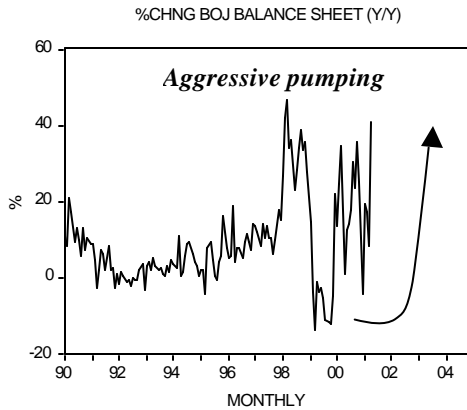
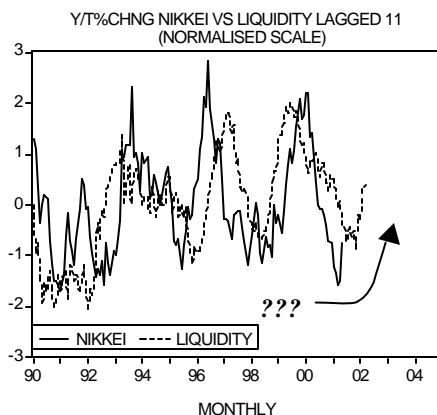


Massive monetary pumping by the Bank of Japan

Year-on-year the Bank of Japan (BOJ) balance sheet increased by **41%** in April from **8.2%** in March and **19.2%** in January (see chart).

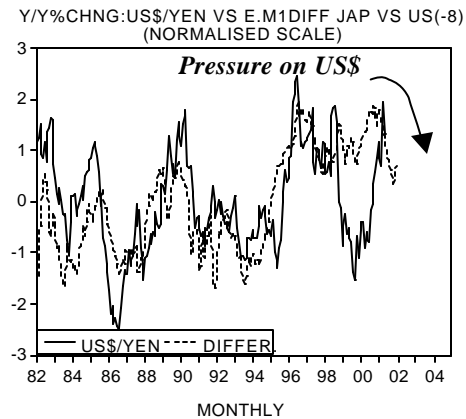


As a result of aggressive monetary pumping by the BOJ the yearly rate of growth in money M1 jumped to **6%** in April from **4.8%** in March. In relation to nominal economic activity the yearly rate of growth of money M1 jumped to **7.3%** from **6.8%** in March. This improvement in liquidity should bode well for the stock market (see chart). But don't hold your breath, if the real pool of funding is still stagnating then the rebound in liquidity is not going to work. The continued fall in lending despite massive BOJ pumping raises the possibility that the pool of funding is stagnant. Year-on-year bank lending fell by **3.4%** in April after a fall of **3.6%** in March.

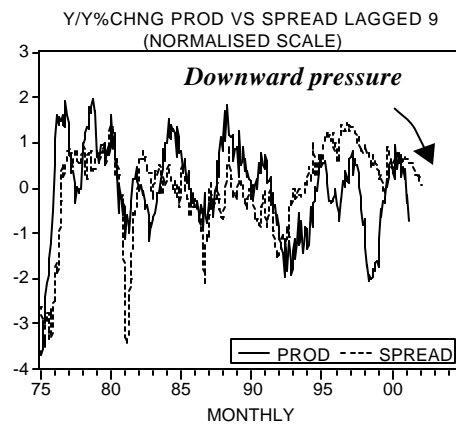


In the meantime, the excess money M1 growth differential between Japan and the US rose to **4.5%** in April from **3%** in March. Notwithstanding this rise, the

lagged excess M1 growth differential raises the likelihood that the US\$ will weaken against the Yen, all other things being equal (see chart).



In the meantime the interest rate differential between the 10-year government bond and the 3-month T-bill fell to **0.88%** in April from **1.2%** in March. This narrowing in the differential points to a further weakening in the yearly rate of growth of industrial production (see chart)



Financial News

- Australian hous finance volume up **10.2%** in March.
- China's March RPI fell **0.9%** y/y.
- Japan March chip equipment orders fell **48.1%** y/y.
- UK April PPI up **0.1%** vs **0.1%** in March.
- US Apr indust output fell **0.3%** vs **-0.1%** Mar.
- Fed seen delivering **0.5%** cut on Tuesday-analysts.

Thought for today

Small opportunities are often the beginning of great enterprises.

Demosthenes