Kimura Dreamvisor Newsletter Summary 17th of August 2006

Over rushing leads nowhere.

Investors training starts with every day's life.

Investment purpose is to secure profit from stock price increase or interest from financial products. Money is no panacea but lack of money obviously influences one's life and happiness, sometimes it affects one's destiny. Money is important. Consequently it appears evident to spare no efforts securing a certain level of capital.

Of course one can secure income by working until retirement but this is usually limited in time. Therefore it is understandable that everyone would prepare pension income and private wealth to maintain a happy lifestyle. Every day's life requires building a money plan to budget income (flow) used for expenses and savings target for future (stock), the plan needs review each 2 to 3 years time. To reach this savings target there are three different approaches: first increase income by raising labor profitability, second reduce expenses by intelligent consuming and practice economy, third expand return through investment. However if income is low it remain difficult to save for investment purpose. In such case one need to focus on increasing income flow and sharpen spending skills to increase savings. Even temporary investment failure should not be an impediment provided one has the capacity to increase regular income flow. In case of failure one can reduce savings to replenish capital for investment purpose.

Normally investments return is much higher than savings return which makes it possible to reach the savings target more rapidly. If an individual with a 20 % marginal tax rate increase by 10 % income flow available money increases by only 8 %. Provided you avoid peak season buying, take advantage of shareholders friendly policies and buy on fall equals to making 10 % saving on real spending. You therefore decrease consumption tax payment. As much as marginal tax rate is important for high income earners the same goes for savings impact.

Should you decide seriously to invest please stop such things as Pachinko, horse racing and Lottery. By managing your recreational time you can keep spending below 10000 Yen per year. It is also necessary to dedicate efforts and work for that purpose. If you have such energy then it is worth spending some time on investment related literature like Nikkei 'Shikiho' (Nikkei companies' handbook) or Nikkei Money. It is far more efficient to read professional investors methodology than just follow published stock recommendations.

I am not saying that to increase return on investment is easy stuff but it requires elf control and hard study. Above that it is vital to avoid being taken into any bogus business.

We cannot decide of any investment yield.

However it is possible to manage income flow and expenses. Investment return depends on market environment, buy & sell timing. Even if you are a long term investor you may come across a 10 years (decennial) strong bull market as much as a 10 years bear market. In the seventies savings were progressively eaten by inflation. The 90's deflation years were no better for savings. In fact provided timing was adequate foreign bonds or equities proved better investments than domestic equities. All in all market long term trends is far more important.
Securities analysts are paid for their capacity to produce reports allowing customers to trade quicker and better than others. You would commonly see a stock rated sell or buy by a large securities house suddenly shoot up or fall back. There is no doubt that analyst reports impact stock price. In addition companies are increasing their IR activity and this also impact stock price. However from a long term perspective it is market environment and earnings which shape stock prices not analyst reports neither corporate IR.
When it comes to analysts influence some investors who trust an analyst may use the rating as a short term trading opportunity but analysts do not shape a stock valuation in the end. Stocks may overshoot in the short term thanks to analyst's reports but as this also trigger a correction we can say that analysts have no impact at all on future stock prices.
The largest risk is inherent to us. By over concentrating on short term what is by definition a long term job we tend to easily indulge ourselves. We are not well prepared to protect against this which leads us to over invest or face pitfalls. By hastily rushing to make money we end up nowhere.