

The Change in the attitude of the Japanese investors toward gold

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The past 37 years in Japanese precious metals market, Japanese investors always impressed me with their bargain hunters' activities. They buy when the gold price dips and sell when the price goes up. But in Western world investors act the other way around. Most of the Western investors are what we call "trend followers", they buy when market is going up, they sell when market is going down.

This completely opposite trading style gave me quite good opportunities to trade between the two markets when I was a professional trader.

However, in the past several years I see Japanese investors' mind set have totally changed especially after Covid. We have younger generations who are not concerned about past prices. The weakening yen is also a driving force for the change.

People had realized the purchasing power of the Yen decreased significantly when they visited foreign countries after the pandemic. Gold in Yen is the best protection against the currency devaluation. Investors who hold gold stopped selling for profit but rather choose to hold it as an important part of the portfolio. Japanese Gold ETF balance has been increasing while US and European counterparts sold hard on the back of the higher interest rates. In the retail physical market, even with the historical high prices, the buying and selling are well balanced. Although this structural change in Japanese gold market is not a big news but I feel it could change the world gold market for the long run as Japanese investors turn to be long term holders rather than short term traders.

