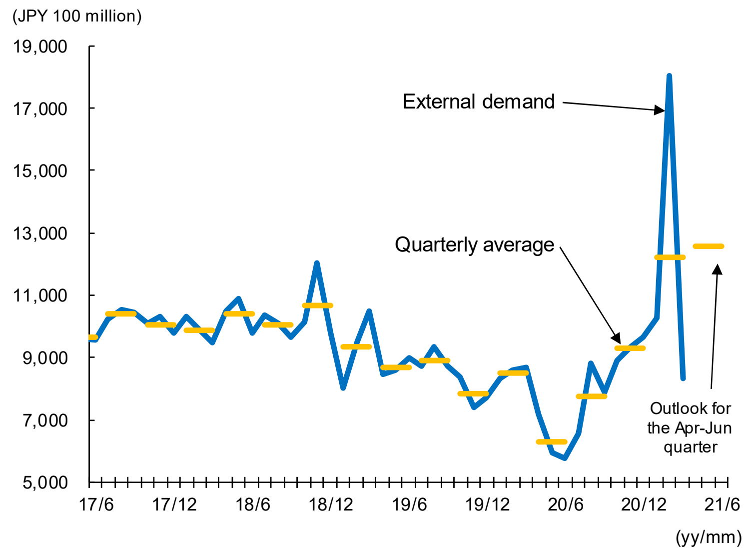
- The export volume index for April remained unchanged at ±0.0% m-o-m (March: +7.5% m-o-m).
  - Capital goods improved, driven mainly by semiconductor manufacturing equipment. Additionally, plastics, where demand is increasing for containers and packaging, etc., increased.
  - On the other hand, motor vehicles, which surged in the previous month due to recovery production after the February earthquake, turned negative, while ICs decreased, serving to push down overall production.
- Even though the increase in information-related materials and capital goods will continue to be the driver, motor vehicles will serve as a temporary drag.
  - The outlook for machinery orders from overseas for the Apr-Jun quarter is expected to grow for the fourth consecutive quarter, and exports of capital goods are expected to continue to remain strong. On the other hand, exports are expected to decline temporarily due to the downward factor of motor vehicles, where production is expected to decline due to semiconductor shortages.

Trends in exports (by major items)



Note: General machinery is on a nominal value basis. Seasonally adjusted by MHRT.
Source: Made by MHRT based upon Ministry of Finance, *Trade Statistics.*

Trends in machinery orders (external demand)

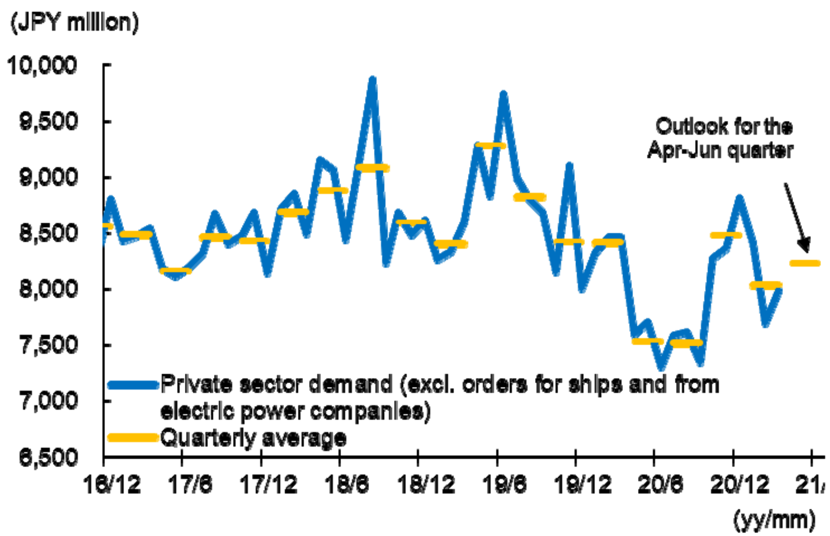


Source: Made by MHRT based upon Cabinet Office, *Machinery Orders.*

Capital investment is expected to remain firm, supported by the manufacturing industry

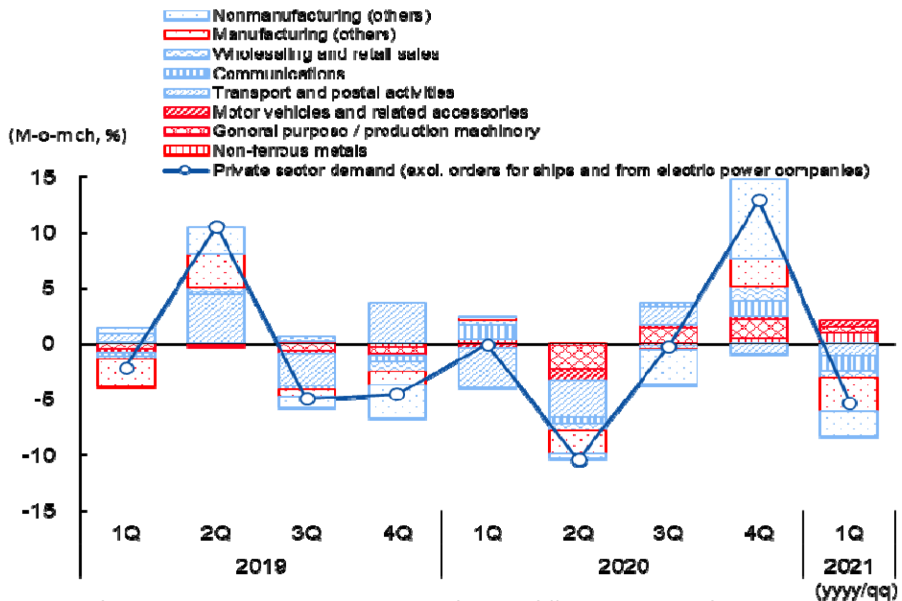
- Private-sector machinery orders (excluding orders for ships and from electric power companies) in March increased by +3.7% m-o-m, but decreased by -5.3% q-o-q for the entire Jan-Mar quarter.
  - As a result of support by motor vehicles/related accessories and general purpose/production machinery, the decline of machinery orders in the manufacturing sector turned out to be limited (-2.2% q-o-q).
  - On the other hand, the nonmanufacturing industry decreased sharply (-9.2% q-o-q), dragging down overall capital investment. Given the fading of pent-up demand, 11 out of 12 industries suffered a decline.
- According to the Cabinet Office outlook for the Apr-Jun quarter, capital investment is positive (+2.5% q-o-q). The strong demand (mainly external demand) in the manufacturing sector, served to lift the outlook.
  - Even considering the possibility that the nonmanufacturing industry will decline significantly from the Cabinet Office outlook (+2.7% q-o-q) due to the re-issuance of the declaration of a state of emergency, we expect overall private demand to increase in the Apr-Jun quarter, as the strength of demand in the manufacturing industry (+7.0% q-o-q) will surpass the drag by the nonmanufacturing sector.

Private-sector machinery orders (excl. orders for ships and from electric power companies)



Source: Made by MHRT based upon Cabinet Office, *Machinery Orders*.

Private-sector machinery orders (by sector)



Source: Made by MHRT based upon Cabinet Office, *Machinery Orders*.

MIZUHO

(2) BOJ monetary policy: expected to continue its current monetary easing framework over the long term

- The Bank of Japan (BOJ) decided to maintain its current monetary policy at the Monetary Policy Meeting (MPM) in April.
  - We expect that the BOJ will continue the current monetary easing framework over the long term.
- In the *Outlook for Economic Activity and Prices* (*Outlook Report*), the CPI (median) forecast for FY2021 was lowered to +0.1%, taking into account the impact of the reduction in mobile phone charges.
  - The CPI (median) forecast for FY2022 and FY2023 is +0.8% and +1.0%, respectively. It is unlikely that the "price stability target" of 2% will be achieved during Governor Haruhiko Kuroda's current term ending April 2023.

Summary of remarks at Governor Kuroda's press conference

- It is expected that the inflation rate will not reach 2% even in FY2023, and the target will be achieved in FY2024 onwards. If, even after doing all we can, we cannot achieve the target until FY2024 or beyond, that just can't be helped."
- It is also true that large-scale monetary easing has had a positive impact on Japan's inflation rate, while we must continue to persistently conduct monetary easing.
- We will not hesitate to take additional easing measures if necessary. Therefore, we conducted the assessment to enhance nimbleness and sustainability.
- The price stability target of 2 percent is appropriate and we are not thinking of lowering it.
- The flexibility of ETF purchases will be accentuated with proper emphasis within the range of 12 trillion yen. (About slowing down the purchase pace), it is not an exit strategy for monetary easing.
- Specific monetary easing exit strategy discussions are premature at this point. We will discuss specific procedures when the achievement of 2% becomes visible, and appropriately announce it externally.

Source: Made by MHRT based upon Bank of Japan.

Bank of Japan *Outlook Report* (April 2021)

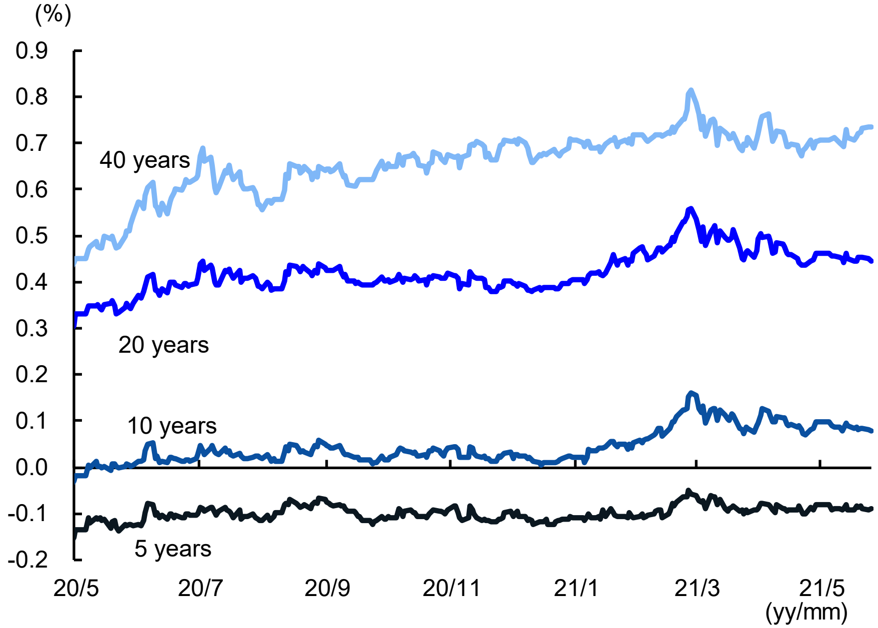
	Real GDP	CPI (all items less fresh food)
Fiscal 2020	-5.0 to -4.9 [-4.9]	-0.4
Forecasts made In January 2021	-5.7 to -5.4 [-5.6]	-0.7 to -0.5 [-0.5]
Fiscal 2021	+3.6 to +4.4 [+4.0]	0.0 to +0.2 [+0.1]
Forecasts made In January 2021	+3.3 to +4.0 [+3.9]	+0.3 to +0.5 [+0.5]
Fiscal 2022	+2.1 to +2.5 [+2.4]	+0.5 to +0.9 [+0.8]
Forecasts made In January 2021	+1.5 to +2.0 [+1.8]	+0.7 to +0.8 [+0.7]
Fiscal 2023	+1.2 to +1.5 [+1.3]	+0.7 to +1.0 [+1.0]

Note: Majority outlook of the Policy Board members. FY y-o-y comparisons, % and figures in brackets indicate the medians of the Policy Board members' forecasts.
Source: Made by MHRT based upon Bank of Japan.

(3) Japanese bond market: 10yr JGB yield is projected to trend around 0.10%

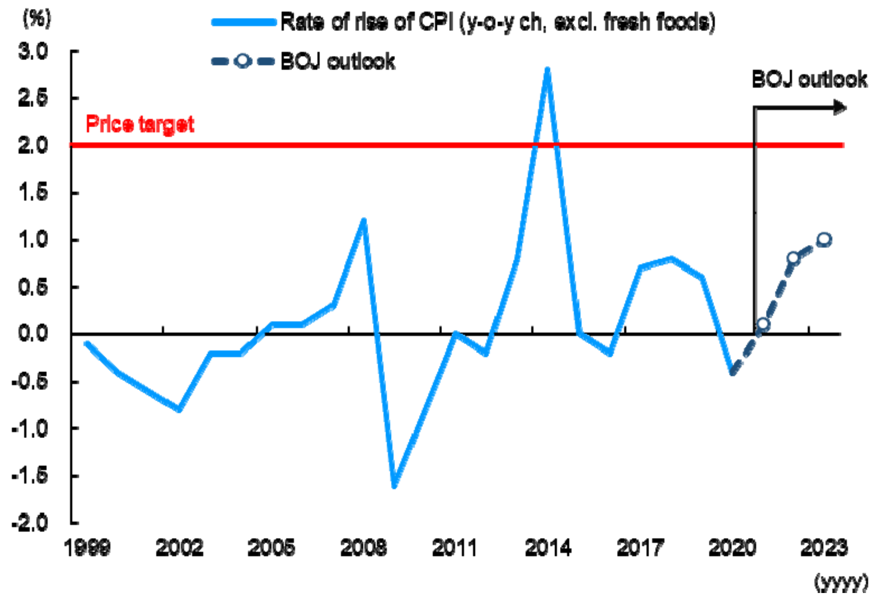
- The 10yr JGB yield remained flat in the 0.08-0.09% range. The planned purchase amount of JGB operations by the Bank of Japan in May has not changed since April.
- The 10yr JGB yield is projected to trend around 0.10%
  - According to the Bank of Japan's April *Outlook Report*, the consumer price index increase rate is expected to rise by only 1% even in FY2023.
  - Even though BOJ Governor Haruhiko Kuroda commented after the MPM (April 26, 27) that the price stability target of 2% was appropriate and [Bank of Japan is] not thinking of lowering it, monetary easing will most likely be prolonged as low inflation will persist even after recovery from the Covid-19 pandemic.

Trend in JGB yields



Source: Made by MHRT based upon Bloomberg.

Trends in rise of CPI

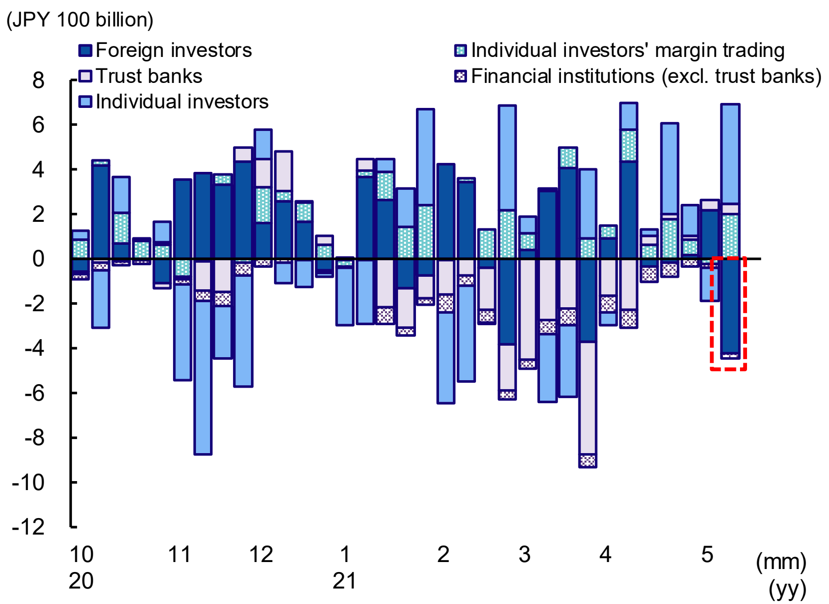


Note : The outlook on the rate of rise of the CPI is the median outlook of the Policy Board members of the Bank of Japan's *Outlook for Economic Activity and Prices* April 2021) (FY2021-FY2023, y-o-y change).
Source: Made by MHRT based upon Ministry of Internal Affairs and Communications

(4) Japanese stock market: looking forward, expect a gradual rise despite a drag from the resurgence of Covid-19 infections

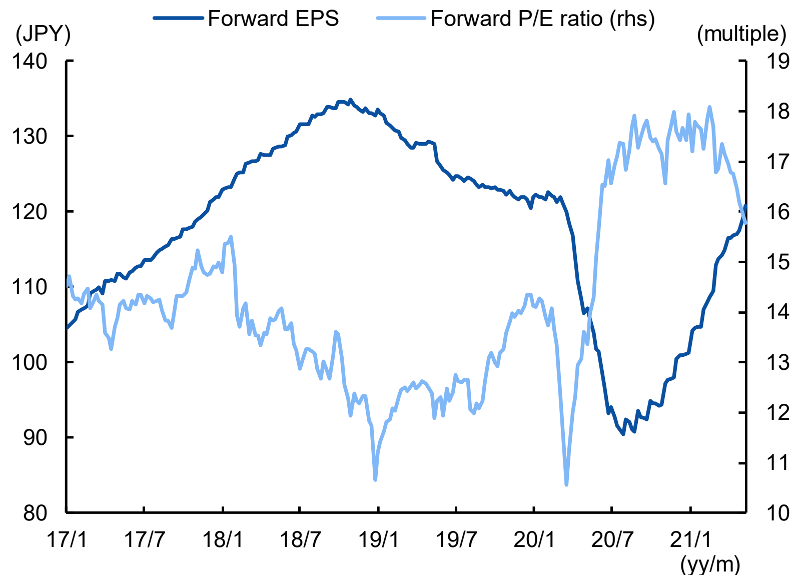
- The Nikkei Stock Average weakened, temporarily dipping below the 28,000 yen level due to factors including the delay in vaccine rollouts in Japan and the declaration of a state of emergency.
  - In addition, overseas high-tech stocks fell due to concerns regarding inflation along with the recovery of the global economy, leading to the rise of risk-off sentiment mainly among overseas investors.
- Corporate earnings remain firm, with the forward EPS generally recovering to pre-Covid-19 (end of 2019) levels.
  - On the other hand, the expected the P/E ratio is falling (15.8x) due to the resurgence of Covid-19 infections and weakening overseas stocks.
- Looking forward, even though the resurgence of Covid-19 infections in Japan will serve as a drag on the stock market, the market should rise gradually given the expansion of corporate earnings due to the recovery of the real economy through the second half of the year.

Trading volume in Japanese stocks by investor type (spot trading)



Note: Total of 1st and 2nd section of two markets
Source: Made by MHRT based upon Japan Exchange Group, Inc.

TOPIX forward EPS and forward P/E ratio

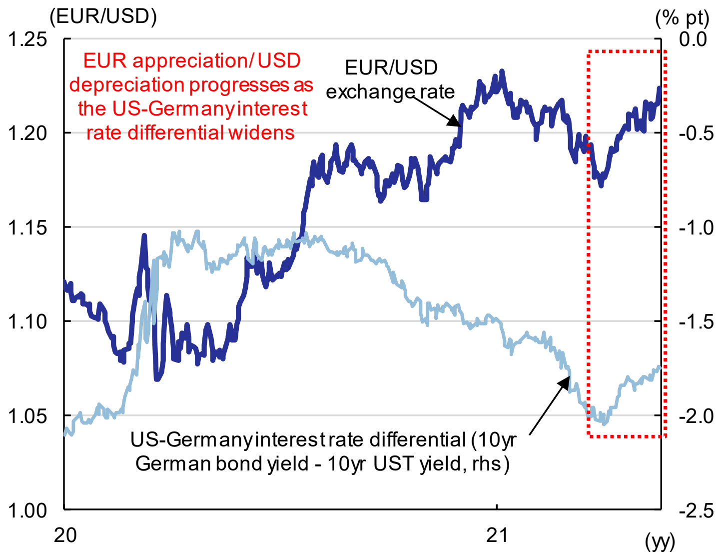


Note: Forward EPS and forward P/E ratio are based on 12-month forecast.
Source: Made by MHRT based upon Refinitiv.

6. Forex market: the expansion of the Japan-US interest rate differential has paused, and the USD/JPY exchange rate is expected to be range-bound

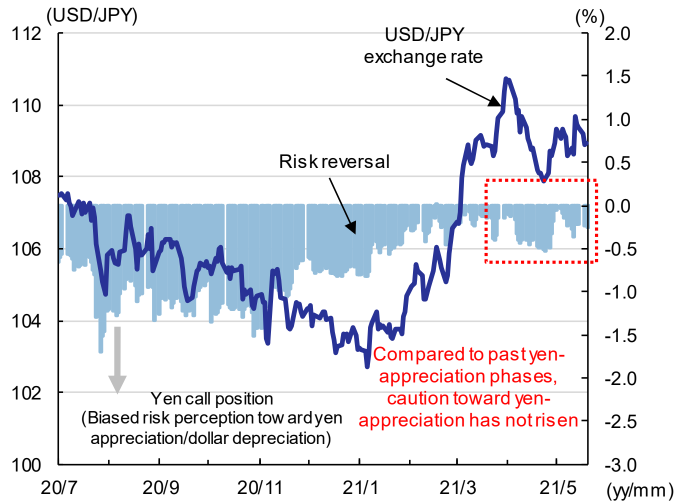
- Looking at the USD/JPY exchange rate, the dollar has temporarily stopped strengthening against the yen, a trend that has continued since the beginning of the year. The widening interest rate differential between Japan and the US has paused against the backdrop of falling US interest rates.
  - Subsequent to the release of the US April CPI (May 12), the dollar strengthened against the yen, reflecting speculation on the rise of US interest rates. However, given expectations that that the FRB will not taper monetary easing any time soon, the USD/JPY rate is continuing to move around JPY 108 to JPY 110.
  - Due in part to expectations toward economic recovery in Europe, the euro strengthened against the US dollar, reflecting the expansion of the US-Germany interest rate differential along with the rise of German interest rates.
- We expect the USD/JPY exchange rate to be range-bound. The rise of German interest rates is expected to pause, and the euro is not expected to rise further against the US dollar.
  - Looking at the USD/JPY risk reversal, it seems that there is no growing sense of caution about the yen's appreciation.

EUR/USD exchange rate and US-German interest rate differential



Source: Made by MHRT based upon Bloomberg.

USD/JPY exchange rate and risk reversal



Note: Risk reversal represents the same exercise date, transaction amount, and price difference between calls and puts in the same delta. Delta 25%, 1 month.
Source: Made by MHRT based upon Bloomberg.

7. Outlook on the financial markets

		May 25, 2021	Apr-Jun	Jul-Sep	Oct-Dec
Japan	Interest rate on Policy-Rate balances (End-of-quarter, %)	-0.10	-0.10	-0.10	-0.10
	Newly-issued JGBs (10yr, %)	0.08	0.05 to 0.15	0.05 to 0.15	0.05 to 0.15
	Nikkei Stock Average (JPY)	28,554	28,400 to 29,400	28,900 to 29,900	29,700 to 30,700
US	Federal funds rate (End-of-quarter, %)	0.00 to 0.25	0.00 to 0.25	0.00 to 0.25	0.00 to 0.25
	Long-term UST (10yr, %)	1.56	1.65 to 1.80	1.65 to 1.85	1.75 to 1.95
	Dow Jones Average (USD)	34,312	32,200 to 33,200	32,500 to 33,500	32,600 to 33,600
Eurozone	ECB deposit facility rate (End-of-quarter, %)	-0.50	-0.50	-0.50	-0.50
	Long term GB (Germany, 10yr, %)	-0.17	-0.45 to -0.30	-0.45 to -0.25	-0.40 to -0.20
Forex	USD/JPY rate (USD/JPY)	108.78	107 to 109	107 to 109	108 to 111
	EUR/USD rate (EUR/USD)	1.225	1.19 to 1.22	1.18 to 1.21	1.15 to 1.19

Note: 1. The foreign exchange rates (actual) are NY closing rates.
2. The projected policy interest rate indicated for the Apr-Jun, Jul-Sep, Oct-Dec quarter is the end-of quarter closing rate, while others indicate that the average value in the quarter will fall within the range indicated.

Source: Made by MHRT based Bloomberg.

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