

08 April 2014

Dampak Yang Tidak Diinginkan dari Kebijakan Abenomics

"If we look at Japan, they are continuing to print money and inflate, but they are failing. Q4 GDP was only up 1% annualized last year, which was half of expectation. Also, Japan's trade deficit was the biggest since 1979. I've said it before but I will repeat it: Japan is bankrupt and a basket case. Japan's economic and demographic problems are guaranteed to create a massive failure of the world's third largest economy."

-- Egon von Greyerz, founder of Matterhorn Asset Management

"The government of Japan is a paragon of the Keynesian experiment to avoid a cathartic recession by forcing higher the rate of money supply growth, depreciating the currency, levying new taxes, creating more inflation and drastically increasing the amount of aggregate debt outstanding. It has been well over a year since Abenomics took over in Japan and its failure should be nakedly obvious. Soaring debt levels, huge trade imbalances, a plummeting currency, and a sputtering economy and insolvency are the tradeoffs for a stock market that is rising in nominal terms, and not yet back to where it was before the Great Recession began over five years ago."

-- Michael Pento of Pento Portfolio Strategies

"I'm surprised by how many investors are taken in by Abenomics. Most international funds that invest in Japan have been going all out to market it to retail investors. This is the main reason that the Nikkei has stayed so lofty. I suspect that self-interest is the main driver. Such funds have been withering for a long time. They are latching onto Abenomics for a good time. Even if it doesn't last, it is better than nothing. Most important, the people who sell Abenomics may not have their own money on the line ..."

-- Andy Xie

Pada awalnya, pengamat ekonomi global yakin bahwa PM Shinzo Abe secara tak sengaja telah menemukan obat mujarab untuk membangkitkan ekonominya.

Komitmennya untuk menarik ekonomi Jepang dari zona tekanan dengan menggandakan sirkulasi yen dan meningkatkan target inflasi Jepang ke level 2% telah membuatnya dipuja sebagai politisi, yang sebelumnya karirnya tersebut tidak banyak kejutan.

Abe sempat disebut sebagai seorang *samurai* yang tidak mengenal takut karena berani mengambil langkah-langkah yang sebelumnya pernah gagal, untuk melawan 20 tahun stagnasi ekonomi Jepang.

Bahkan Paul Krugman pun memujinya:

“The really remarkable thing about “Abenomics” is that nobody else in the advanced world is trying anything similar.

In fact, the Western world seems overtaken by economic defeatism ... if Abenomics works, it will serve a dual purpose, giving Japan itself a much-needed boost and the rest of us an even more-needed antidote to policy lethargy.”

Namun belakangan para ekonom mulai berbeda pendapat, mengenai apakah langkah kebijakan ekonomi Abe tersebut dapat selamat dari kebijakan kenaikan pajak penjualan yang sangat tidak populer di Jepang tersebut, yang dilakukan untuk menstabilkan *public debt*-nya yang tinggi.

Terakhir kali pemerintah Jepang mencoba menaikkan pajak tersebut adalah pada tahun 1997, dan kemudian resesi ekonomi mengikutinya.

Selain itu juga data-data ekonomi Jepang pekan lalu dirilis mengecewakan: *industrial output* turun 2,3% dan indeks *Tankan Manufacturing Index* naik lebih rendah dari ekspektasi.

Jika jelang diberlakukannya kenaikan pajak saja ekonomi Jepang sudah mulai terganggu, apakah kemudian tidak akan semakin tertekan?

Untuk menjawabnya, Joyce Poon, *Gavekal Asia Research Director*, yang analisisnya terhadap Jepang sangat menarik dan berbeda dengan teori ekonomi biasa:

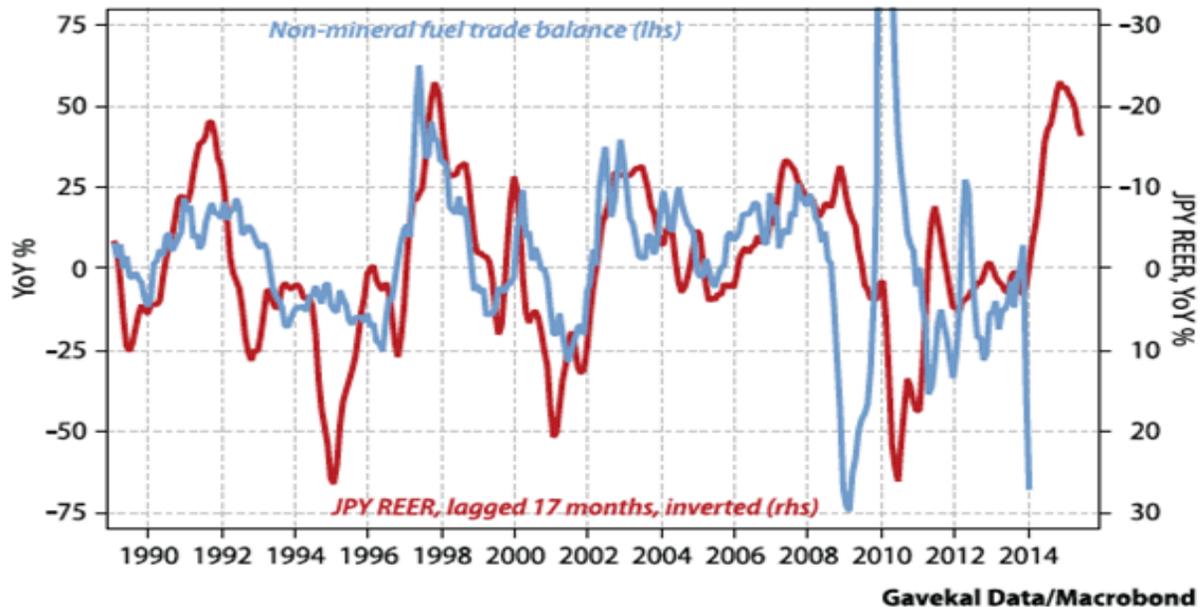
Japan’s Self-Defeating Mercantilism

“In the 16 months since Japanese Prime Minister Shinzo Abe launched his bold plan to reflate Japan’s shrinking economy the yen has depreciated by 22% against the dollar, 28% against the euro and 24% against the renminbi. The hope was to stimulate trade and push the current account decisively into the black. Yet the reverse has occurred. Japan’s external position has worsened due to anemic export growth and a spiraling energy import bill: in January it recorded a record monthly trade deficit of ¥2.8trn (\$27.4bn). Having eked out a 0.7% current account surplus in 2013, Japan may this year swing into deficit for the first time since 1980. So why is the medicine not working?”

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Japan non-fuel trade balance vs REER

Best fit based on the correlation during 1997-2007 (72% correlated); all 3m centered moving avg



The standard response revolves around timing issues: the so called J-curve effect usually means that the boost to exports after a currency devaluation lags the rise in the value of imports by about 12-18 months. In addition, consumers may be busily buying goods ahead of April's scheduled sales tax increase, temporarily jacking up imports. On a more structural note, there is also the suspicion that exports are not benefitting from the cheaper yen partly because so much production has been pushed offshore.

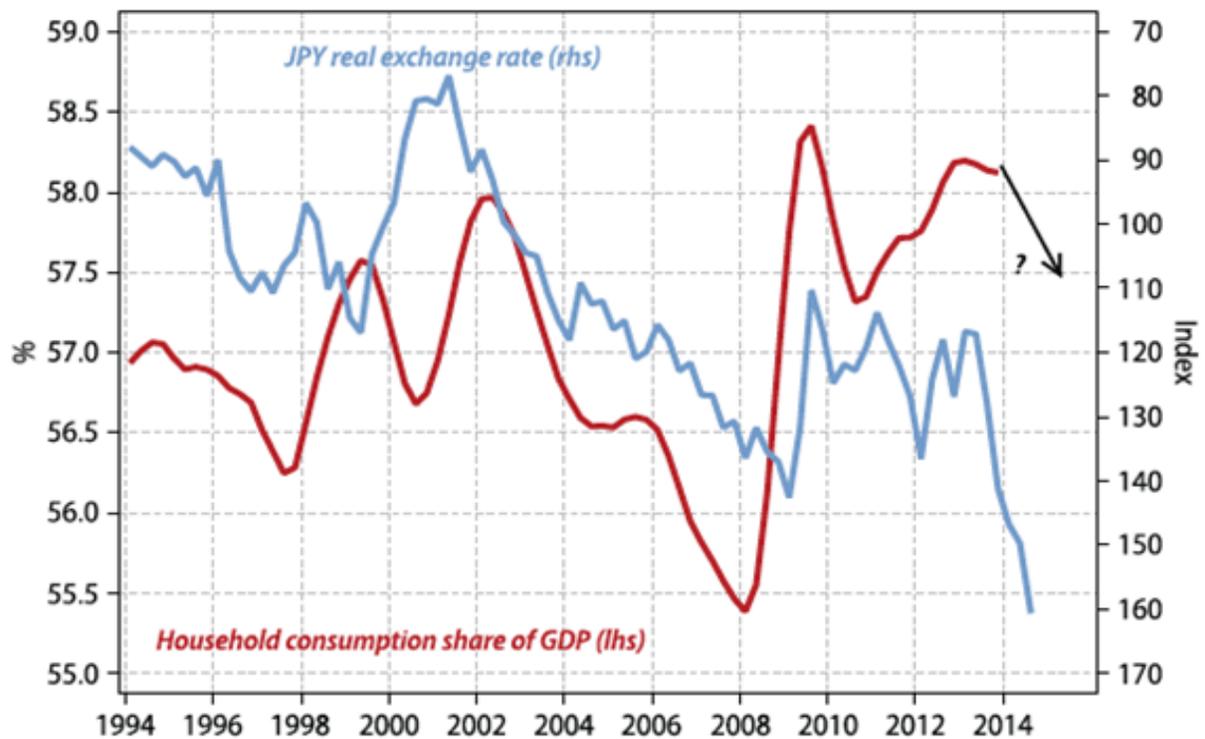
This may all be true, but there is more to the story than the trade data. After all, a big devaluation has a ricochet effect across the broad economy that changes the outlook for producers, consumers, the government and providers of capital. The transmission mechanism can be thought as working in the following way. Consumers are immediately hit with an implicit "tax" as imported goods cost more, while export-oriented firms get an effective subsidy. In the capital markets, the effect is to lower the value of domestic bonds in foreign currency terms, with the result that yields rise. This means that the cost to the government of financing its deficit rises, forcing a reduction in government spending. As a result of these effects, resources are shifted from the household and government sectors and into the corporate sector. The effect of this resource reallocation should be to boost productivity, which in turn initiates a virtuous circle of rising incomes and ultimately higher consumption.

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Unfortunately, Japan defies this textbook paradigm because in addition to devaluing, it is also engaging in massive quantitative easing. This keeps bond yields low, enabling the government to keep financing its deficit at low cost. There is thus no incentive for the government to cut spending—and in fact the consumption tax hike will be offset by even more spending. Furthermore, low bond yields suppress the financial income of household savers.

The end result of all this is that the government bears none of the burden of the adjustment and the household sector bears all of it, through higher import costs and lower financial income. With the household sector's spending power thus crimped, companies have no incentive to invest in domestically-focused production. Instead, all their investment will be geared toward exports—mercantilism on steroids.

Households pay the price of a weak yen



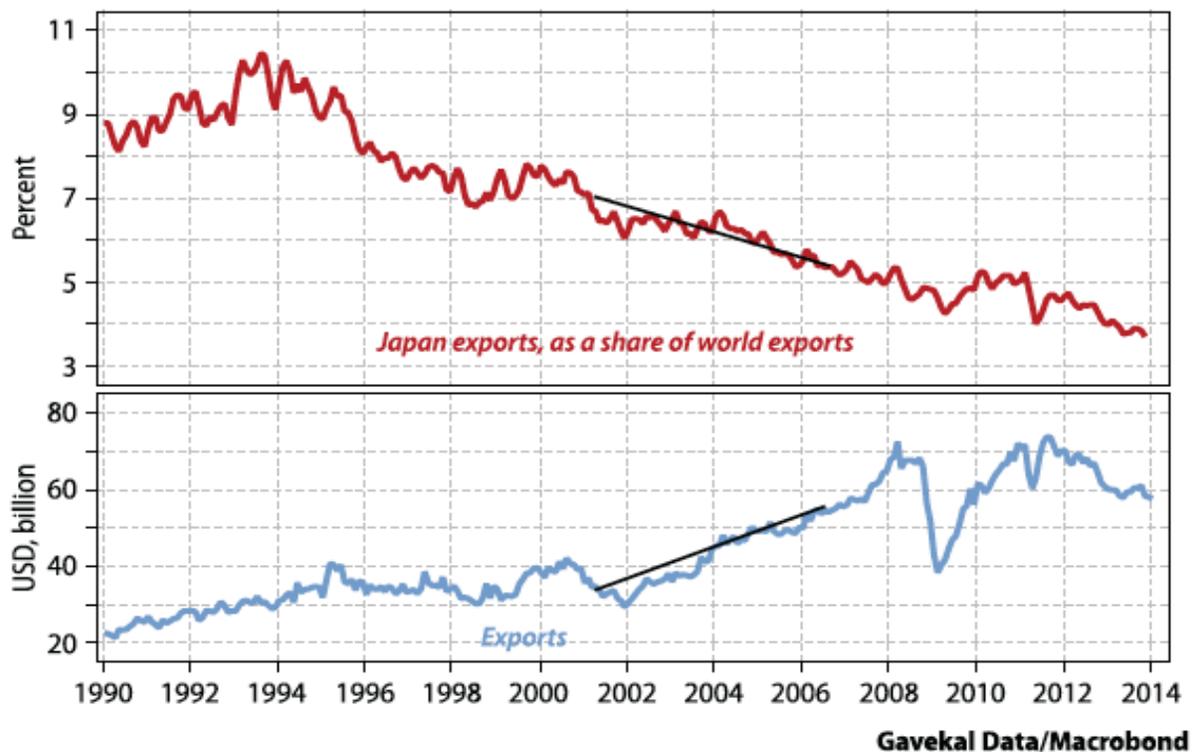
Gavekal Data/Macrobond

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A mercantilist policy can feel like it is working during periods when strong global growth allows excess exports to be absorbed without ruinous price falls. Between 2001 and 2006 the yen devalued by almost 40% on a real effective exchange rate basis and Japan's current account improved sharply. Japan may not have won back its global competitiveness (its share of the global export pie fell by 1.5 percentage points in the period), but strong external conditions did allow exports to grow 9% a year in dollar terms.

Today, Japanese exporters do not face such benign conditions and any successful mercantilist boost can only come from eating the lunch of rivals.

Despite a weaker yen Japan continues to lose global market share

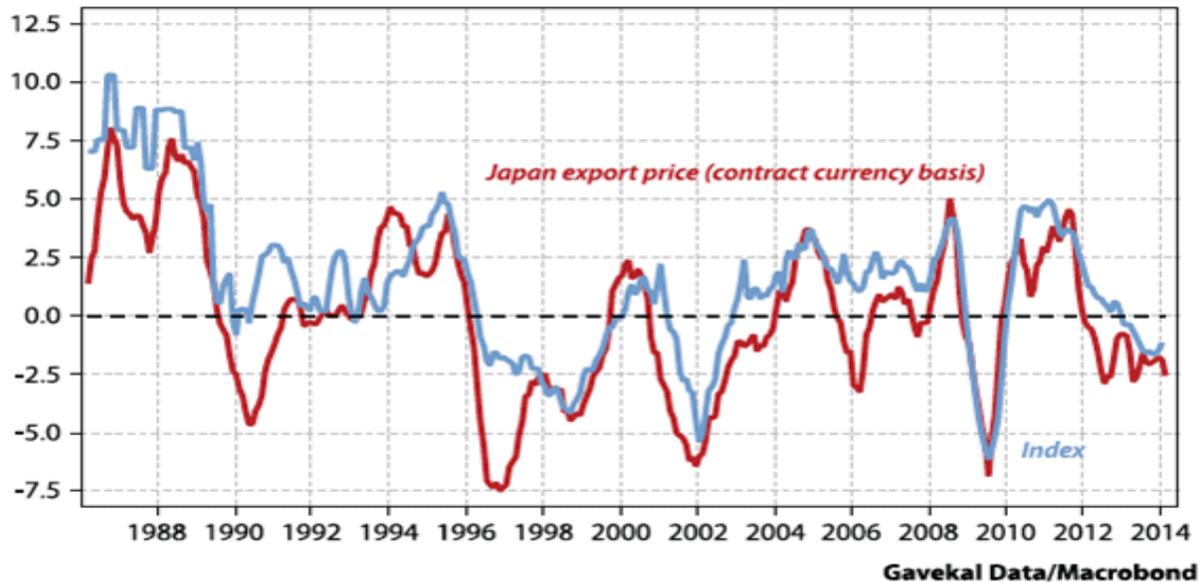


Since all the leading economies favor policies that support production over consumption, the world is getting more goods than it can absorb. The result is ongoing price declines, which have the effect of deferring the ultimate global recovery.

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Goods are getting cheaper

Index of ex-fuel import prices for the US and Germany, equally weighted



What this means is that Japan's ultra-mercantilism is self defeating. In a global environment of weak demand and disinflation any volume increase in its exports will have to be paid for through price reductions. To be sure, in the short term the trade balance is likely to improve somewhat as a result of the J-curve effect taking hold. But in the longer term Japan looks to be entering a cycle where it must run harder just to stand still.

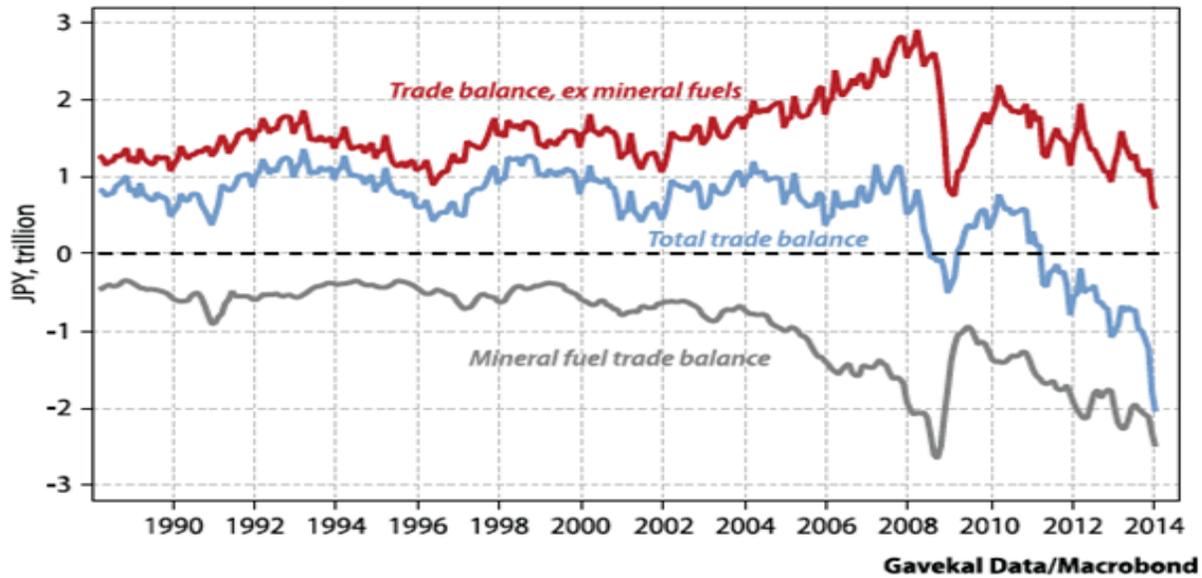
There are a few ways this could all end happily. Japan might embrace a structural reform agenda that boosts productivity, raises wages and pushes up domestic demand. Alternatively, world growth could surprise on the upside, creating a rerun of 2001-06. Energy prices could collapse, closing Japan's trade deficit and reducing the incentives for mercantilist policy. But we are not holding our breath on any of these possibilities.

Instead, Japan's most likely path is that the yen keeps falling, the BoJ keeps printing money, and the dollar value of exports stagnates as devaluation and price cuts offset any volume increases. And so, paradoxically, the current account will continue to deteriorate into permanent deficit, despite ultra-mercantilism. At this point the game will have changed in Japan and Abenomics will have manifestly failed to deliver on its stated objectives."
[Emphasis mine]

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Japan's trade balance gets worse and worse

Trade balance in JPY



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What Do the Charts Say?

Macneil Curry dari *Bank of America* baru-baru ini merilis laporan mengenai yen dan Nikkei Jepang disertai grafik yang sangat menarik seperti terlihat di bawah ini:



“The initial target is 99.06 (measured move), but eventually we target 93.79/92.57 (Jun & Apr'13 lows) before greater signs of basing emerge.”

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“In an environment of heightened investor anxiety, the Nikkei is particularly vulnerable.

The breakdown through 5wk Bear Flag support says its medium term bear trend has resumed.

Target the Summer’13 lows of 13,388/12,415 before renewed basing.”

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Dan terakhir tambahan dari saya adalah 2 laporan singkat Tyler Durden dari www.zerohedge.com, yang secara jelas mengingatkan kepada Anda yang sedang mempertimbangkan investasi ke saham-saham Jepang:

1) What Happened The Last Time Japan Raised Its Consumption Tax? (April 3th)

*Japanese stocks have been bouncing back higher in the last few days as considerably worse data than expected combined with the looming consumption tax hike (which the government has to do to show the market that is, at a minimum, somewhat fiscally responsible) are driving both stocks and JPY to discount a near future dominated by an even bigger stimulus by the BoJ. However, casting a big shadow over all this is **what happened the last time Japan raised its consumption tax...***

So are we going to get the bounce of euphoria followed by the 40% plunge of reality?



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What happened in 1997?

That was the last time Japan raised the consumption tax and it wasn't long afterwards that the economy slipped into recession.

Of course, the asset-managers are quick to deny any and every possible analog...

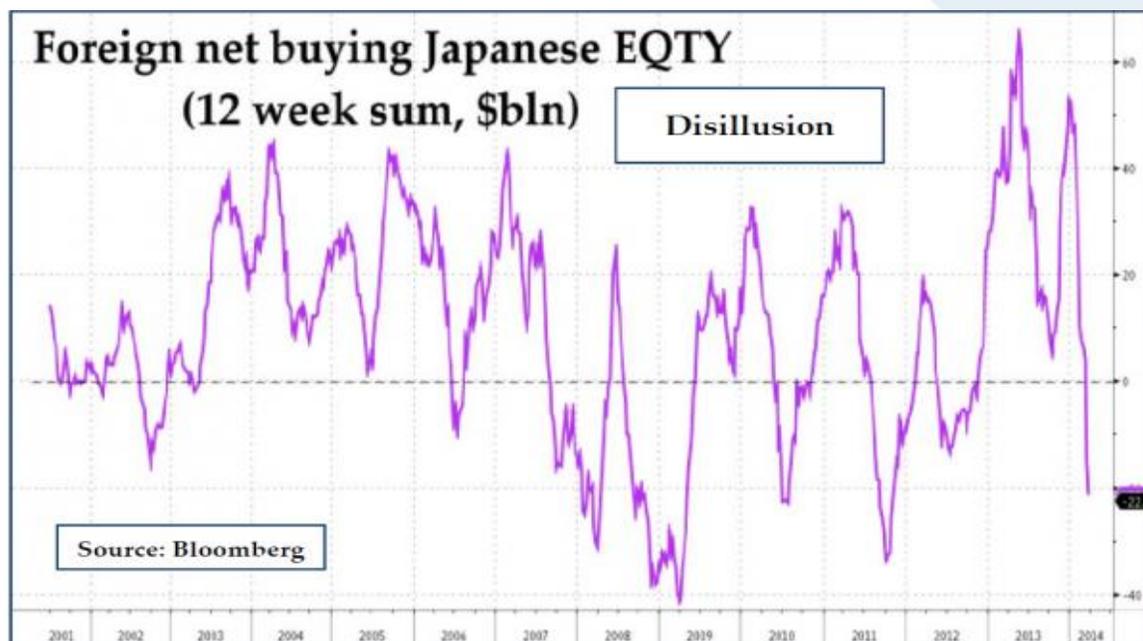
"I don't think 1997 is a good analogue for what is happening in Japan now. There are three key reasons for that," said Alexander Treves, head of equities for Japan at Fidelity Worldwide Investment.

"The first is that back in 1997, the financial system was in significantly worse shape. The second is that in 1997 the consumption tax hike took place against a backdrop of the Asian financial crisis and... the third thing is that the stock market was much more expensive back then."

So, let's get this straight... he thinks Japanese banks are in a better financial position currently (totally overbloated with JGBs?), there is no backdrop of an Asian financial crisis (umm, look east my friend, China is dead-center on this), and the stock market is cheaper now? (on a fwd P/E maybe but we all know how fast those 'expectations' collapse).

2) From Euphoria To Despair (April 6th)

Perhaps no chart better captures the current fleeting, momentum-chasing "euphoria to despair" sentiment in the markets, in which nothing is real or fundamentally-driven, and where everything is a "smoke and mirrors" illusion encouraging the speculative stampede into (and then out of) the comfort of printed paper "wealth", than the following visual summary of how foreign cash came to Japan, injecting a record amount of money on hopes that Abenomics would promptly send the Nikkei to 20,000, and upon realizing the failure of Abenomics to result in a virtuous market expansion (the Nikkei is down about 7% for 2014), has high-tailed it out of the land of the rising sun at the fastest pace in history!



And keep in mind that the Nikkei is still roughly, and artificially, 50% higher than where it will be once the Abenomics euphoria is fully faded. Which is why the purple line may still have a very long way to go... in an inversely upward direction.

Source: Diapason Commodities Management

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Conclusion

Nampaknya Abe masih memiliki waktu 3-4 bulan sebelum semuanya terjadi.

Seperti pernah dikatakan oleh Tyler Durden:

"It may be time to corner the Imodium market: recall that the last time the prime minister quit in disgrace as a result of his failed policies he blamed it on explosive diarrhea.

Whatever will he blame this time?"

Pada akhirnya, nampaknya kita akan menyaksikan awal dari **ENDGAME** pada mata uang, obligasi dan bursa saham Jepang, karena mulai menggilanya kondisi politik saat ini antara kerasnya (Shinzo) Abenomics dan kondisi Fukushima yang masih menyeramkan:

"Shikata ga nai" or It cannot be helped ...

Agar tetap ceria, seperti biasa di akhir tulisan ini saya lampirkan sebuah gambar lucu dari William Banzai, yang judulnya **RadiaTioN GeiSHa GiRL....**:



*Abe is facing deflation
And leaking extreme radiation
He's playing pretend
These troubles will end
His comfort is killing his nation*

The Limerick King

Terima kasih sudah membaca dan semoga beruntung!

Regards,
Nico Omer Jonckheere
VP Research and Analysis
PT. Valbury Asia Futures

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