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CURRENCY REPORT.

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CONTACTS:

Henry KH ANG
Henry.KH.Ang@live.com

Singapore

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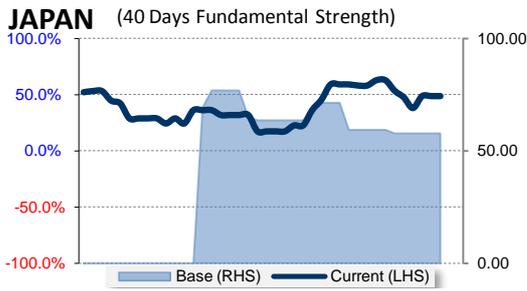
JAPAN ECONOMY In a glance.

18-Nov-2013 (Monday)

Last Updated: 08:54AM (GMT +0800)



Figure 1: Fundamental Strength Index for last 40 days.



BASE SUMMARY:

| | | |
|--------------------------------|----------------|--------------------|
| INFLATION INDICATORS : | 4.7 | / 18.8 |
| GROWTH INDICATORS : | 34.4 | / 62.5 |
| EMPLOYMENT INDICATORS : | - | - |
| HOUSING INDICATORS : | - | - |
| BUSINESS SURVEY : | 18.8 | / 18.8 |
| CONSUMER SURVEY : | - | - |
| BASE STRENGTH : | BULLISH | 57.81 / 100 |
| SHORT-TERM STRENGTH : | BULLISH | 48.72% |

JAPANESE YEN (¥) STABLE, DOMESTIC RECOVERY EVIDENT.

Japan Fundamentals Strong (57.81/100); Recent momentum STILL BULLISH at 48.72%.

(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 better, 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 optimistic 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. Though inflationary pressure is still low (long road to recover from deflation). Recent momentum dropped.

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

| UPCOMING FUNDAMENTAL EVENTS | | | | | |
|-----------------------------|-----------|-----------------------------------|----------|----------|----------|
| DATE | TIME | DETAILS | FORECAST | PREVIOUS | IMPACT |
| 20-Nov Wednesday | 7:50am | Trade Balance | -0.88T | -1.09T | !! |
| 20-Nov Wednesday | 12:30pm | All Industries Activity m/m | 0.50% | 0.30% | ! |
| 21-Nov Thursday | Tentative | Monetary Policy Statement | | | ! |
| 21-Nov Thursday | Tentative | BOJ Press Conference | | | !!! |
| 22-Nov Friday | 1:00pm | BOJ Monthly Report | - | - | ! |
| PAST ECONOMIC EVENTS: | | | | | |
| DATE | TIME | DETAILS | ACTUAL | FORECAST | PREVIOUS |
| 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% |
| 13-Nov Wednesday | 7:50am | Core Machinery Orders m/m | -2.10% | -1.80% | 5.40% |
| 13-Nov Wednesday | 7:50am | CGPI y/y | 2.50% | 2.50% | 2.20% |
| 12-Nov Tuesday | 7:50am | Tertiary Industry Activity m/m | -0.20% | 0.20% | 0.60% |
| 12-Nov Tuesday | 7:50am | M2 Money Stock y/y | 4.10% | 3.90% | 3.90% |
| 12-Nov Tuesday | 1:00pm | Consumer Confidence | 41.20 | 46.30 | 45.40 |
| 12-Nov Tuesday | 2:00pm | Prelim Machine Tool Orders y/y | 8.40% | - | -6.30% |
| 11-Nov Monday | 7:50am | Current Account | -13.00% | -10.00% | 35.00% |
| 11-Nov Monday | 7:50am | Bank Lending y/y | 2.00% | - | 2.00% |
| 11-Nov Monday | 1:00pm | Economy Watchers Sentiment | 51.80 | 54.20 | 52.80 |
| 06-Nov Wednesday | 1:00pm | Leading Indicators | 1.10 | 1.09 | 1.07 |
| 05-Nov Tuesday | 7:50am | Monetary Base y/y | 45.80% | 48.30% | 46.10% |
| 31-Oct Thursday | 7:15am | Manufacturing PMI | 54.20 | - | 52.50 |

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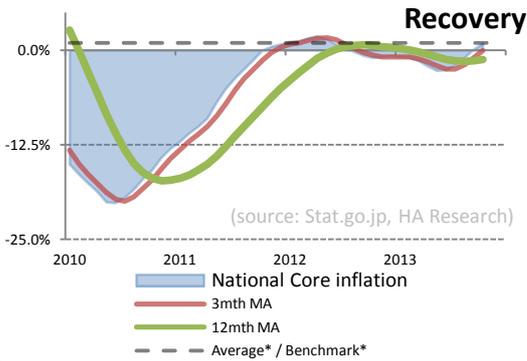
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Japanese Currency Report

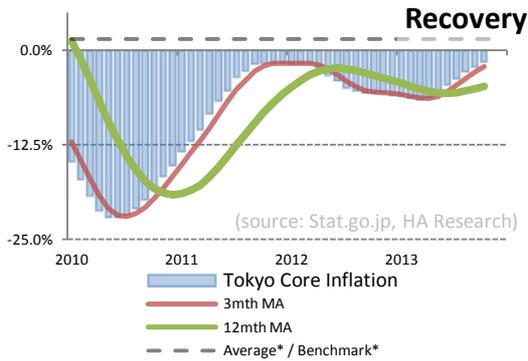
INFLATION INDICATORS

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



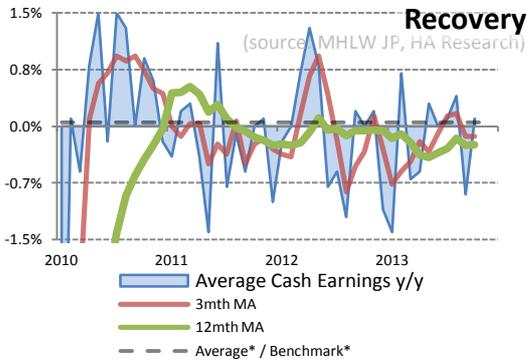
| | | | |
|--------------------------|---|-----------------|-------|
| November: | Pending | Previous | 0.90% |
| National Core CPI | Change in the price of goods and services purchased by consumers, excluding fresh food; | | |

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



| | | | |
|-----------------------|--|-----------------|--------|
| November: | Pending | Previous | -1.50% |
| Tokyo Core CPI | Change in the price of goods and services purchased by consumers in Tokyo, excluding fresh food; | | |

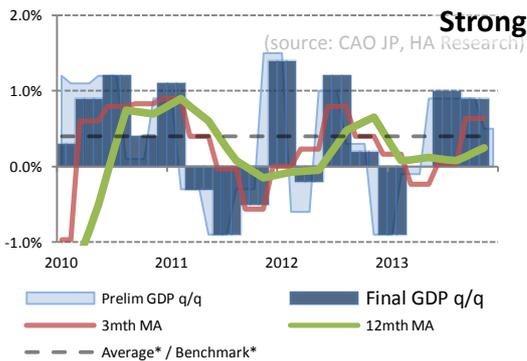
(Fig2.3) Average Cash Earnings still weak, though in recovery.



| | | | |
|--------------------------|--|-----------------|-------|
| November: | Pending | Previous | 0.10% |
| Avg Cash Earnings | Change in the total value of employment income collected by workers; | | |

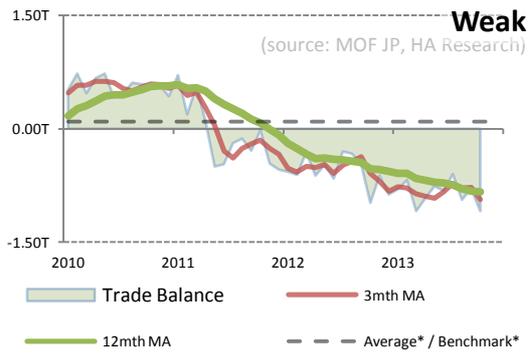
GROWTH INDICATORS

(Fig2.4) GDP strong at 0.90%.



| | | | |
|----------------|---|-----------------|-------|
| November: | 0.90% | 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.



| | | | |
|----------------------|--|-----------------|--------|
| November: | Pending | Previous | -1.09T |
| 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 period; (2) Mandated target of Central Bank; (3) Market consensus benchmark; (4) Combination of either.

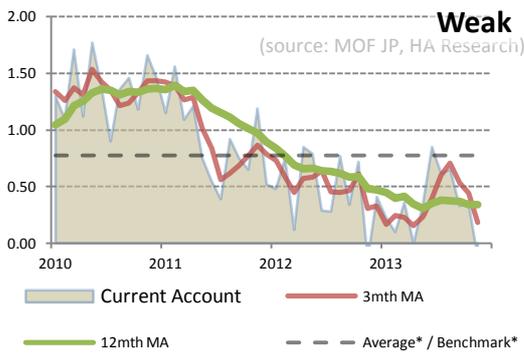
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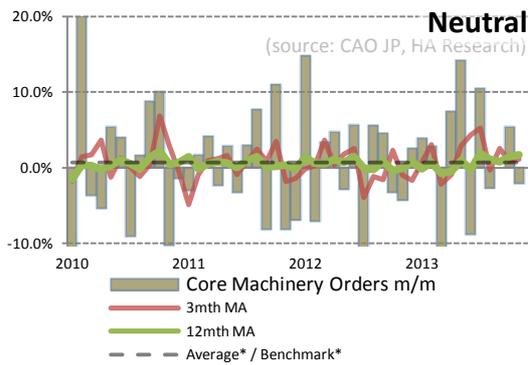
GROWTH INDICATORS (continued)

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



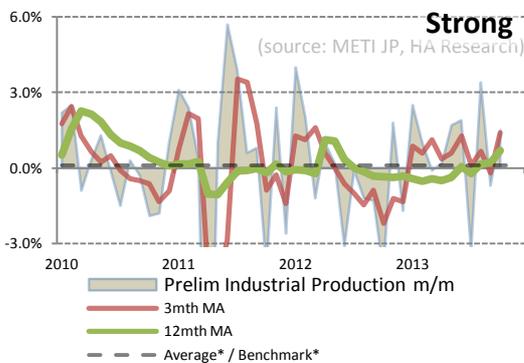
| | | | |
|------------------------|--|----------|------|
| November: | -0.1T | Previous | 0.4T |
| Current Account | Difference in trade balance, services, income flows, and unilateral transfers during the reported month; | | |

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



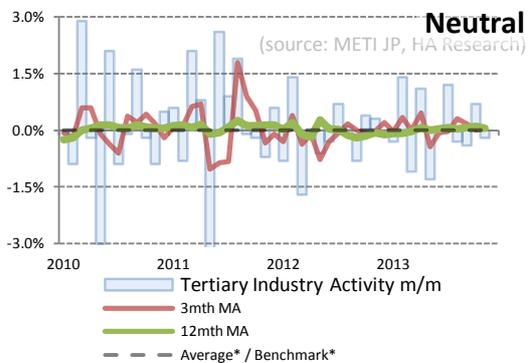
| | | | |
|----------------------------|---|----------|-------|
| November: | -2.10% | Previous | 5.40% |
| C. Machinery Orders | Change in new pte-sector purchase orders placed with manufacturers for machines, excluding ships and utilities; | | |

(Fig3.3) Industrial Production strong.



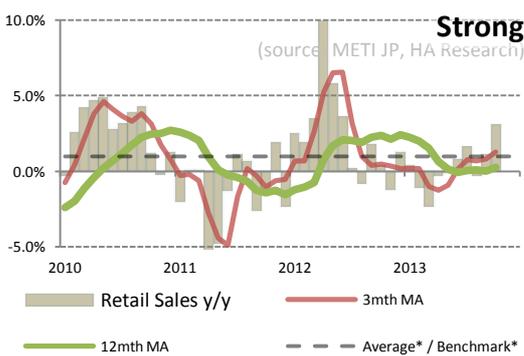
| | | | |
|------------------------------|---|----------|-------|
| November: | Pending | Previous | 1.50% |
| Industrial Production | Change in the total inflation-adjusted value of output produced by manufacturers, mines, and utilities; | | |

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



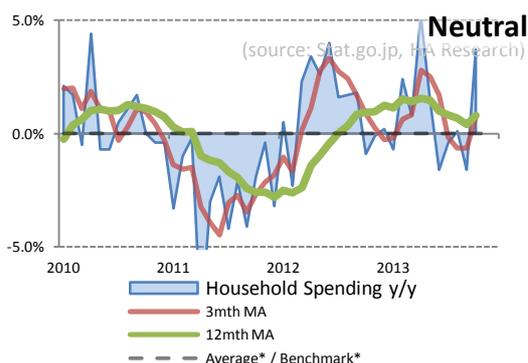
| | | | |
|-------------------------------|--|----------|-------|
| November: | -0.20% | Previous | 0.70% |
| Tertiary Ind. Activity | Change in the total value of services purchased by businesses; | | |

(Fig3.5) Domestic Retail Sales betters, recent spike of 3.1% notable.



| | | | |
|---------------------|---|----------|-------|
| November: | Pending | Previous | 3.10% |
| Retail Sales | Change in the total value of sales at the retail level; | | |

(Fig3.6) Household Spending improving significantly.



| | | | |
|---------------------------|--|----------|-------|
| November: | Pending | Previous | 3.70% |
| 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 period; (2) Mandated target of Central Bank; (3) Market consensus benchmark; (4) Combination of either.

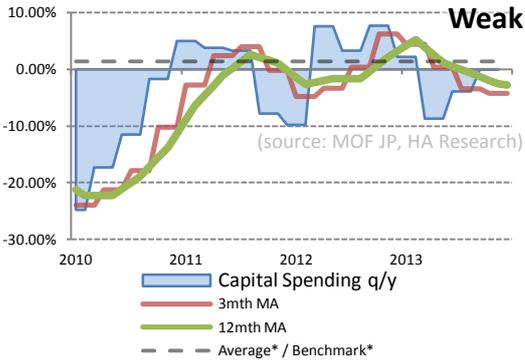
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GROWTH INDICATORS (continued)

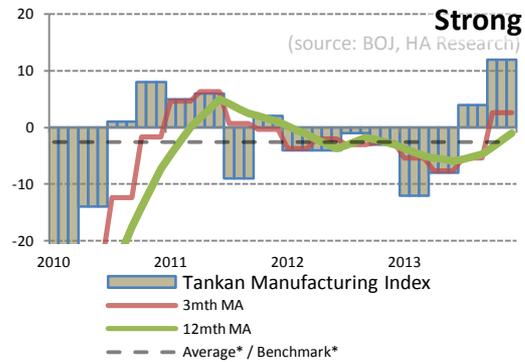
(Fig4.1) Capital expenditures weakens.



| | | | |
|-------------------------|---|----------|-------|
| November: | 0.00% | Previous | 0.00% |
| Capital Spending | Change in the total value of new capital expenditures made by businesses; | | |

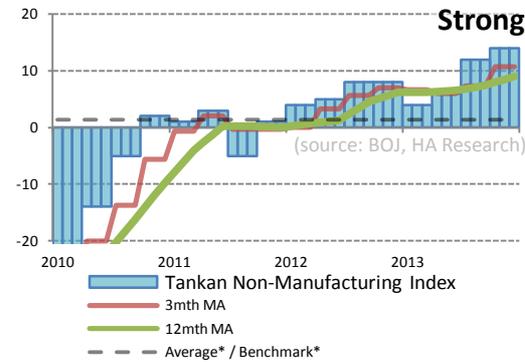
BUSINESS SURVEY

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



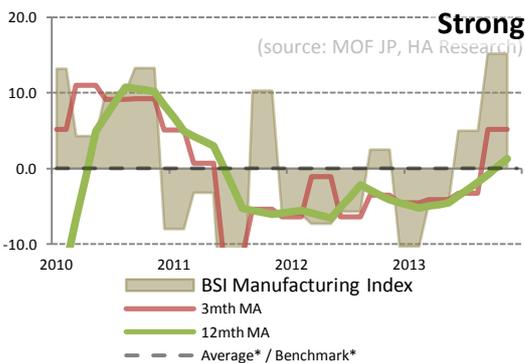
| | | | |
|---------------------------|--|----------|------|
| November: | 12.0 | Previous | 12.0 |
| Tankan Manu. Index | Survey of 1,200 large manufacturers to rate the relative level of general business conditions; | | |

(Fig4.3) Businesses optimistic on economy outlook.



| | | | |
|---------------------------|---|----------|------|
| November: | 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) Japanese Manufacturers optimistic on general business outlook.



| | | | |
|------------------------------|--|----------|------|
| November: | 15.2 | Previous | 15.2 |
| Business Survey Index | Survey of large manufacturers to rate the relative level of general business conditions; | | |

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