DO YOU HAVE A YEN FOR JAPANESE INVESTMENTS ?
THINK AGAIN !

For the past year or so, domestic demand in Japan has been waning.

Exports, alone, have been keeping the second-largest economy of the world on somewhat of a positive path, but there are economic storm clouds, gathering on the horizon.

Of that, there can be no question.

About one month ago, the translation value of the yen vis-à-vis the US dollar fell to about 97 yen before recovery pulled it back over the 100-yen level, once again.

The Bank of Japan, which is The Central Bank of The Land of The Rising Sun, is said to have been supporting the yen on international foreign exchanges because a strong yen must mean an erosion of profit margins for Japan's manufacturers.

But there are other knock-on effects, also, that worry the powers-that-be in Tokyo.

A strong yen represents an enormous threat to the economy of this country because exports are its lifeblood.

Japanese manufacturers can cut profit margins, for a time, at least, but not forever, and they, definitely, cannot absorb prolonged, material exchange-rate fluctuations in the long pull.

Also, the country cannot abandon its export markets.

A strong yen means, inter alia, that manufacturers will think twice before making new commitments with regard to increasing capacity by incurring fresh capital commitments, or even upgrading existing manufacturing facilities, unless it is absolutely essential.

When the yen was relatively weak, it had the effect of encouraging a number of manufacturers to build up new capacity within the country.

With the yen, having strengthened, obviously expansion plans for many Japanese companies will be put on hold.

The US dollar continues to come under threat, internationally, and many countries opt for international payments in euros rather than the greenback.

In fact, Brazil demands euros, now.

As the US dollar continues to be threatened, holders of yen or holders of assets, denominated in yen, have their own troubles to ponder.

The currency of Japan is beset, almost daily, by the problem of keeping its proverbial head above the 100-yen level – that is, without The Bank of Japan, propping it up.

As long as profit margins are held down in Japan, it suggests, strongly, the wages and salaries in the country will, also, be held down.

Which translates into less money that will be spent by the average consumer of the country in the supermarket and departmental store.

In addition, a strong yen will affect the value of the country's overseas assets, in yen terms, that is.

As the yen value of these overseas assets diminishes, it has a ripple effect right through the economy.

Balance sheets are strained, including the Government's balance sheet, which is known to own about $US1 trillion in foreign-exchange reserves.

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