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Forecast

Day	Flat
Week	Flat
Month	Down
1 Year +	Down

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How Do Stock Markets Look from the Yen Window?

- Interestingly enough, when speculators' net long positions Yen positions registered at the Chicago Commodity Exchange are analyzed, the picture shows that speculators switched from a net short Yen position of 190 thousand to a net long Yen position of 21477 contracts. However, this does not align with the recent rise of the USDJPY pair. (Chart 1, top panel, black line)
- The fact that USDJPY's stochastic indicator mismatches with the price action is a technical clue for this. (Chart 1, second panel, orange line).
- The technical indicator of the net position chart for the yen - Relative Momentum Index - suggests that net long Yen positions may fall while supporting the USDJPY pair. (Chart 1, third panel, orange line).
- However, since the volatility indicator of the net Yen positions is inclined to fall, any Yen long liquidations may be short-lived, and Yen long positions may resume thereafter going into 2025. (Chart 1, bottom panel, red line)
- As a result, the view of the fundamental data in terms of technical analysis points to a positive situation for the Yen, thus negative for the USDJPY.
- At this point, it should be noted that the excessive value erosion of the Yen has an impact on stock markets.
- The fact that the Dollar (minus) Yen real yields, shown by the orange line in the top panel of Chart 2, are increasing in favor of the Dollar, may hint a positive outlook for the Dollar - maybe for now.
- Rising risk indicators suggest that Dollar positive sentiment may evade and the Yen may resume appreciating while equity markets may come under significant pressure.
- Parallel to the VIX index, the Deutsche Bank Currency Volatility Index, an indicator of volatility in the currency markets has risen significantly (Chart 2, yellow and purple lines respectively). This suggests a potential unrest in the currency markets may cause excessive capital movements to the point where such risks are transmitted to the stock markets.

Conclusion: Yen has good potential to restore some of its value. So beware of the potential consequences such as an overriding bear sentiment in the stock markets.

Chart #1

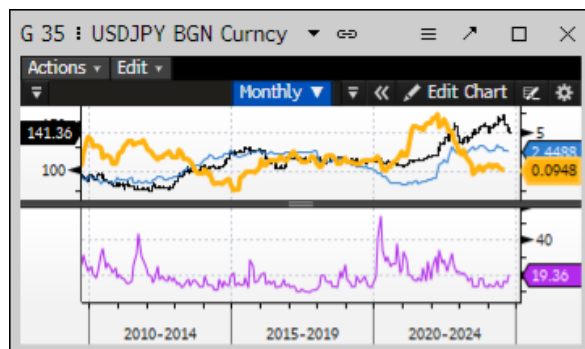


Chart #2

