In Japan, the aggregate economy expanded by 3% in Q2 (2019), partially recovering from a recent contraction of 6.8% in the previous quarter, according to the Cabinet Office. This was the first quarterly growth in a year, as unemployment in Japan remained stubbornly high due to the COVID-19 crisis. Private consumption rose for the first time in four quarters (7.6% vs. 0.4% in Q4), while capital expenditure contracted at a softer pace (3.8% vs. -15.8% in Q4). Export growth added 1.2% in Q3 due to increased exports of machinery, which is a significant component of Japan’s economy. The overall positive trend in Q3 suggests a recovery in the short term, although the outlook remains uncertain due to the ongoing pandemic and uncertainty in global markets.

**Macro Economic Outlook:**

- **GDP Growth:** 3.0% in Q3, up from 2.4% in Q2.
- **Consumer Spending:** Up 3.8% in Q3, driven by pent-up demand.
- **Inflation:** 0.8% in Q3, unchanged from Q2.
- **Unemployment:** 3.3% in Q3, down from 3.4% in Q2.
- **Exports:** Up 12.8% in Q3, reflecting strong demand from Asia.
- **Imports:** Up 14.3% in Q3, due to higher energy prices.

**Monetary Policy:**

- **Interest Rates:** Stays the same at 0.10%.
- **Asset Purchases:**将继续 at €740 billion monthly until the end of 2022.

**Market Outlook:**

- **Equities:** Expected to remain volatile due to continued COVID-19 uncertainty.
- **Fixed Income:** Yields are likely to remain low given low inflation expectations.
- **Commodities:** Prices are expected to remain stable due to strong demand from China.
- **Currencies:** The yen is likely to remain weak against the US dollar.

**Credit Markets:**

- **Bond Yields:** Up 10 basis points in Q3 due to rising inflation expectations.
- **Mortgage Rates:** Expected to remain low.

**Foreign Exchange:**

- **Trade Balance:** Expected to remain in surplus.
- **Currency Pairs:** USD/JPY likely to remain around 110.

**Economic Indicators:**

- **Inflation:** 0.8% in Q3, slightly higher than Q2.
- **Unemployment:** 3.3% in Q3, down from 3.4% in Q2.
- **Consumer Spending:** Up 3.8% in Q3, driven by pent-up demand.

**Policy Actions:**

- **Central Banks:** Active in purchasing government securities to support the economy.
- **Government:** Continuing fiscal stimulus measures to support the economy.

**Risk Factors:**

- **Virus Outbreak:** Continued uncertainty due to the COVID-19 pandemic.
- **Trade War:** Uncertainty due to the ongoing trade disputes.
- **Global Growth:** Dependence on the recovery in major economies.