

effective strategy.

6) Abenomics: If the US economy were weak, then yen depreciation and rising stocks could not be called Abenomics' policies, and Abenomics would be a disappointment. However, if a strong US economy facilitates a rising USD/JPY and outperformance by Japanese stocks, then Abenomics should somewhat reinforce sentiment for JPY depreciation and rising stocks. Prime Minister Abe will shuffle his cabinet in September, and appears resolved to continue implementing a revamped Abenomics.

7) BoJ's quantitative and qualitative monetary easing: If the JPY depreciates and stocks rise then we do not think the BoJ will have to implement additional easing. However, it will not likely reach its 2% inflation goal, even as we approach the initial two year target period. The quantitative and qualitative monetary easing policy being prolonged beyond the second year would mean continuing support for JPY depreciation.

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