

All Investment - Toyo Keizai Online 02/06/08

US financial firms to move quick – finally Japanese stocks?

Sub-prime loan problem would let most of Japanese remind of bad debt problem after the bubble in Japan. It took for 10 years to dispose of all in Japan.

If it takes for ten years to solve this problem, influence on world economy is enormous enough to make us tremble.

There is, however, a big difference between Japan and US on how to face, and I think the problem would be solved unexpectedly and quickly. In Japan's case, the financial management people who made bad loans had remained within the companies without taking responsibilities. As a result, disposal of bad loans were overdue and fall of workers' incentive and morale was remarkable.

On the other hand, in the US as soon as the sub-prime problem appeared, top executives of major financial firms like Mr Prince, Citigroup, Mr O'Neill, Merrill Lynch, have been reshuffled. It would be taken as clarifying management responsibility and arranging a new structure to deal with the problem appropriately. Furthermore, in order to make healthy financial status they didn't hesitate to accept capital injection from SWFs of the Middle East countries and China. To Japanese financial companies, to get capitals from overseas SWFs in order to stabilize the management were beyond their concepts.

Away from negative structure

To the end of February the financial firms of Europe and the US will continue to announce their business results, however, if their losses on the sub-prime loans are disclosed in this opportunity, the foreign investors could react rather easier.

Well, where the foreigners would invest in stocks? I dare to say it is Japan. China stocks would be a little difficult due to inflation plus tightening monetary policy. Although in the US the sub-prime problems would be going to be settled, recent economic indicators don't recommend us to invest. In Europe, the business might be slowing down, and because of signs of inflation, interest rate cut wouldn't be expected.

In Japan, there is no inflation scare, and interest rate is low. So, I think Japan stocks will be reconsidered as they are in a historically low range. The Japanese sold out Japanese stocks in pessimistic mood, and the foreigners bought them up, furthermore when their prices go up, Japanese eventually notices the strength of stocks. I don't want to imagine such a story any more.

– ETF Investment and Financial Translation –

shimka