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# HA Research

CURRENCY FUNDAMENTAL QUANTIFIED.

# CURRENCY REPORT.

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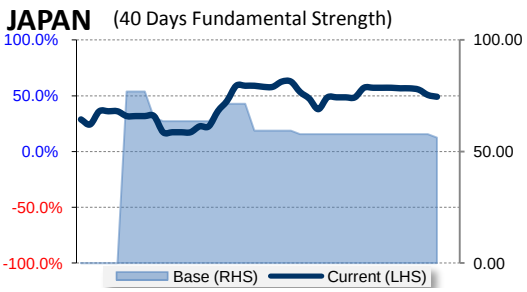
**Japanese Currency Report**

# JAPAN ECONOMY In a glance.

**02-Dec-2013 (Monday)**

*Last Updated: 09:31AM* (GMT +0800)

**Figure 1: Fundamental Strength Index for last 40 days.**




* HOW TO USE THESE? - *see footnote on Fundamental Strengths.*

## BASE SUMMARY:

| | | | |
|---|---|---|---|
| **INFLATION INDICATORS :** | | 3.1 | **/ 18.8** |
| **GROWTH INDICATORS :** | | 34.4 | **/ 62.5** |
| **EMPLOYMENT INDICATORS :** | | - | **-** |
| **HOUSING INDICATORS :** | | - | **-** |
| **BUSINESS SURVEY :** | | 18.8 | **/ 18.8** |
| **CONSUMER SURVEY :** | | - | **-** |
| BASE STRENGTH : | **BULLISH** | **56.25** | **/ 100** |
| SHORT-TERM STRENGTH : | **BULLISH** | **49.21%** | |

# YEN (¥): FUNDAMENTAL STRONGER; DOMESTIC RECOVERY EVIDENT.

Japan Fundamentals Strong (56.25/100); Recent momentum STILL BULLISH at 49.21%.

(Fig2.1) Though still low (0.90%), JP inflation posted notable recovery.(Fig2.1) Tokyo Core Inflation still in deflation, but recovery is significant.(Fig2.3) Average Cash Earnings still weak, though in recovery.(Fig2.4) GDP strong at 0.90%.(Fig2.5) Trade balance weakened considerably, due to a strong yen.(Fig3.1) National accounts hurt from strong yen. Expected.(Fig3.2) Core Machinery Orders sees stabilization, though recently declined.(Fig3.3) Industrial Production strong.(Fig3.4) Tertiary Industry Activity declined -0.2%, but still neutral.(Fig3.5) Domestic Retail Sales betters, recent spike of 3.1% notable.(Fig3.6) Household Spending improving significantly.(Fig4.1) Capital expenditures weakens.(Fig4.2) Japanese manufacturing sector optimistic on economy.(Fig4.3) Businesses optimisic on economy outlook.

**Conclusion:** Economic recovery from Abenomic is evident, Japanese consumer activities and domestic production expands, alongside better earnings and spendings by Japanese households. Manufacturers and businesses optimistic on general outlook for Japanese economy. **Domestic retail sales remains strong, Inflation continue to build and household spending maintains strong growth trend.**

**Table 1: Pending Fundamental Events for Japan & Past 15 economic data release.**

UPCOMING FUNDAMENTAL EVENTS

| DATE | TIME | DETAILS | FORECAST | PREVIOUS | IMPACT |
|---|---|---|---|---|---|
| 02-Dec Monday | 10:30am | BOJ Gov Kuroda Speaks | | | !!! |
| 03-Dec Tuesday | 9:30am | Average Cash Earnings y/y | - | -0.20% | !! |
| 06-Dec Friday | 1:00pm | Leading Indicators | 1.10 | 1.09 | ! |
| 07-Dec Saturday | 10:00am | BOJ Gov Kuroda Speaks | | | !!! |
| | | | - | - | |

PAST ECONOMIC EVENTS:

| DATE | TIME | DETAILS | ACTUAL | FORECAST | PREVIOUS |
|---|---|---|---|---|---|
| 02-Dec Monday | 7:50am | Capital Spending q/y | 1.50% | 3.10% | 0.00% |
| 29-Nov Friday | 7:15am | Manufacturing PMI | 55.10 | - | 54.20 |
| 29-Nov Friday | 7:30am | Household Spending y/y | 0.90% | 1.20% | 3.70% |
| 29-Nov Friday | 7:30am | Tokyo Core CPI y/y | 0.60% | 0.40% | 0.30% |
| 29-Nov Friday | 7:30am | National Core CPI y/y | 0.90% | 0.90% | 0.70% |
| 29-Nov Friday | 7:30am | Unemployment Rate | 4.00% | 3.90% | 4.00% |
| 29-Nov Friday | 7:50am | Prelim Industrial Production m/m | 0.50% | 2.10% | 1.50% |
| 29-Nov Friday | 1:00pm | Housing Starts y/y | 7.10% | 5.50% | 19.40% |
| 28-Nov Thursday | 7:50am | Retail Sales y/y | 2.30% | 2.20% | 3.00% |
| 26-Nov Tuesday | 7:50am | CSPI y/y | 0.80% | 0.90% | 0.70% |
| 20-Nov Wednesday | 7:50am | Trade Balance | -1.07 | -88.00% | -1.13 |
| 20-Nov Wednesday | 12:30pm | All Industries Activity m/m | 0.40% | 0.50% | 0.30% |
| 14-Nov Thursday | 7:50am | Prelim GDP q/q | 0.50% | 0.40% | 0.90% |
| 14-Nov Thursday | 7:50am | Prelim GDP Price Index y/y | -0.30% | -0.50% | -0.50% |
| 14-Nov Thursday | 12:30pm | Revised Industrial Production m/m | 1.30% | 1.50% | 1.50% |

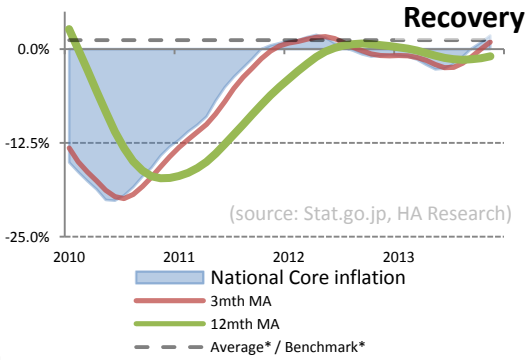
***Quantified Fundamental Strenghts*** *are consolidated and Paired (i.e: CCY/CCY) to generate Auto-Suggested Trades in* ***Summary Report.***

*Auto-suggested trades are automatically paired on the basis of Strongest Currency Fundamental against Weakest Currency Fundamentals.*

For disclaimer & more information on the calculation methodology, please refer to the back cover of this document.

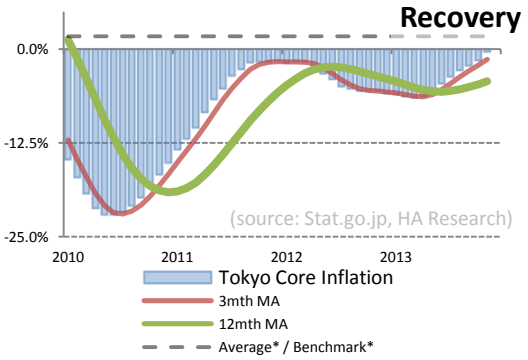
# INFLATION INDICATORS

**(Fig2.1) Though still low (0.90%), JP inflation posted notable recovery.**



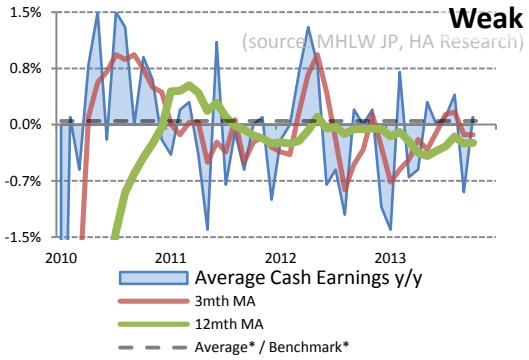

| December: | **Pending** | **Previous** | 1.80% |
|---|---|---|---|
| **National Core CPI** | Change in the price of goods and services purchased by consumers, excluding fresh food; | | |

**(Fig2.1) Tokyo Core Inflation still in deflation, but recovery is significant.**




| December: | **Pending** | **Previous** | -0.40% |
|---|---|---|---|
| **Tokyo Core CPI** | Change in the price of goods and services purchased by consumers in Tokyo, excluding fresh food; | | |

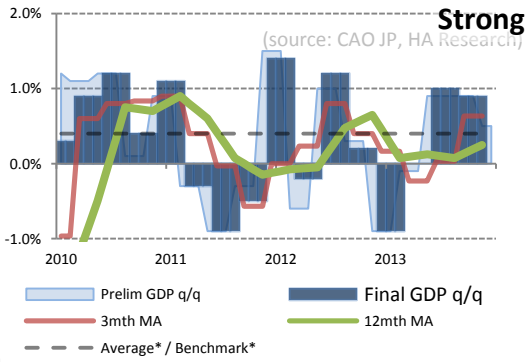
**(Fig2.3) Average Cash Earnings still weak, though in recovery.**




| December: | **Pending** | **Previous** | 0.00% |
|---|---|---|---|
| **Avg Cash Earnings** | Change in the total value of employment income collected by workers; | | |

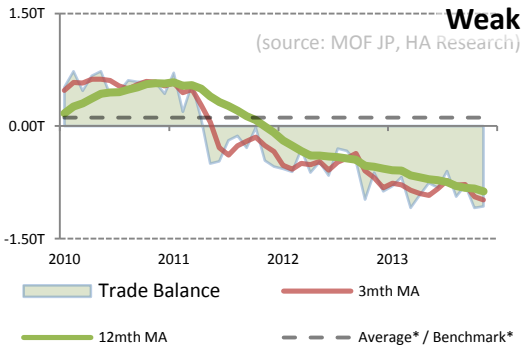
# GROWTH INDICATORS

**(Fig2.4) GDP strong at 0.90%.**




| December: | **Pending** | **Previous** | 0.90% |
|---|---|---|---|
| **GDP q/q** | Change in the inflation-adjusted value of all goods and services produced by the economy; | | |

**(Fig2.5) Trade balance weakened considerably, due to a strong yen.**

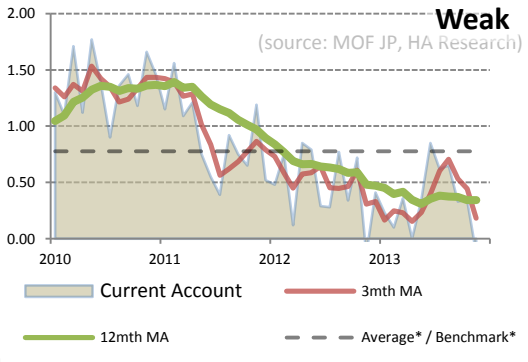



| December: | **Pending** | **Previous** | -1.07T |
|---|---|---|---|
| **Trade Balance** | Difference in value between imported and exported goods during the reported month; | | |

| | |
|---|---|
| Average* / Benchmark* | is a derivation of the following considerations: (1) moving averages across data used in the chart peroid; (2) Mandated target of Central Bank; (3) Market concensus benchmark; (4) Combination of either. |
| Figure/Chart annotations | All figures/charts provided in this report are annotated in Figure(Page).(Chart #) format. Example Figure2.1 represents: Figure in (Page 2).(Chart 1 in page 2). |

# GROWTH INDICATORS (continued)

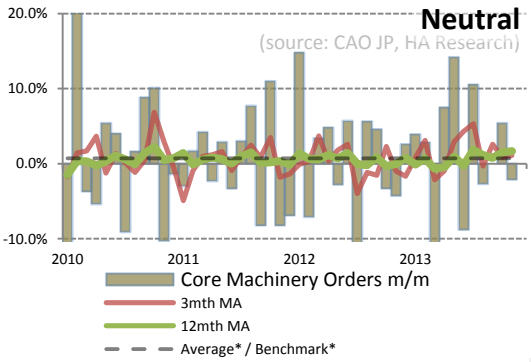
**(Fig3.1) National accounts hurt from strong yen. Expected.**




| December: | **Pending** | **Previous** | -0.1T |
|---|---|---|---|

| | |
|---|---|
| **Current Account** | Difference in trade balance, services, income flows, and unilateral transfers during the reported month; |

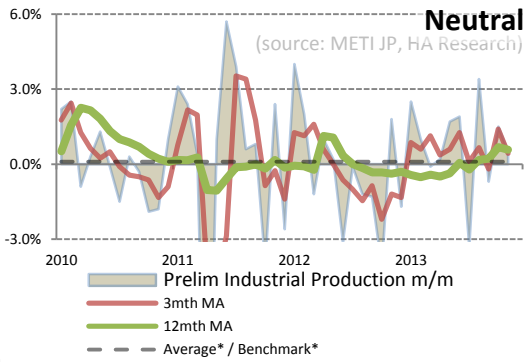
**(Fig3.2) Core Machinery Orders sees stabilization, though recently declined.**




| December: | **Pending** | **Previous** | -2.10% |
|---|---|---|---|

| | |
|---|---|
| C. Machinery Orders | Change in new pte-sector purchase orders placed with manufacturers for machines, excluding ships and utilities; |

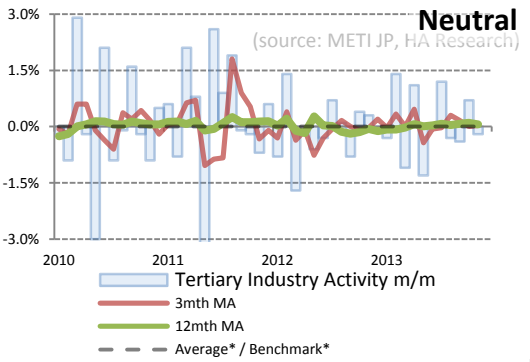
**(Fig3.3) Industrial Production strong.**




| December: | **Pending** | **Previous** | 0.50% |
|---|---|---|---|

| | |
|---|---|
| **Industrial Production** | Change in the total inflation-adjusted value of output produced by manufacturers, mines, and utilities; |

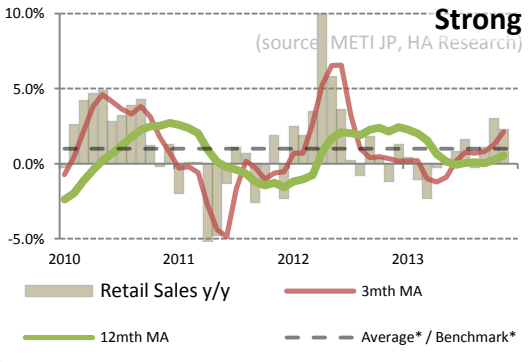
**(Fig3.4) Tertiary Industry Activity declined -0.2%, but still neutral.**




| December: | **Pending** | **Previous** | -0.20% |
|---|---|---|---|

| | |
|---|---|
| Tertiary Ind. Activity | Change in the total value of services purchased by businesses; |

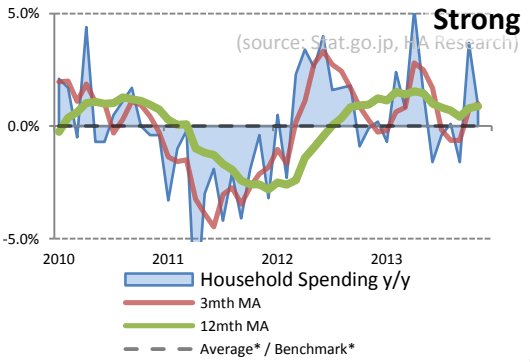
**(Fig3.5) Domestic Retail Sales remains strong.**




| December: | **Pending** | **Previous** | 2.30% |
|---|---|---|---|

| | |
|---|---|
| **Retail Sales** | Change in the total value of sales at the retail level; |

**(Fig3.6) Household Spending improving significantly, trend strong.**




| December: | **Pending** | **Previous** | 0.90% |
|---|---|---|---|

| | |
|---|---|
| Household Spending | Change in the inflation-adjusted value of all expenditures by consumers; |

| | |
|---|---|
| Average* / Benchmark* | is a derivation of the following considerations: (1) moving averages across data used in the chart peroid; (2) Mandated target of Central Bank; (3) Market concensus benchmark; (4) Combination of either. |
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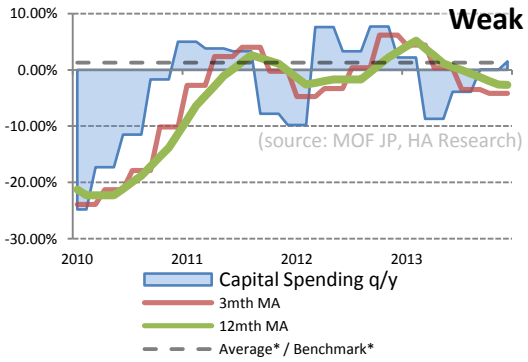
# GROWTH INDICATORS (continued)

**(Fig4.1) Capital expenditures weakens.**

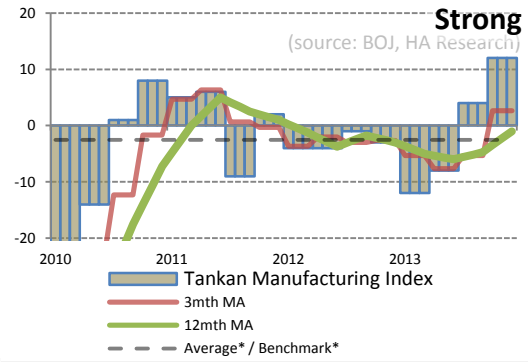



| December: | **1.50%** | **Previous** | 0.00% |
|---|---|---|---|

| | |
|---|---|
| **Capital Spending** | Change in the total value of new capital expenditures made by businesses; |

# BUSINESS SURVEY

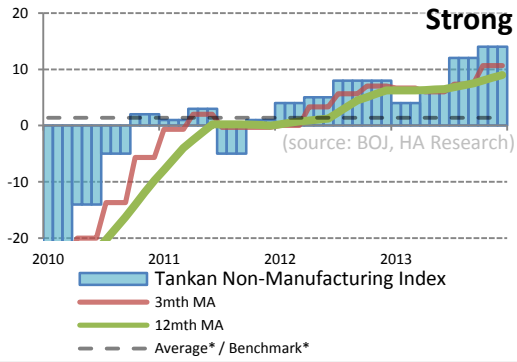
**(Fig4.2) Japanese manufacturing sector optimistic on economy.**




| December: | **12.0** | **Previous** | 12.0 |
|---|---|---|---|

| | |
|---|---|
| **Tankan Manu. Index** | Survey of 1,200 large manufacturers to rate the relative level of general business conditions; |

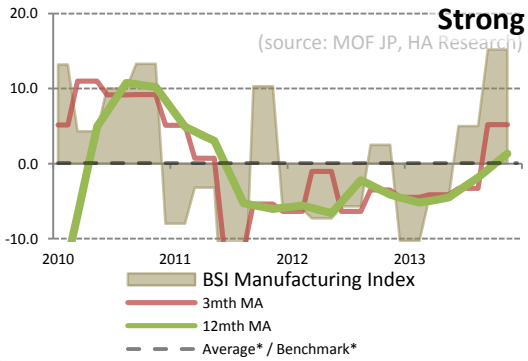
**(Fig4.3) Businesses optimisic on economy outlook.**




| December: | **14.0** | **Previous** | 14.0 |
|---|---|---|---|

| | |
|---|---|
| **T. Non Manu. Index** | Survey of 1,200 large businesses to rate the relative level of general business conditions; |

**(Fig4.4) Japnese Manufacturers optimistic on general business outlook.**




| December: | **Pending** | **Previous** | 15.2 |
|---|---|---|---|

| | |
|---|---|
| **Business Survey Index** | Survey of large manufacturers to rate the relative level of general business conditions; |

| | |
|---|---|
| Average* / Benchmark* | is a derivation of the following considerations: (1) moving averages across data used in the chart peroid; (2) Mandated target of Central Bank; (3) Market concensus benchmark; (4) Combination of either. |
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## About the Reports.

Fundamental Analysis, though not the only direct determinant of Forex Spot Trading, is still significant and cannot be ignored undeniably. The author believes quantifying fundamentals strength of currency into 1 single index score helps in maintaining the overview of the currency, and therefore enhancing traders' overall trading system consisting of other tools, such as Technical Analysis, Price action or events driven risk movements...etc.

The reports are updated and published on a daily basis, on 8 currencies namely: AUD, NZD, CAD, CNY, EUR, GBP & USD. From which, each individual Quantified Currency Strengths are consolidated into the Summary Report. Further on the basis of pairing Strongest Fundamentals of Currency against Weakest Fundamentals of Currency, auto-suggested trades are then generated based on these allocated fundamental strengths of currency.

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# CALCULATION METHODOLOGY

BASE FUNDAMENTAL STRENGTH, BENCHMARK, SHORT-TERM STRENGTH INDEX (40 DAYS FUNDAMENTAL STRENGTH), CURRENCY DIFFERENTIALS (BASE, CURRENT) AND DERIVATION OF ITS SCORING IS FROM A COMPUTER-GENERATED CALCULATION MODEL. IT TAKES ALLOCATED FUNDAMENTAL DATA AND ITS RELATIVE STRENGTH, AVERAGES AS BASIS. STRENGTH OF FUNDAMENTAL DATA (PAST AND CURRENT) ARE STATISTICALLY ALLOCATED (PRE-DETERMINED BASIS) TO ARRIVE IN THE FORMULATED SCORING.

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