

Kimura Dreamvisor Newsletter Summary 10th October 2006

Evil's saying betrayal leaves me half happy half sad

Nikkei 225 eight years cycle first half low could be avoided.

In fact a strong popular saying was betrayed. Since 1974 Nikkei 225 tends to test bottom roughly every eight years during first half October (9th October 1974 at 3355 Yen, 1st of October 1982 at 6849 Yen, 1st October 1990 at 22221, 9th October 1998 at 12879) apart from current year.

Each 8 years when cycle bottom level was approaching anxiety level increased and most technical indicators usually diverted heavily from average. Even for the most contrarian investors this was not a welcomed buying opportunity.

World's most famous equities cycle is US election cycle. US market well known pattern looks for bottom in autumn second half when US congress mid term elections take place, the fall is usually particularly steep for the new President's election. Japanese 8 years cycle comes up on top of this leading to same time world equities weakness. This is a difficult cycle to avoid.

However this year US stocks far from falling went up. Based on earnings and economic resilience Japanese stocks either did not fall down much. Consequently this time is clearly different from the previous 4 times. This shows that market rhythm has changed.

You may think it is superfluity however in the world of heavenly phenomena's and astrology Venus retrogression (moving from East to West in the Sky) is a well-known fact. Every 8 years this happens in the 5 degrees ratio. When the above-mentioned bottom takes place Venus retrogression occurs in Aquarius at previous year's twilight. And each time some panic led economic phenomena happen. This time was the same although it did not come to the point of creating an economic crisis.

The fact that an evil's saying did not happen is rather good for investors but has also negative consequences too. In fact it is true that after having confirmed bottom the next half-year shows excellent investment return and I believe that since we did not have a market fall we lost the chance to make substantial money through the rebound.

And it goes the same for USA which usually enjoys a one straight bull market following mid year election low.

Abe prime minister is lucky.

The North Korean Nuclear test announcement although foreseeable has surprised international community. There was not large impact on Japanese investors compared to the

missiles launch affair and despite having started lower the market quickly recovered. Leading large cap stocks and high priced shares closed somewhat higher. However no buy orders materialized on both small caps and New Growth Markets, rather there were large sacrifice selling of stocks bought on margin for the last week of April.

This event was obviously negative however this was still in the range of Japanese official's assumptions. Rather the Chinese and South Korean soft hand approach took a beating and this added fuel to Japan willingness to engineer tough sanctions on North Korea. This was welcomed by Japan making it easier to force sanctions through United Nations. North Korea heavily suffered from the cold summer plus damages caused to crops. It is sure for this winter there will be a large food crisis not seen since 1993. Without even reaching direct talks level with USA and by painting mud on China and South Korea Ments North Korea threw it self in a blind alley. In addition this undoubtedly greatly advanced the clock toward the system collapse.

Some observers believe that the explosion scale was small and finally failed but is highly expected North Korea will soon proceed to a new test. Even if such text succeed it would not pose a direct threat to Japan, impact on stock prices and economy is limited so far. Despite Roh Moo Hyun political power 'soft touch' policy being betrayed supposedly hard hit South Korean market managed to close down by only 1 %.

The lucky one is Abe. You would think that North Korea engineered its test to match Abe's China visit schedule but It looks like it is China who wanted relation improvement with Japan new administration and wanted to complete the summit before Korean nuclear test notice. Not only did Abe recognized the deepness of Yasukuni shrine visit problem but the Ambassador organised a visit to the famous 'Lion'.

The news about the North Korea nuclear test arrived while Abe was meeting with South Korea Roh Moo Hyun, basic policy became the core problem and Yasukuni Shrine became a secondary problem. As Abe had to close ranks with both China and South Korea regarding attitude toward North Korea he would not have taken the risk to rubs up other's party nerves with Yasukuni shrine visit. Anyway on the foreign diplomacy front Abe scored a few points.

At any rate the big homework left by Koizumi administration has been nearly settled down, in Japan a consensus has built up toward not visiting the Yasukuni shrine. Despite dissatisfaction with economic problems Abe administration had a good start in the end.