

Sequestration

US net trade account was stronger than anticipated. A lot of news related to currency wars. Japan's currency depreciating as Abe's policy of unlimited purchases, will flood market with Yen. Japan Government Pension, the largest pension fund in the world, will sell off on Japanese bonds, and reallocate to most likely Japanese equity, which is benefitting from the fresh inflow of liquidity, similar to the US equity market. Over the weekend, the market reacted as the Japanese government aimed to improve the Nikkei average by 15%, as the "wealth" gain would transfer more capital, directly to the average Japanese consumer. The weaker yen is favorable for the export oriented economy, and one could see the impact by comparing Korean and Japanese auto sales in the past 6 months, with Korean sales slumping. Korean won weaker as N. Korea continues their underground nuclear testing, leaving the USDKRW near 1,200.

In the US, sequestration is commonly seen in the news these days. What does it mean? It is related to spending cuts, and more specifically, if the government spends more than what is budgeted, the funds in excess of the budget is sequestered by the Treasury, or held by the Treasury, and not remitted to the agencies. This will affect government operations and all related parties who derive revenue from the government spending.

As all are aware, equities and fixed income is not an isolated market anymore, in the sense that the participants consists of more than retail and institutional investors. Central banks and their monetary policies, and foreign investors and governments, have a larger say in today's market, more than any time before in history. So it is important to keep updated with developments occurring in the political ring and foreign borders, as well as the market nuances.

A lot of news in Italy with Berlusconi and the Pope. Possibly a distraction to hide weakness in the economy?