

JAPANESE INVESTORS' VIEW ON U.S. ELECTIONS: STEADY AS SHE GOES

Jesper Koll — Senior Advisor

09/12/2016

Japanese investors have been buying global securities at a record pace, with almost US\$200 billion of net outflows recorded since the start of this year.¹ About 80% of the net buying has been [U.S. Treasuries](#).² Make no mistake—Bank of Japan (BOJ) policy has definitely re-established Japan as a key player in global financial markets in general, and U.S. financial markets in particular. **So What Do Japanese Investors Think about the Big Event Ahead in the U.S., the Presidential Election?** To find out, WisdomTree Japan conducted a survey of around 50 major investors and financial professionals at our latest WisdomTree Tokyo Investor Seminar. Interestingly, the views appear very concentrated in one direction (as opposed to the “non-committed or no strong view” bias normally associated with Japanese survey results).

Strong Expectations for Clinton Victory and This Being Better for Wall Street On the big question—Who do you think will be the next U.S. president?—the answer was surprisingly clear-cut: 86% expect a Clinton victory, while only 14% think Trump can win. In our view, the strong skew toward Clinton is consistent with the major media coverage in Japan. More importantly, it raises the probability of a potentially sharp Japanese investor pull-back in case the final result is counter to the current strong consensus view. This backlash worry is further underscored by other parts of our survey results. To the question “Who do you think will be a better president for the U.S. stock market?” a strong majority of 72% expect Clinton to be better for U.S. equities. Only 28% think Trump will be good for Wall Street. **A Trump Victory Expected to Force a Weaker Dollar** On the exchange rate, Japanese investors’ views again show relatively clear-cut concentration: a Trump victory would weaken the U.S. dollar, according to 80% of the surveyed investors. Here, Trump’s protectionism and anti-free-trade stance was cited several times as the key dynamic forcing a weaker dollar. Against this, a Clinton victory is expected to be moderately dollar positive, with 64% expecting a stronger dollar if she moves into the White House. So while Japanese investors appear very confident that a Clinton victory would be good for U.S. equities – 72%; but are somewhat less convinced on her impact for a stronger dollar. To the question “Where do you forecast the yen/dollar to be in one year’s time?” exactly 50% of investors expect ¥105/dollar; yen depreciation to ¥115/dollar or weaker is anticipated by 28%; while yen appreciation to ¥100/dollar or stronger is expected by 22%. On the U.S.-dollar outlook, this result appears broadly consistent with the market implication expected from a Clinton victory. **China Devaluation Widely Anticipated** On currencies, we also asked about expectations for the Chinese currency. The result suggests a strong expectation for further yuan devaluation: 42% expect a yuan devaluation of at least 5%, and a further 33% expect a drop of more than 10% over the coming 12 months. In contrast, only 25% expect the Chinese currency to be stable over the next year. Based on our surveys results, Japanese investors appear to have a relatively firm and clear-cut view on the U.S. election and its likely impact on markets. Against such relatively strong consensus, a Clinton victory could well prove to be a non-event for Japanese positioning; but an unexpected contrary outcome could force significant adjustments to the long U.S. positions established so far this year, in our view. ¹Source: Bank of Japan. ²Source: Bank of Japan.

Important Risks Related to this Article

Investments focused in Japan increase the impact of events and developments associated with the region, which can adversely affect performance.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Kara Marciscano, Jianing Wu, Brian Manby and Scott Welch are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

DEFINITIONS

U.S. Treasury Bill : A short-term debt obligation backed by the U.S. government with a maturity of less than one year.

Devaluation : deliberate downward adjustment to the value of a country's currency, relative to another currenc.