

Global Risk Watch Newsletter

Japan's Economy Struggling in the Phase of Global Risk-Off Holidays, etc.

Global Risk Watch Vol.13 (1 year anniversary)
28 April 2016

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3.Highlight of Indicator for this Month

Uncertainties Toward Abenomics in the Future (Yasuhiro Sobue, Manager, Center for Risk Management Strategy at Deloitte Touche Tohmatsu LLC)

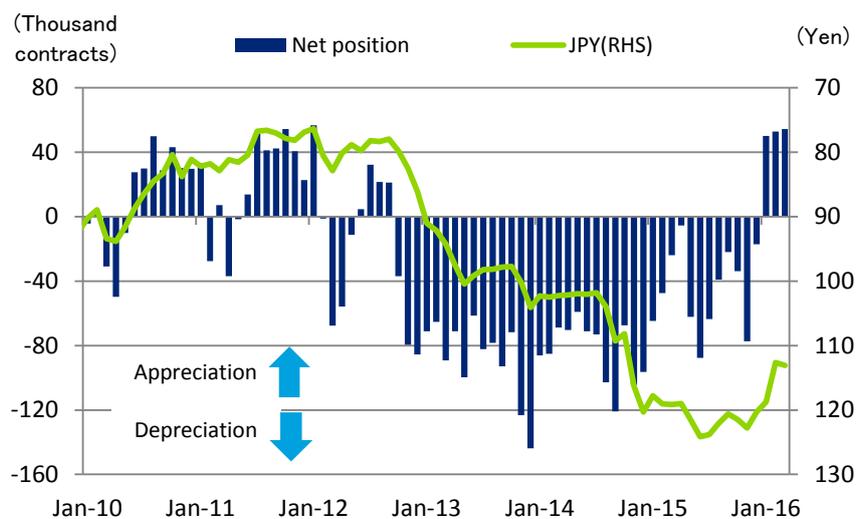
In recent months, data indicating uncertainties toward Abenomics have increased. In the financial market, speculative investors' (non-commercial sector) USD/JPY future position turned to 'net long position' since the beginning of the year, maintained the position afterwards (exhibition 2). Speculative investors' (non-commercial sector) net long positions on JPY have not been seen since November, 2012, which also clearly shows changes in foreign investor's expectation on JPY depreciation.

In addition, the uncertainties toward macro economy also increased. The most symbolic indicator is the indexes for business conditions (Exhibition 3). According to the Cabinet office CI (Composite Index), the overall assessment of coincident index have stagnated, which shows the economy has not improved but also has not worsen. However, CI Leading Index has showed a clear sign of decline since June, 2015, also indicative of an increasing likelihood of

economic downturn risk. Abenomics now faces the toughest condition since the inception.

Exhibition 2.

Non-commercial traders' JPY futures net position traded at CME

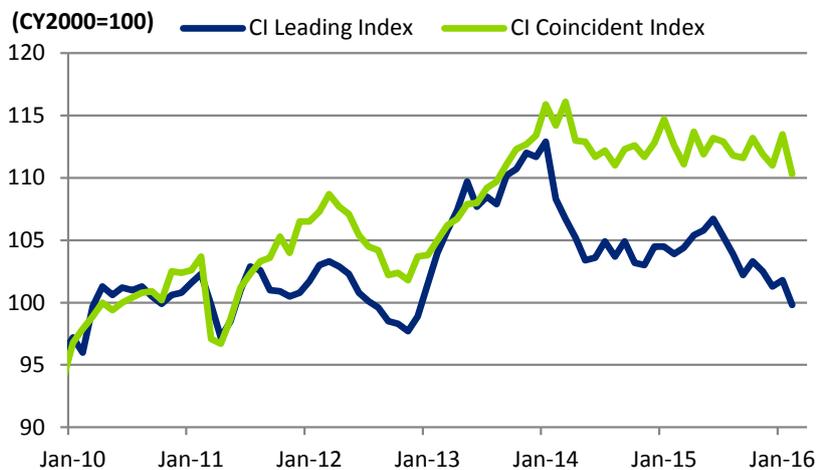


* Mar-16 data is at March 29th, 2016.

Source: U.S. Commodity Futures Trading Commission

Exhibition 3.

Japan: Indexes of Business Conditions



Source: the Cabinet Office

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