highlight a yen-weakening impact for this scale of investment.

Of course, if the environment continues to encourage risk-taking activity even without NISA, investors may invest more heavily and keenly in the NISA program. However, most Japanese investors including individuals have been net sellers of foreign securities and domestic stocks even amid the sharp drop in the yen and equity rally under the "Abe market" spurred by the economic policies of Prime Minister Shinzo Abe. We cannot imagine a 180-degree turnabout in investor behavior on the basis of NISA.

Our belief that the yen will decline in value is based on the strength of the US economy, the BoJ's "easing of a new dimension", overseas yen carry trades, and Japanese buying of foreign currencies on dips. Regardless of NISA, we reiterate our USD/JPY forecast of ¥115 at end-2014 and ¥120 at end-2015. Still, we do not want to be misunderstood. Setting aside the overheated speculation in the markets, we do not doubt that NISA will support a depreciation in the yen and rise in equity markets going forward.

Taisuke Tanaka [redacted]

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