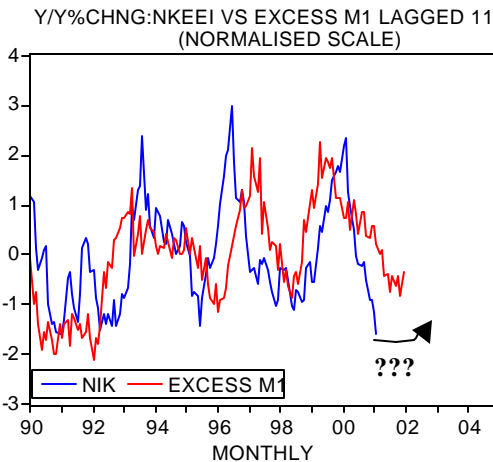
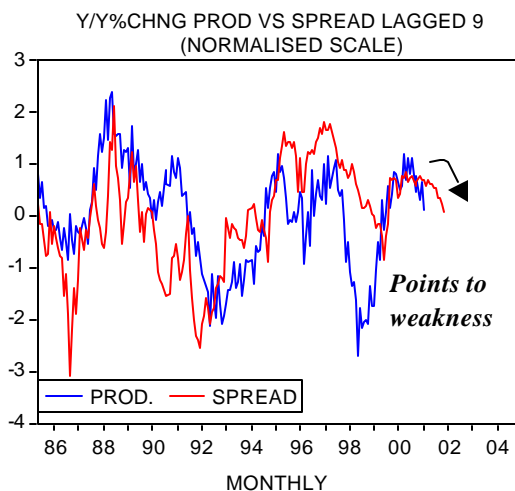


Japanese share price index falls sharply

The Nikkei 225 share price index fell to a 15 year low. The index lost as much as **2.1%** falling to **12,784.17**, its lowest level since November 1985. A visible rebound in the excess money M1 rate of growth points however, to a likely support for the share price index (see chart).

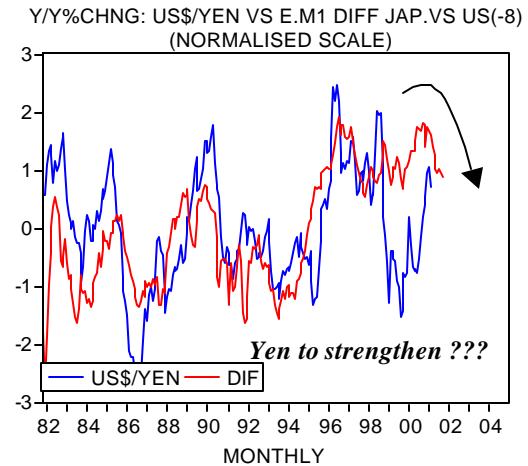


The differential (spread) between the 10-year government bond yield and the overnight lending rate fell to **1.145%** at the end of February from **1.28%** at the end of January. A narrowing in the differential raises the possibility of a further weakening in the yearly rate of growth of industrial production (see chart), which fell by **3.9%** in January after rising by **1.8%** in the previous month.



In the meantime, the excess money M1 growth differential between Japan and the US fell to **5.7%** in January from **6.3%** in December. This means that excess

supply of money is still growing faster in Japan than in the US. However, the momentum of growth is decelerating. A decline in the excess money growth differential is likely to provide support to the Yen against the US\$ in the months ahead (see chart).



Financial News

- The Bank of Japan lowered its key interest rate target by **0.1%** to **0.15%**.
- Thailand's exports fell in January by **3.3%** y/y, The first fall since March 1999.
- France's business executives sentiment fell in February from January.
- Canada's industrial product prices fell **0.2%** in January. This was the second monthly fall.
- The US consumer confidence index fell to **106.8** in Feb from **115.7** in Jan.
- US durable goods orders fell **6%** in Jan s/adj. Excluding transportation orders fell **0.3%**.
- Sales of US new homes fell **10.9%** in Jan s/ad.
- The risk of a recession now stands at **33%**, up from **20%** just 3mth ago, according to US economists

Thought for today

No one knows what he is able to do until he tries.

Publius Syrus