Kiyoshi Kimura Dreamvisor Newsletter summary 23rd of May

Mini crash of commodities and BRIC's equities led to Mitsubishi UFJ equities sell off.

In fact psychological support is around 15500.

TSE has reached a level implying a rebound. This said the crash of commodities markets which started the week before led to heavy selling in BRIC's equities the first victim being Indian market. The 23rd banks that have been the main market leader were sold off heavily. Earnings published for the banking sector were excellent and reaching historic levels especially for Mitsubishi UFJ.
The banking group announced the buy back of all preferred shares held by government but most of those will be sold to the market which led to fears of over supply in the banking sector. The same fact occurred between January and February 1999 when a crisis confidence occurred in the banking sector but this time timing could not be worse for the market to absorb the additional supply.
TOPIX felt to 1579 led by heavy selling in large caps. Previous year low was 1539 during Livedoor shock. Analyst consensus for the Nikkei 225 bottom is around 15500 and obviously most indicators point to a solid technical rebound.
This low was somewhat easy to forecast considering the 18th of January as starting point of the primary cycle with expected low four months later.
For the investors armed with buying capacity this offers a good buying chance, from a pure trading viewpoint it is also a sizeable chance to take advantage of wide volatile movements in share price.
Russian market index which started at 650 a year ago touched briefly 1800 to turn to heavy profit taking and stabilize at 1310. The Bombay SET index which was at 6200 by the end of April 2005 doubles to 12500 by May 2006 and then crashed at 9800; Korean and Taiwan market indexes lost 10 %. Gold which previously rose to 730 $ was sold to 640 $.It is clear that investors who fed the rise in commodities and BRIC's heavily took profit and no doubt that there will be some casualties on the road. When holdings net asset value falls heavily investors are in no other positions but to sell and this has an impact on other markets.

The timing of real money flows is nearing.

The crash of commodities and sell off of equity markets should normally be interpreted as a hint to real economies slowdown , this may prove right next year but not for current fiscal year. The explanation lies with worldwide excess liquidities which led ground for immediate strong bull markets. The correct interpretation is rather the fact that taking in account US & Japanese new less generous monetary policies investors took profit betting on a reduction of excess liquidities.

More than a *reduction in global liquidity* correct interpretation would be *a slowdown in the rate increase of global liquidity.* Standard excess liquidity is savings not used by the real economy; someone has to supply such excess liquidity. Clearly the largest supplier is the US with its giant twin current deficit. Those absorbing it are still industrial products exporting countries like Japan, China, oil exporters like Middle East and Russia. Unless oil price goes down substantially this situation is bound to continue.

The author of this report believes that the likes of large hedge funds, investment funds play a substantial part in the game by launching large buy or sell orders. When nervous traders turn to heavy net selling market flow believers comes in action. Such followers trust only charts and large institutional orders.

To summarize it all even if sellers come in there is ample buying capital to push the Japanese market up again. It has been said that Japanese individual's money is not targeting risk but this is past story now. Even the well known money savvy president of Suzuki motor has announced Suzuki bought back its own shares at stock high level...that says something about the fact that Japanese corporate policies has changed for good.!