Japan Economy Chief Warns Against Panic Over Stock Sell-Off
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May 23 (Bloomberg) -- Japan's economy chief said there's no reason to be perturbed by today's sell-off in the nation's stocks, as the recent surge in equities was faster than expected and the economy is steadily recovering.

The Bank of Japan continues to be in close communication with financial markets, and the government is carefully monitoring movements, Economy Minister Akira Amari told reporters in Tokyo. He spoke after Japan's Topix Index of equities tumbled 6.9 percent, the most since the aftermath of the earthquake and tsunami that hit in March 2011.

Volatility also hit the bond market today, with a surge in 10-year government-debt yields to the highest level in a year prompting the central bank to inject liquidity. Bonds later rose, sending yields down, as stocks plunged, while the yen strengthened.

Japanese Cabinet members highlighted a decline in a Chinese manufacturing gauge today as a potential trigger for the drop in shares. The preliminary reading of 49.6 in May for a Purchasing Managers' Index for China released today by HSBC Holdings Plc and Markit Economics indicated the first contraction in seven months in Asia's largest economy.

Chief Cabinet Secretary Yoshihide Suga told reporters earlier that Japanese stocks were reacting partly to worsening Chinese data, and that recent stock-price gains had been unprecedented. The Topix index remains up 52 percent for the past six months. Amari also said today's drop could be related to Chinese figures.

BOJ Responding

Vice Finance Minister Shunichi Yamaguchi told reporters that the central bank is responding as needed.

BOJ Governor Haruhiko Kuroda said yesterday the BOJ will adjust the central bank's stimulus program as needed. He said that he wasn't expecting yields to jump a lot and that volatility in the bond market wasn't affecting Japan's economy yet.

The BOJ's injection of 2 trillion yen at all offices today was done in response to excessive volatility in long-term yields, according to an official who asked not to be named due to the central bank's policy.

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