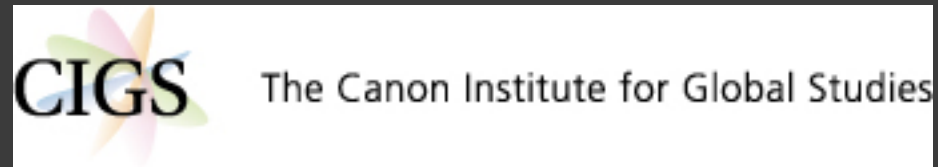


Presentation to



by Nomi Prins

Tokyo, Japan

November 14, 2016

www.nomiprins.com

Critical Risk: Japan at a Crossroads

The Lurking Dangers of
Global Central Bank Policies,
Private Banks and Politics

In the *Artisanal Money Era (AME)*

External Factors Impacting Japan

- ⦿ Federal Reserve: Possible US rate hike stronger dollar.
- ⦿ Banking System Instability / Lehman Moment
- ⦿ President Trump: economic, military and trade policy.
- ⦿ Brexit: Opportunities for Japanese corporations with European headquarters based in the UK.
- ⦿ Chinese Yuan in IMF's Special Drawing Rights (SDR) basket.
- ⦿ Shifting Financial Order from West to East.
- ⦿ Tension (and cooperation) of FED, ECB, BOJ, and PBOC.
- ⦿ Regional and global conflicts.

The Trump Presidency

- On November 8, Donald Trump became the first American since George Washington to win the presidency without holding a prior public office.
- Voters were angry at the “establishment” government elite and neo-liberalism generally.
- Yet, Trump is already filling his cabinet with establishment players and Wall Street veterans.
- Trump vowed to renegotiate NAFTA, abolish the TPP, and follow a more isolationist policy last seen in the 1920s.
- He said he would reinstate Glass-Steagall (but his own cabinet may not let him) and reduce regulations from the 2010 Dodd-Frank Act onerous to smaller banks. Trouble?
- Prime Minister Shinzo Abe in the US this week speaking with Trump on future of US-Japan Alliance / TPP

Rise of Central Bank Influence

- ⦿ Support and Distort Markets.
- ⦿ Subsidize Flawed Banking System.
- ⦿ Artificial Stimulus Causes Bubbles, Hurt Main Street Economy.
- ⦿ Federal Reserve began ongoing, coordinated central bank effort in 2008. Faces rate-hike” catch-22” given global reliance on USD.
- ⦿ ECB cut rates to negative in March, 2016
- ⦿ BOJ cut rates negative in January, 2016.
- ⦿ Artisanal Money Policies: QE, QQE, Twist, etc.

IMF Influence, SDR and Gold

- SDR added renminbi
October 1, 2016
- Gold: Turbulence hedge
- SDR: Geo-political shift

SDR Value Basket Values

U.S. dollar 41.73 percent

Euro 30.93 percent

Chinese renminbi 10.92 percent

Japanese yen 8.33 percent

Pound sterling 8.09 percent

Central Bank Policy Rewards Risks

- ⦿ Federal Reserve and ECB reward bad players. (JPM Chase / Deutsche Bank / Wesll Fargo)
- ⦿ Big Six US banks control 2/3 US banking assets, \$9.6 trillion, 37% more than before the crisis.
- ⦿ Top Four US Banks hold \$190 trillion (92%) of all US derivatives.
- ⦿ Problem Banks hold majority of \$544 trillion worth of global derivatives. That is more than five times the estimated Gross World Product (the economic capacity of the global economy).

Artisanal Money Policy

Dangers

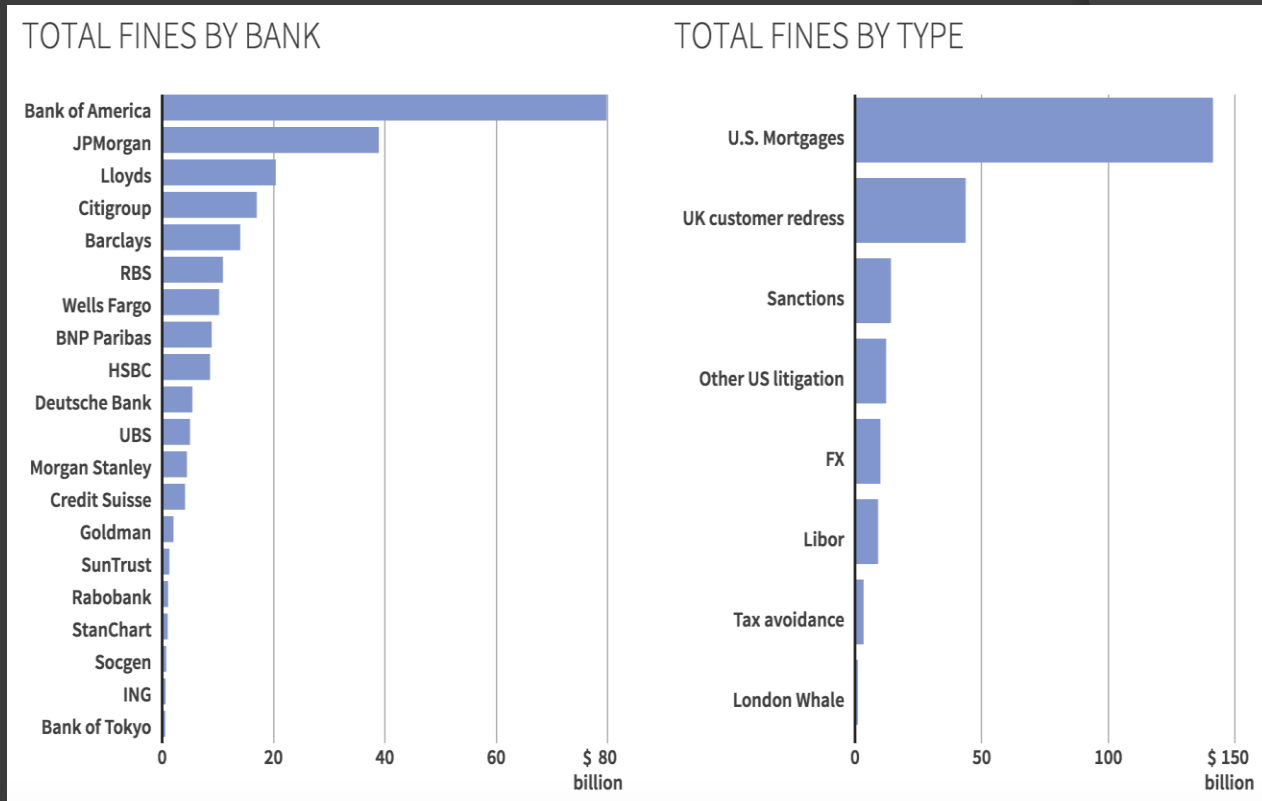
- ⦿ When central banks “create” liquidity or easy money, and run bond purchasing programs, private banks and capital markets are supported, but not real economies.
- ⦿ Bank of America noted 56% of global GDP and 83% of equity rally due to ZIRP and QE.
- ⦿ Fed and ECB hold \$7 trillion of securities.
- ⦿ BOJ holds \$4.5 trillion.

Bank Crimes and Fines

- ⦿ The Financial Crisis is not over.
- ⦿ US / Europe Crimes, Fines Ongoing.
- ⦿ US/European Banks lead crimes: mortgage–securities fraud, FX rigging, LIBOR fixing.
- ⦿ Most “offenders” are repeat offenders.
- ⦿ Central banks sustain problem banks, rather than behave as regulatory supervisors.
- ⦿ Perverse CEO incentives cause

Bank Crimes and Fines Business As Usual

- 20 of world's biggest banks paid \$235 billion in fines since the crisis.
- Of those, US banks comprised 75.76% and Euro/UK banks 21.4%.
- Big Six US banks paid \$160 billion in fines since crisis.
- (Source: Thomson Reuters)



World's Ten Largest Banks by Assets

1. ICBC, China
2. China Construction Bank, China
3. Agricultural Bank of China, China
4. Bank of China, China
5. Mitsubishi UFJ, Japan
6. HSBC Holdings, UK
7. JPMorgan Chase, US
8. BNP Paribas
9. Bank of America, US
10. Credit Agricole

World's Top Ten Global Systemic Important Banks (GSIB)s

1. JPMorgan Chase, GSIB score: 5
2. HSBC, 4.8
3. Citigroup, 4.3
4. Deutsche Bank, 4.2
5. BNP Paribas, 4.1
6. Barclays, 3.8
7. Bank of America, 3
8. Credit Suisse, 2.6
9. Morgan Stanley, 2.6
10. Goldman Sachs, 2.5

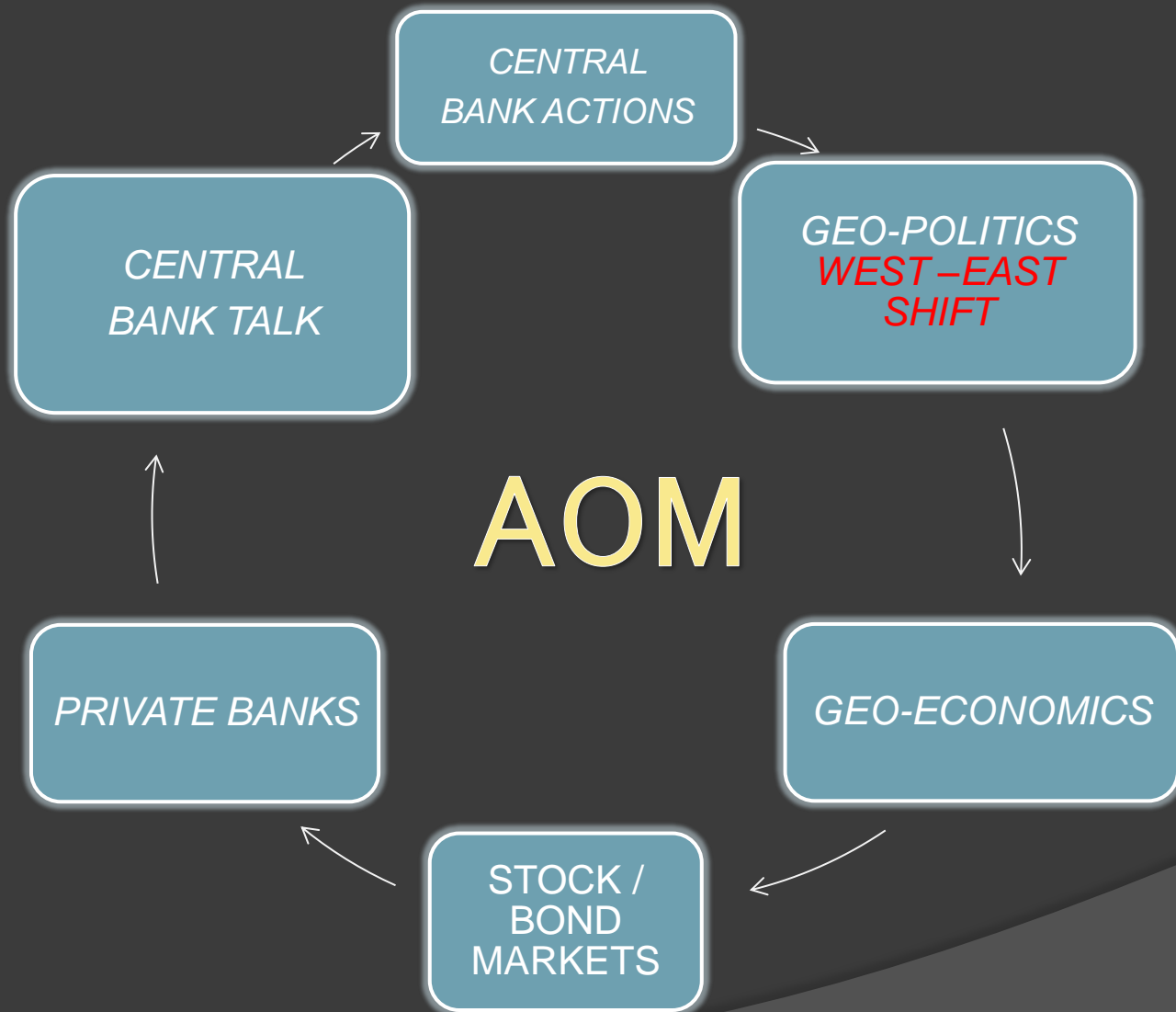
Codependent Trades and Volatility

- BIS, IMF (and others) have warned of growing volatility.
- Fed noted increased activity in riskier, high-yielding securities due to low interest rate environment.
- Codependent (layered) events manageable in isolation can combine with horrible results. Brexit, Emerging Market defaults. Commodity crises.
- **Four Main Volatility Factors:**
 - 1. Central Bank Policy
 - 2. Geo-Political Conflicts
 - 3. Credit (default) Events / Derivatives
 - 4. Confidence Breakers (scandals/crimes)

October 2016 IMF Global Financial Stability Report

“The political climate is unsettled in many countries. A lack of income growth and a rise in inequality have opened the door for populist, inward-looking policies. These factors make it even harder to tackle legacy problems and further expose economies and markets to shocks.”

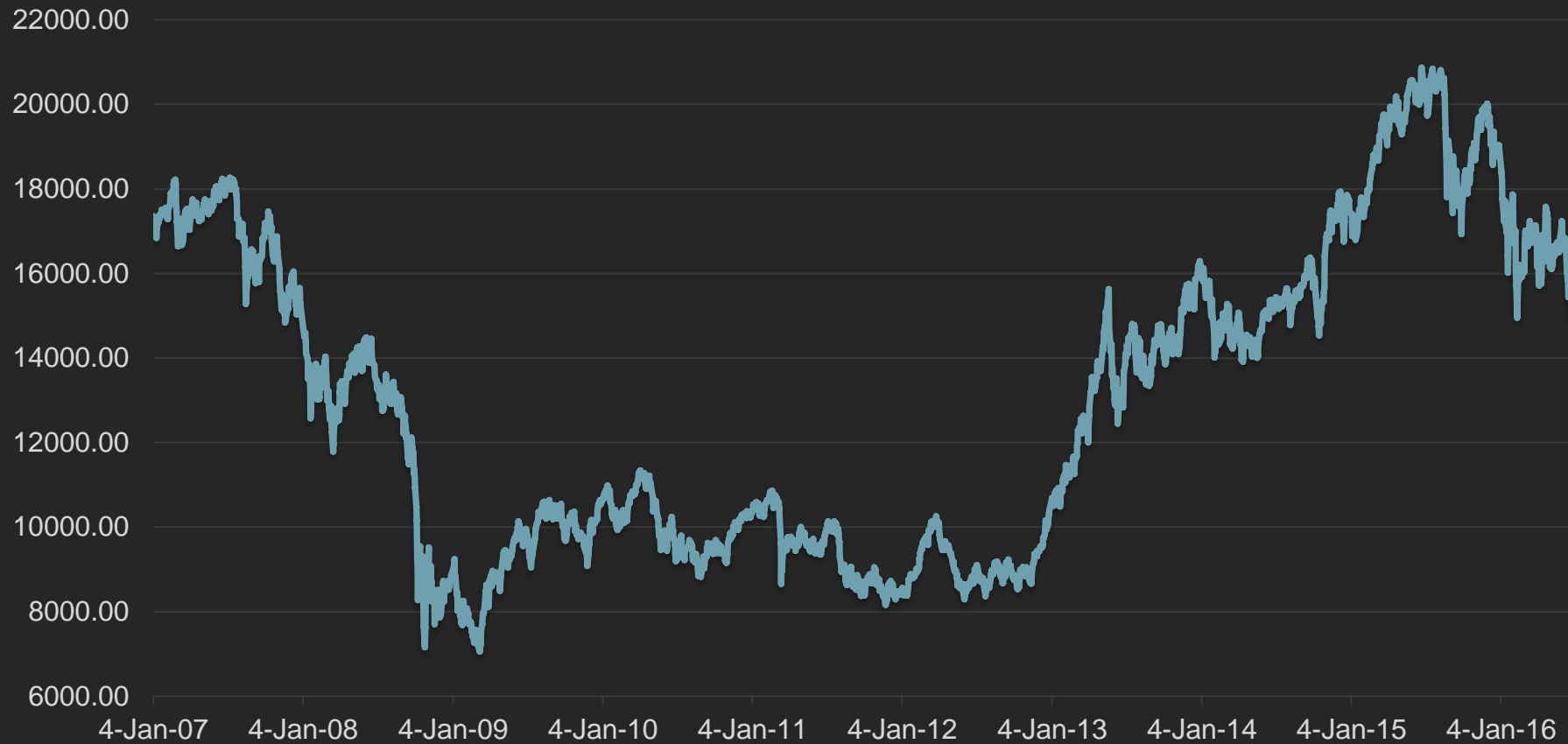
The Artisanal Money Model



Daily Nikkei Closing Prices

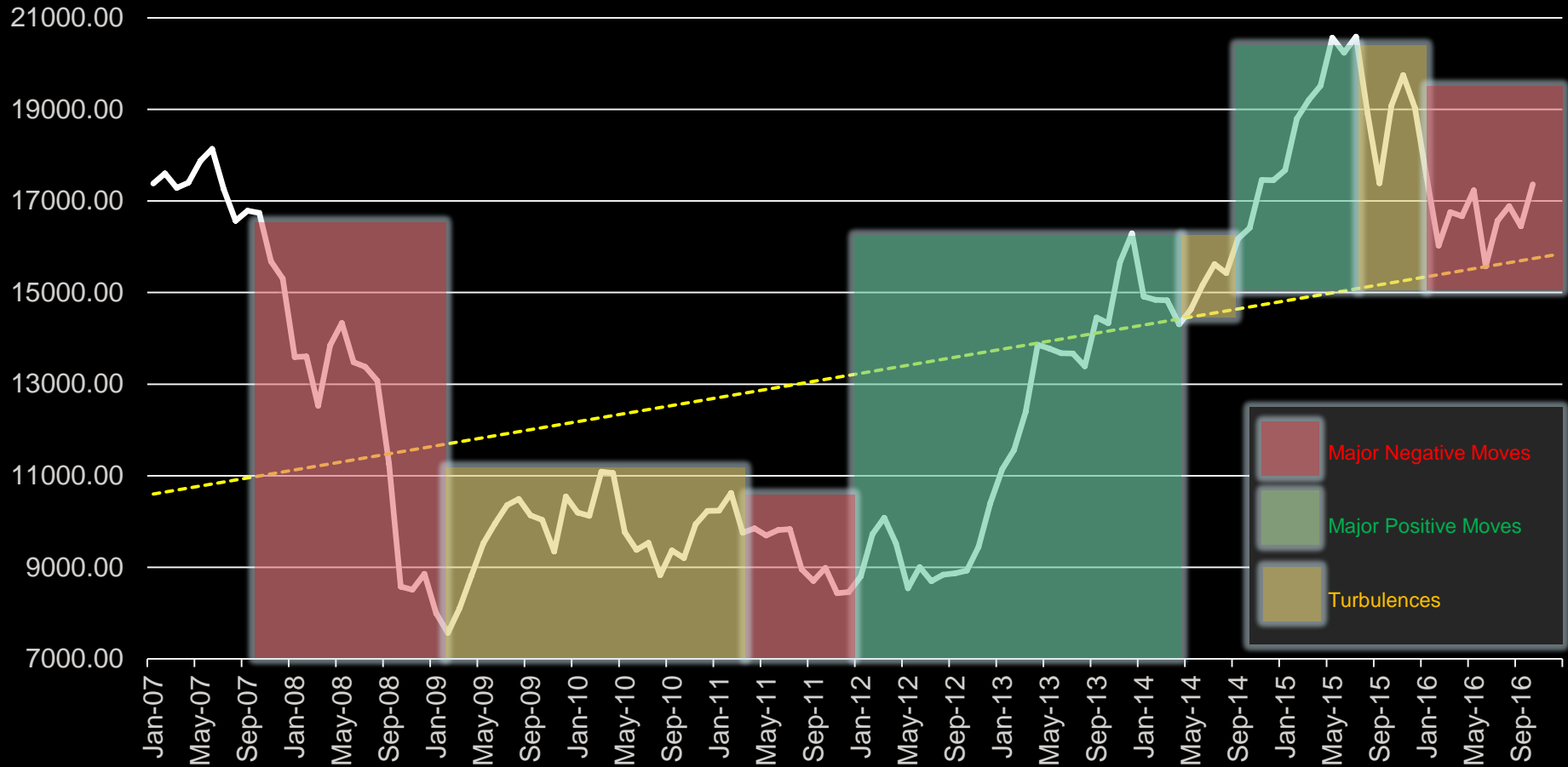
January, 2007 to October 2016.

Nikkei 2007-2016



Source: <http://br.investing.com/indices/japan-ni225-historical-data>
Elaboration: Roberto Rodolfo Georg Uebel (Economist, UFRGS, Brazil)
Nomi Prins (Artisans of Money)

Nikkei 2007–2016 – Monthly



Monthly Nikkei Closing Levels from January, 2007 to October, 2016.

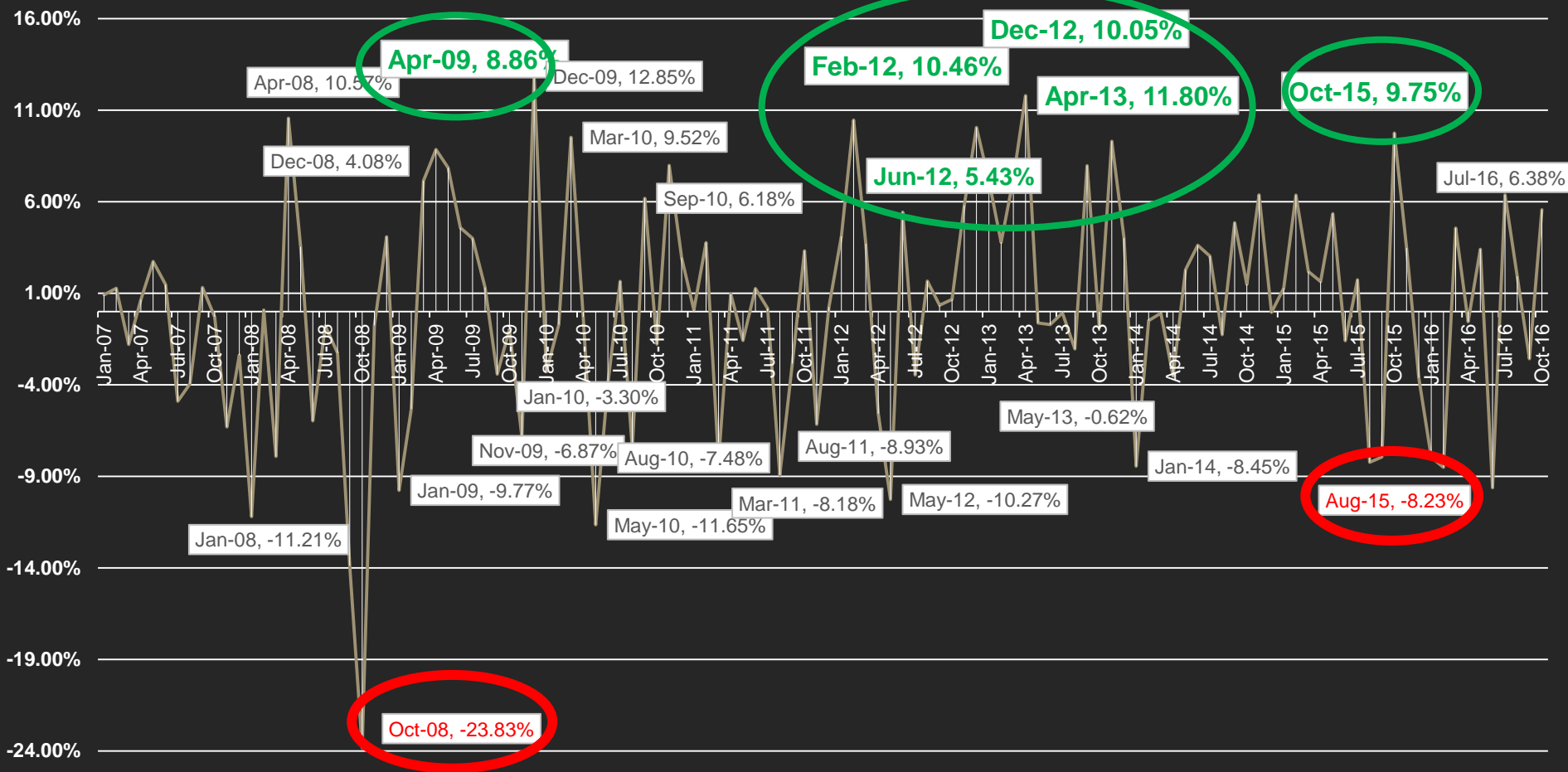
Green lines and red points: main turbulences and consequences of BOJ operations.

Source: <http://br.investing.com/indices/japan-ni225-historical-data>

Elaboration: Roberto Rodolfo Georg Uebel (Economist, UFRGS, Brazil) – Nomi Prins (Artisans of Money)

Monthly variation (Amplitude) of Nikkei January, 2007 to October, 2016 vs. Major BOJ Intervention Dates

Nikkei 2007-2016 Var. % Monthly

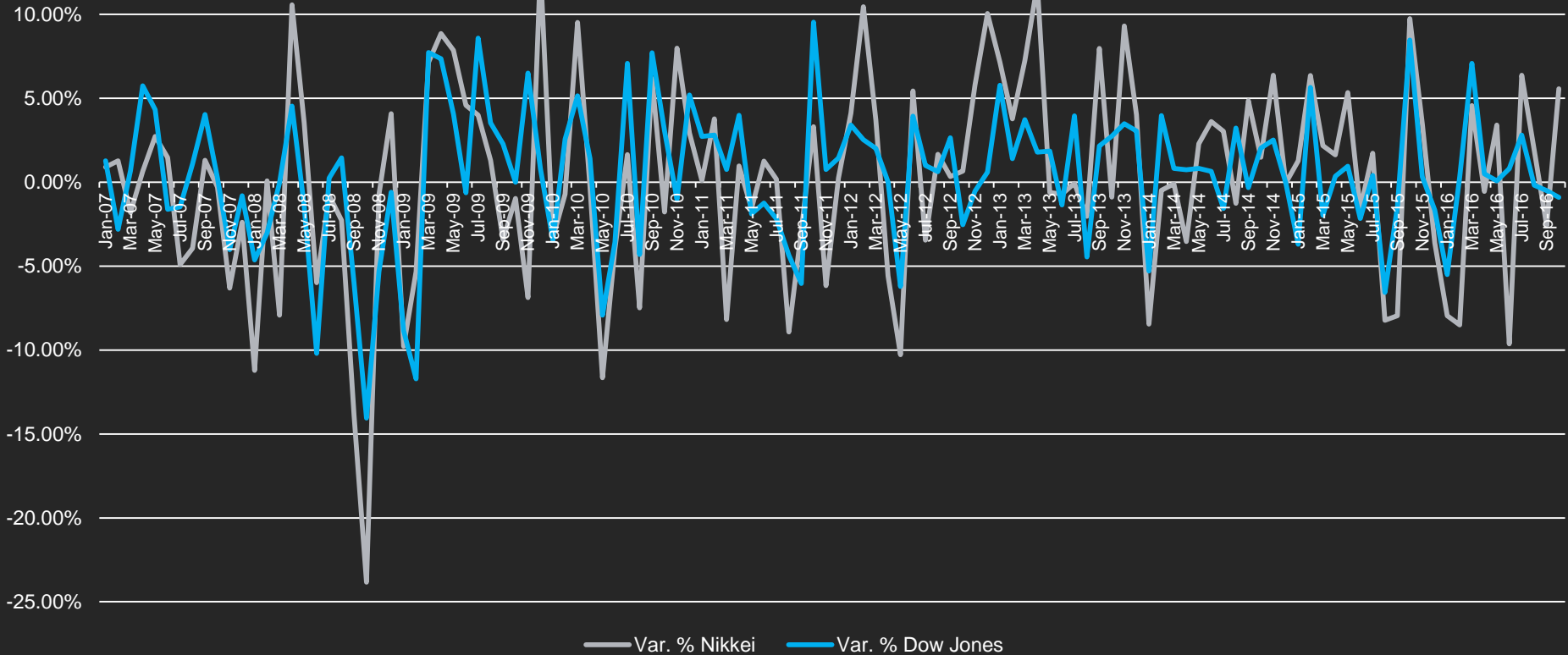


Source: <http://br.investing.com/indices/japan-ni225-historical-data>
 Elaboration: Roberto Rodolfo Georg Uebel (Economist, UFRGS, Brazil)
 Nomi Prins (Artisans of Money/AME Models)

Nikkei vs. Dow Jones

Monthly variation (amplitude)
January, 2007 to October, 2016.

Nikkei x Dow Jones 2007-2016



Source: <http://br.investing.com/indices/japan-ni225-historical-data> | <http://br.investing.com/indices/us-30-historical-data>

Elaboration: Roberto Rodolfo Georg Uebel (Economist, UFRGS, Brazil) – Nomi Prins (Artisans of Money)

Dollar vs. Yen

Daily variation

January 01st, 2007 to November 11th, 2016.



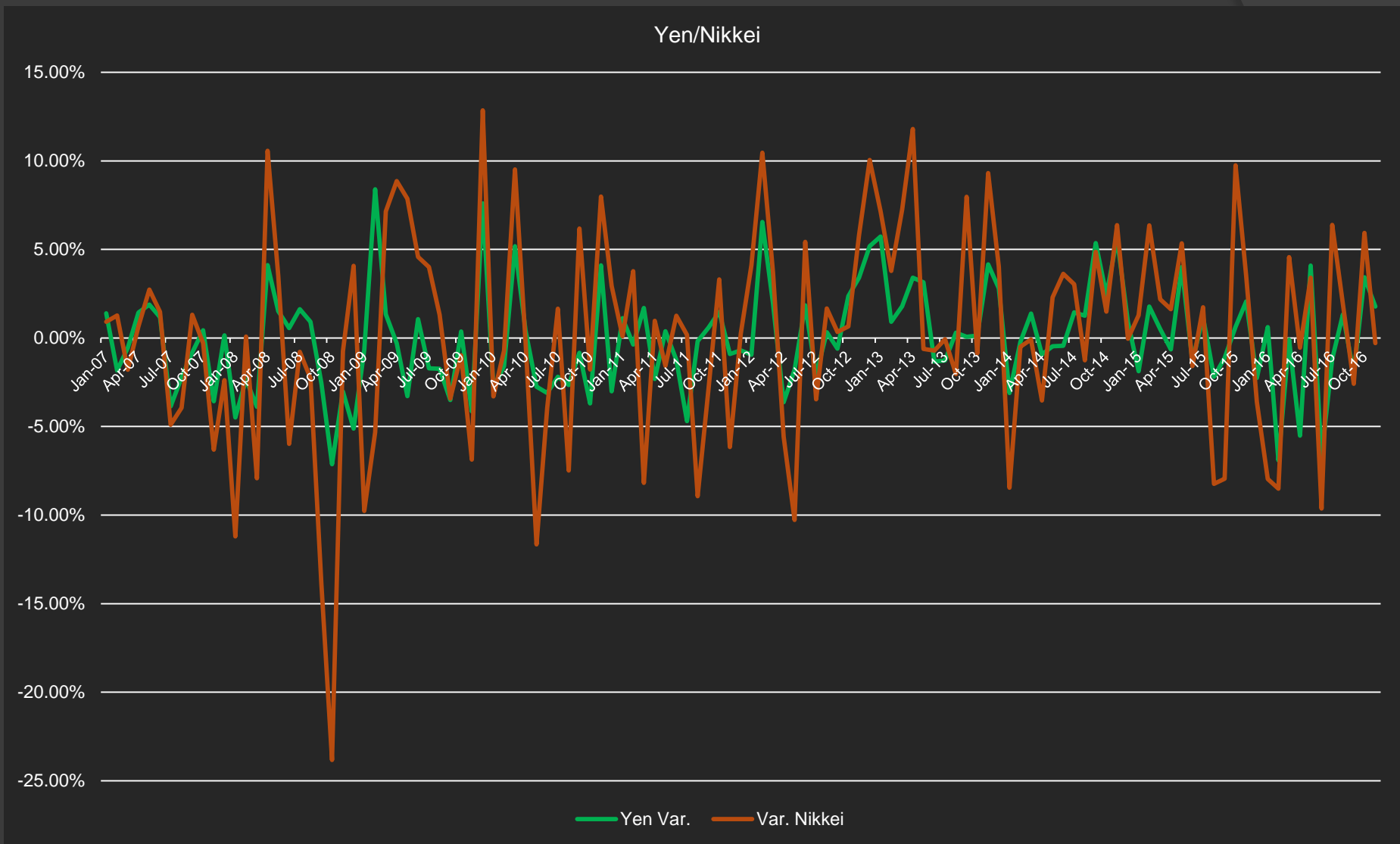
Source: <http://br.investing.com/currencies/usd-jpy-historical-data>

Elaboration: Roberto Rodolfo Georg Uebel (Economist, UFRGS, Brazil) – Nomi Prins (Artisans of Money)

Yen vs. Nikkei

Monthly variation

January 01st, 2007 to November 11th, 2016.

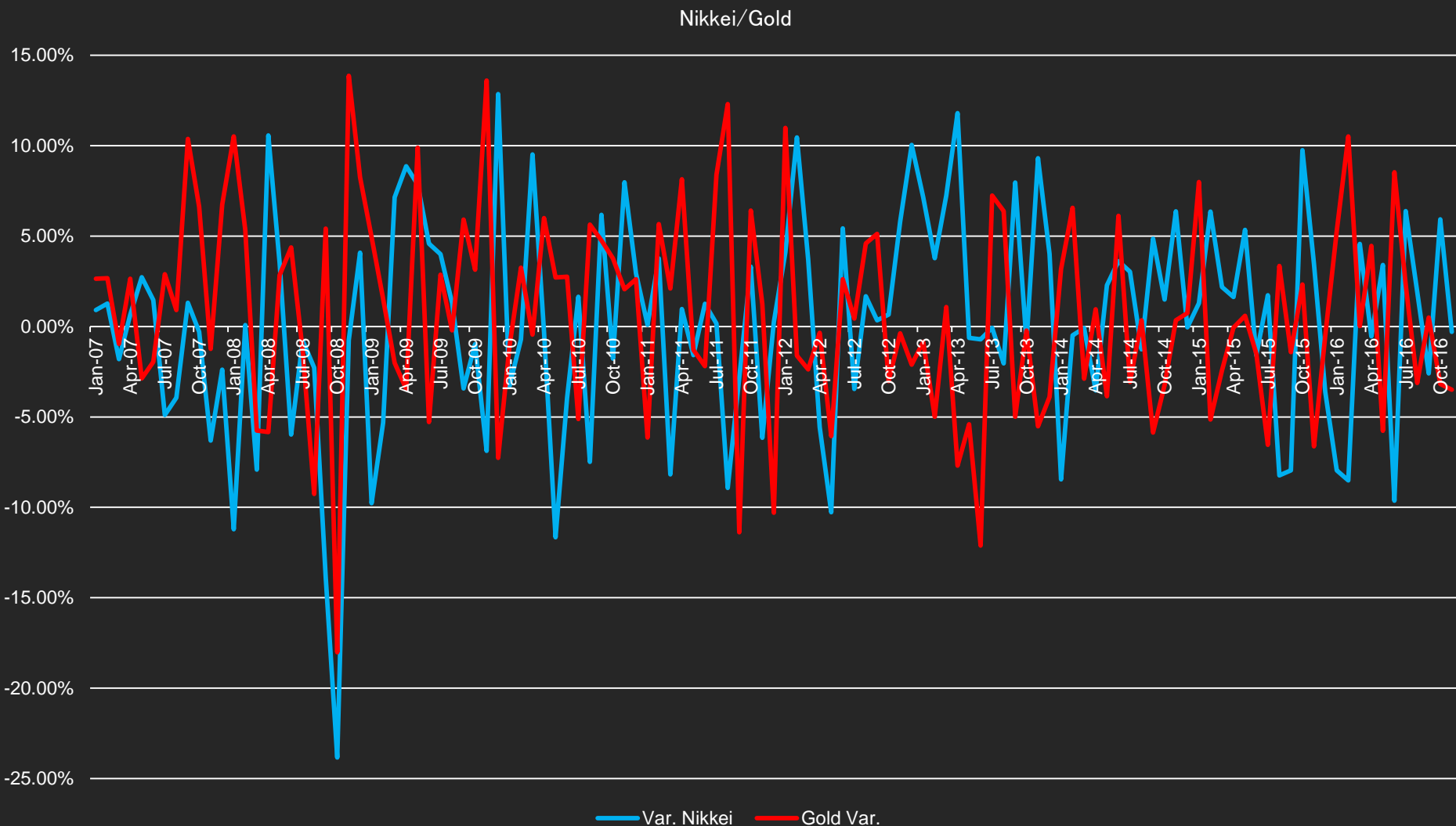


Source: <http://br.investing.com/currencies/usd-jpy-historical-data> | <http://br.investing.com/commodities/gold-historical-data>

Elaboration: Roberto Rodolfo Georg Uebel (Economist, UFRGS, Brazil) – Nomi Prins (Artisans of Money)

Nikkei vs. Gold

Monthly variation
January 01st, 2007 to November 11th, 2016.



Source: <http://br.investing.com/currencies/usd-jpy-historical-data> | <http://br.investing.com/commodities/gold-historical-data>

Elaboration: Roberto Rodolfo Georg Uebel (Economist, UFRGS, Brazil) – Nomi Prins (Artisans of Money)

What Trump Means for Asia

- ⦿ Potential Adjustments to:
 - Military Presence
 - Regional Trade, Capital Flows
 - Freedom-of-Navigation Norms
 - Financial deregulation
- ⦿ Ongoing Anti-Chinese Rhetoric to Increase
- ⦿ Expect The “Unexpected” Risk
- ⦿ Thawing of Russian Buildup

Impact and Opportunity for Japan

- ⦿ Non-US Alignments: China, BRICS, UK, Europe
- ⦿ Central Bank Moves Globally
- ⦿ BREXIT
- ⦿ Global Bank Risk / Lehman Moment
- ⦿ Continued Negative Rates
- ⦿ Trump Administration
- ⦿ New non-US alignments, agreements, diplomacy

Impact On Japan

China
Relationships

BRICS
Relationships

Global Bank
Risks

Continued
Negative
Interest Rates

Trump
Administration

Regional
Conflict