
“THANK GOODNESS THE OLYMPICS BURDEN IS OVER!”

This is the likely phrase one will often hear in a few weeks, especially among equity investors and Japan’s political leadership. Of course, there are currently very few people in Japan who are very enthusiastic about holding the Olympics and virtually everyone would agree that it is a burden, but only the International Olympic Committee (IOC) can cancel an Olympics. So, unless Japan wanted to ruin the operational aspect somehow, it had no choice but to accept the IOC’s determination to proceed despite the risks. Of course, there are global financial obligations that drove the IOC’s decision, although from Japan’s perspective, the events have been a major financial loss.

Japan’s government must also feel responsibility to deliver on its promise to hold the events, and after many months of dithering, the US, and the whole G-7, fairly recently finally threw their support behind Japan’s major efforts to host a “safe and secure” Olympics **for the global community**. Indeed, the whole affair is happening mostly in a bubble, even within which, national teams are even being isolated from each other. Fortunately, the delta variant is not as deadly as other strains, although it certainly is adding a degree of uncertainty and for some, great reluctance, about the events. That said, outside the bubble surrounding the Olympics venues and lodging, Tokyo is operating at a reasonable degree of openness, with streets and restaurants getting fairly crowded again. Actually, outside of the Tokyo area “state of emergency”, life proceeds much more normally, especially as the vulnerable age groups are as fully vaccinated as possible.

Although no one should expect perfection, sceptics are criticizing many of the difficult decisions regarding the fine line of being too protective from the virus vs damaging the social and economic fabric of the country. However, given all the protections, the events will likely proceed well, and the G-7, and hopefully the United Nations, will fully commend Japan. What a relief this will be to Japan. Similarly, domestic and global investors will likely turn much more optimistic on Japanese stocks, especially as: 1) valuations are very low, 2) corporate earnings estimates continue to rise, 3) global demand will boost Japanese exports, 4) the chip shortage will fade and Japanese auto exports (and transplanted production) will boost profits in this important sector once again, 5) the tech-related sectors can continue surging, 6) environmental and other capex domestic spending and exports also can continue surging, 7) combined with the above, increased domestic personal consumption will also drive a GDP surge after August and 8) fears of a political leadership change will likely dissipate (and even if there was a change, it would not be too negative, as the LDP would remain firmly in charge), as Prime Minister Suga and the LDP will likely prevail in this autumn’s election.

Although having all these cylinders firing at once should be very powerful, one can certainly imagine investors will create some new reasons to worry about Japan, as they always seem wont to do, but hopefully they will avoid the hackneyed ones by reading our previous piece [“Dispelling Negative Notions”](#) and know that they are likely missing out on a major rebound from Japan’s oversold position.

In sum, one wonders what country could have done a better job in hosting this Olympics. It’s hard to underestimate the uproar and various crises that would have developed in other countries. In any regard, let’s hope the world benefits from this cooperative event and countries can learn to compete fairly, refrain from bullying, and operate not only from their own perspectives. Many are likely sceptical of this occurring, but even if only a marginal improvement from today’s hostile climate, such would be a positive development, as the world is sitting on the edge of several seriously dangerous ledges in the Middle East and China-related matters.

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