

## Strategy Bulletin No.1

# 2010 may be the beginning of a glorious decade. But will the “Greenspan conundrum” become a problem once again?

Happy New Year.

Thank you very much for your support in 2009. I look forward to providing you with highly useful information and insights again in 2010.

It was only six months ago that I left Deutsche Securities to go out on my own. Since then, my goal has been to examine economic and market developments thoroughly based in my motto of providing “historical and international perspectives based on solid logic and independent thinking.” My highest priority has been to exchange views with even more people in order to formulate viewpoints that are even more incisive. I am very happy to say that I am close to reaching this goal. I firmly believe that history has been redirected in the right direction many times by the knowledge and courage of mankind. Events taking place in countries and our lives are not pre-determined. The direction we take is instead determined by our knowledge and willingness to tackle new challenges. If we can make effective use of our knowledge, there is reason to be optimistic about the future. It is my wish that our Reports from Musha Research play even a small role in shaping the events that define the times.

Following the so-called Lehman Shock, the world witnessed a once-in-a-century financial panic. But the turmoil is mostly behind us. Now that the global economy has been revived, I think that 2010 will be a period when we should aggressively take on new challenges. This is the year to abandon the pessimism that we still hear so frequently. Musha Research anticipates the following events in 2010: (1) a robust U.S. economic recovery; (2) an increase in the dollar's value; (3) a rapid rebound of the Japanese economy backed by strong exports and a weaker yen; (4) a sharp rally in Japanese stock markets; and (5) a gradual upturn in long-term interest rates. Japan experienced the world's steepest economic downturn last year even though the impact of the financial crisis was less than in any other country. Why? Because of a negative spiral fueled by deflation as the yen appreciated. Deflation was very harmful to industries dependent on internal demand and on regions far from Japan's large metropolitan areas. The reason is that these industries and regions have little potential for boosting productivity. In 2010, though, I expect to see internal-demand industries in Japan come back as deflationary pressure fades away. Based on this outlook, I am confident that 2010 will be a year when investors who aggressively take on risk will be rewarded.

In closing, I wish you all a happy, healthy and prosperous 2010.

(I will provide more information about the points that I raised in this message in my Investment Strategy Report No. 286, which will be distributed soon.)

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