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On 23rd, an important “Harami” pattern (Candlestick term) which indicates that the market would switch over to rebound in many cases at the bottom range appeared, and also the market rose 1,056 yen from 12,573 yen at Nikkei average on 22nd close to 13,629 yen on 25th close. We could expect a good performance for the next week and after.

Just till Tuesday, pessimism has dominated the market facing sharp fall like a panic. The reasons are;

1. sub-prime problems,
2. swing to stronger yen,
3. concern of US economy’s slow down,
4. distrusting politics,
5. concern of China economy’s slow down after Olympic Games,
6. crude oil price rise,
7. uncertainty from US presidential election and from possibility of dissolution and general election,
8. lacking of buyers in supply-demand plus settlement of margin trade in last July,
9. selling off due to margin-call, etc.

As everyone sees, unfavourable factors are piled up and “no stock rise could be expected” said many investors. In stock investment, we would also say “dawn before is the darkest,” and “the negative turns to the positive at the end.” The negative doesn’t continue forever and neither does the positive.

There was a political trigger that FRB determined an emergency rate cut of 0.75% and carried out on the same day. The US felt a crisis of its capitalism and accelerated stimulus measures such as slashing taxes and capital injection plan to mono-line, financial insurers. The US would thoroughly take actions in order not to spoil national interests, and therefore we could expect there are more measures not only this time.

Incidentally, 15 euro nations, such as German, France and Italy, looked out for the influence by weaker stock markets at the financial minister meeting held on 21st, Monday, and showed an intention to plan early stabilization of financial markets at G7 (7 nation meeting of finance ministers and central bank governors) to be held in Tokyo from Feb 9th. G7 this time will be symbolized as eradication of financial disturbance, which means breakaway from stock market plunge (upswing of stock prices) with a global union. I would say that the stock markets will have a turning point with high possibility from the negative to the positive towards the meeting.

Although the year's opening session recorded a sharp decline of 616 yen, in '99 the opening session recorded 426 yen decline which was the biggest until that time, however, after that from March the market started to rise and the annual rise-fall rate was plus 36%. Also in '88, it was 346 yen down and still the rise-fall rate was plus 40% as a record.

After next week, the third quarter (October to December) results will be announced by many companies, and on 28th the US President's State of Union Address is scheduled. On 29th – 30th, FOMC is expected to slash rate more, on Feb 1st US labour statistics, and from Feb 9th G7 in Tokyo, there are many key events that the market will respond. So, please don't be tumbled by day-to-day move, and stand still with a firm and long term investment stance.

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