ANDBANK
Private Bankers

Flash Note:
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Alex Fusté
@AlexfusteAlex
alex.fuste@andbank.com

Again. Buy EM debt instruments.

Do you remember when in the last (June) Corporate Opinion document we said (on page6-Japan) that "*Global asset managers are on the hunt for Japanese savings*", and we mentioned that this represents a bridge that would channel the savings in Japan (> US $ 16trn) towards debt assets abroad, and that, therefore, this demand would continue to support bonds (mainly emerging market bonds)? Please, look at the flows that have occurred since then:

International transactions by Japanese investors

- **Week ended 30-June**: Net buyers of ¥514.5B in foreign debt. Net buyers of ¥115.6B in foreign equities.
- **Week ended 6-July:** Net buyers of ¥297.1B in foreign debt. Net buyers of ¥39B in foreign equities.
- **Week ended 13-July**: Net buyers of ¥950B in foreign debt. Neutral in foreign equities.

Well, I do not know exactly where we are in this process of channeling Japanese savings into foreign assets, but what I know is that US$ 16 is an enormous amount of money and I am almost convinced that there is still much to be channeled.
Additionally, the BoJ has decided that it is time to restate monetary stimuli (despite the fact that in a Reuters survey for Japanese businessmen, 88% answered that "NO new monetary stimuli were necessary"). Well, what the hell will they know? The official technocrats do know better what is good for the private sector.
Any case. BoJ's continued policy ensures that negative real yields in Japan are maintained for longer, and this will continue causing the continued expulsion of all that savings towards debt assets abroad.

Long live the emerging market bonds!

Best