Fullermoney Plus

Issue 180
25 June 2002

Global Strategy and Investment Trends by David Fuller **http://www.fullermoney.com**

Shiokawa gaff compounds the MoF's currency problem.

Since central bank currency intervention is contra-trend, it has to be convincing. Acting on instructions from the Ministry of Finance, the Bank of Japan intervened in the ¥123 to ¥124 region against the US dollar on four occasions between late May and early June. The MoF wants a weaker currency because the dollar/yen rate is a particularly big influence on operating profits for Japan's exporters. Unfortunately for them, everyone else has been scrambling out of the greenback in recent months. Nevertheless, the yen is not exactly a strong currency so the intervention might have worked if the MoF had been consistent in its message to the markets. Instead, gaff-prone Finance Minister Masajuro Shiokawa told reporters last Friday, presumably in answer to a question, "It's not good to intervene in the currency market all the time". When this flashed across terminals, a legion of forex traders dumped their yen short positions, especially against the friendless dollar. As Bloomberg columnist David DeRosa said, "I'm glad he (*Shiokawa*) isn't horsing around with my money. It's like a surgeon saying after an operation that the procedure he just used never really works."

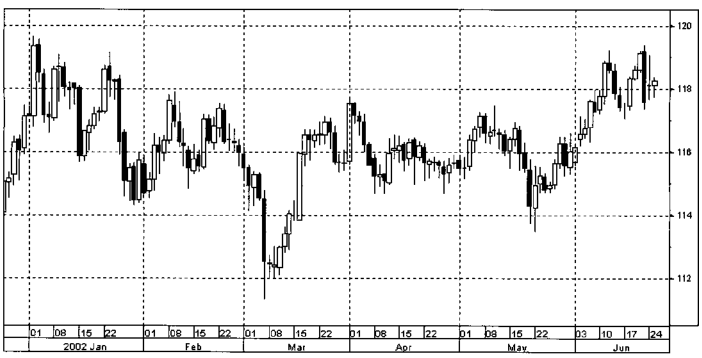
The BoJ intervened again yesterday, with the hapless Shiokawa saying, "We are concerned that a recent rapid swing of the yen/dollar exchange rate is unfavourable because it may hurt not only the Japanese economy but also the global economy". This enabled European currencies to regain part of Friday's losses against the yen and they continue to show overall bullish patterns. However after reconsidering Shiokawa's latest comment, traders were soon selling the dollar once again because as everyone knows, the US is the ailing global economy's main engine. I think the MoF will achieve its goal of a weaker yen, despite Hayami and weak money supply growth, because it looks bearish against most other currencies on the charts; Japan's deflation persists, and the fledgling economic recovery is likely to be ephemeral, especially without a soft exchange rate. However a weaker trend against the euro and Norwegian krone will be of no net economic benefit for Japan if the yen remains firm against the declining dollar. After Shiokawa's own goal last Friday, he may have to dig deeper into reserves before he can affect sentiment and buy a dollar/yen rate of ¥130 in the next few months.

Best regards – David Fuller

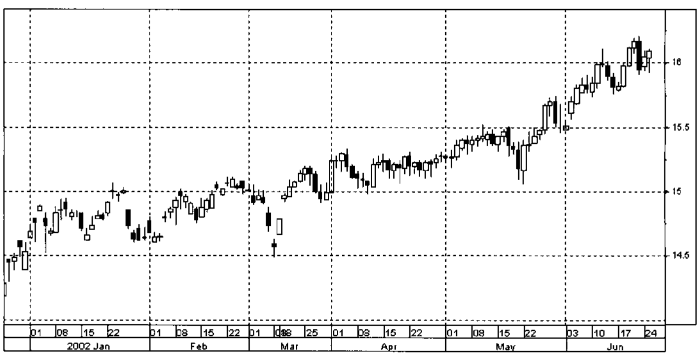
Charts supplied by Bloomberg.

US Dollar/Yen: 121.81 (Daily)

Euro/Yen: 118.28 (Daily)



Norwegian Krone/Yen: 16.0925 (Daily)



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Website: www.fullermoney .com ***Email:*** research@chartanalysts.com ***Tel:*** +44 (0) 20 7351 5751 ***Fax:*** +44 (0) 20 7352 3185 ***Single Issue Price*** £3