



Member of Cat Group

Zurich, 11th October 2007

Moody's Japan sovereign debt upgrade, macro and technical

- Moody has upgraded Japan's sovereign debt from A2 to A1 (was downgraded in 2002)
- Bank lending is +1.4% YoY in Sept. (expected +1.3%)
- Bank of Japan announced no rate change (8-1 vote)
- Domestic machinery orders -7.7% MoM after +17% in July (might be best QoQ number since 2006)
- Tokyo office vacancy rate at new low of 2.59% in Sept.

Today the Nikkei rose by 281 points (+1.64%) with a year to date performance of +1.35%, while the Topix rose by +19.34 points (+1.17%) giving it a year to date performance of -0.21%.

We broke through the 200 day moving average resistance line of 17306 in the Nikkei. We need to bear in mind that tomorrow is an option SQ (special quotation) day, which might have overdone today's move.

We need to confirm the breakout in the next couple of days. However, the Japanese stock market is lagging the rest of the world. Is this the turnaround?

Kind regards

Your Cat team.