

Kimura Dreamvisor Newsletter Summary 27th of July

Have growth markets finally confirmed bottom? Yahoo Japan and Rakuten show value at that level...

Internet core stocks had a wide ranging day.

Market showed a strong bottoming out pattern on the 19th of July; first section had kept its gains up to the 27th of July. There was a high probability for the market to test its July high.

However new growth markets have not kept previous pattern of going down in the morning session and recover in the afternoon, rather we saw a new selling climax where Rakuten registered new low on the 24th and Yahoo broke its 50,500 Yen rock solid resistance line. I was confident but my bottoming out theory was denied.

Yahoo Japan and Rakuten had quite drastic movements over the past three days. In addition to Yahoo earnings statement for April-June US Amazon.com crashed and investors sold on the back of Internet stocks long bear trend story. But technically the stocks were oversold, on a value basis they were bought back.

After the sellout we had the key 'reversal day' which always shows wide range movements pointing out to bottom. This said MOTHERS index finished weaker, JASDAQ down and investors were willing to cash in on any rebound therefore one cannot be sure 100%.

The low touched by Yahoo today was 43250 Yen which is a 45 % fall to its high; Rakuten touched a low of 48000 yen. Looking at the very recent highs Yahoo has fallen 30, 6% from 4th of July high, Rakuten has fallen 38,9 % from 16th of June high. At low Yahoo Per is 43x, Rakuten 24x, those are low valuation level for companies registering double digit growth.

Margin buying amount went down to 300 billion Yen by last week but JASDAQ and second sections further plunged 10 %. Although new margin buying should have materialized 1/6th of the left margin buyout was sold off. This is a very high percentage I believe. This very week margin settlement is progressing quite fast, on a two weeks basis it has been going down substantially, even seasoned investors have been severely hit and it looks pretty difficult for individuals to start buying again at that point. For

small caps the 'rehabilitation' market will last longer.

Main stocks look better. Stocks like consumer loan finance companies are revising down but industry related stocks earnings are strong. Numerous companies are announcing stock buy backs or free scrip issues which are a good support for current weak supply demand situation. Toyota and Honda related spare part makers have been revising upward earnings. This is not a market where one buys and immediately cash in but we are still in a situation where mid term investors buy and hold.

Israel offensive has been long planned therefore the end of this conflict is in sight.

Lebanon was dubbed the Middle East Switzerland in the past and Beirut nicknamed the Paris of the Middle East. Nissan Renault's Carlos Ghosn parents are Lebanese by the way. Civil war destroyed Lebanon from 1975 to 1990 and since the war end powerless politicians have run the country. Christian maronites, Shi'a Muslims and Sunnites have shared the state main constituents.

Syria is the main powerbroker behind this political balance; Lebanese Lobbyists have been acting with neighbor country Israel and USA to eradicate Syria's influence.

This is why Hezbollah expanded with the support of Syria and Iran.

Israel entered Lebanon on the back of Tsahal two soldiers abduction but this was nothing else than an excuse to start hostilities. This was a golden opportunity, Israel have been planning for a while to get rid of Hezbollah within Lebanon. Israel launched an all out offensive targeting the complete destruction of Hezbollah military bases and the 12000 or so missiles within a few weeks.

Military action requires money and risk taking. By launching an all out offensive Israel need results. During the Gulf War US launched a 200 000 infantry force to test Iraq's seriousness. Of course United Nations cannot accept any country to target destruction of any specified group in another country therefore Israel has been ordered to stop hostilities. However with US backyard approval Israel won't stop until they have reached their goal. The US secretary Condoleezza Rice repeatedly stressed that destruction of Hezbollah military forces were a condition for rapid cease-fire. Probably because she recognized that it would not take much time for Israel to terminate the job. This looks a feasible scenario.

Any military action target achievement poses a moral dilemma but from a market perspective the outcome must be carefully evaluated. One must manage positions according to the highest probable scenario.