

Dear Mustafa,

9th February, 2015

During the winter months one can clearly see from the hotel the snowcapped Mount Fuji, a still active volcano that last erupted in 1707. The serene, calm vista belies the activity underground, much like Japan today.

Political stability for the next four years has been achieved with the 2014 re-election of Shinzo Abe and his LDP. But this result ushers in an eruption of economic and social earthquakes.

Everyone here looks more to the BOJ than to the National Diet for policy direction. And there is only one tool available for the economy - QQE (QE is so last year!). Everyone waits for the next announcement of further QQE and the ongoing depreciation of the currency. Pensioners reach for yield; graduates settle for static salaries; and there is a palpable sense of income stratification and stagnation.

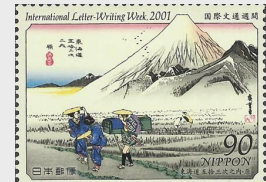
It feels as if the Japanese population has accepted its fate and the march is on towards a

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more 'Anglo-Saxon' model.

This has been sold by Abe as 'structural change' but it is really a harbinger of a generation of societal and economic instability. The much heralded compact of Japan is heading towards a pre-war period. Abe will be using the handbook of his 1930s predecessor, Takahashi Korekiyo; this experiment did not end well previously! However, in basic terms, those with assets should expect to prosper, those on income should expect to work longer and harder.

Ahh...Time to re-focus on the tranquility of the mountain and have some sen-cha.

See you very soon - Chris