

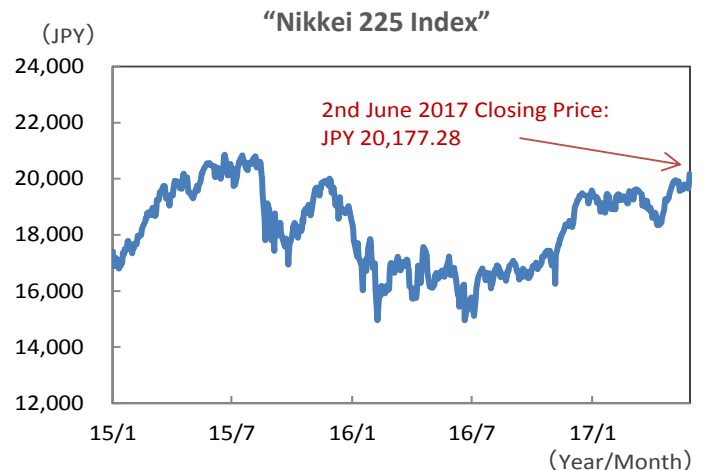
Today's Topic

## Nikkei 225 Index Recovered to 20,000 level

### Point 1

#### Nikkei 225 index was supported by worldwide bull market Reached 20,000 level for the first time in year and a half

- Nikkei 225 index closed at 20,177 above milestone level of 20,000 on 2<sup>nd</sup> June 2017. Recovering to 20,000 level is for the first time in year and a half since December 2015.
- The background is worldwide bull market such as all of the 3 major equity indices of US (Dow Jones Industrial Average, S&P 500 and Nasdaq Composite) renewed their record highs on the previous day.
- Global economic expansion is attracting money into the equity market. According to Nikkei newspaper, market capitalization of the global equity market was US\$76trillion (end of May 2017) which renewed its record high for the first time in 2 years.

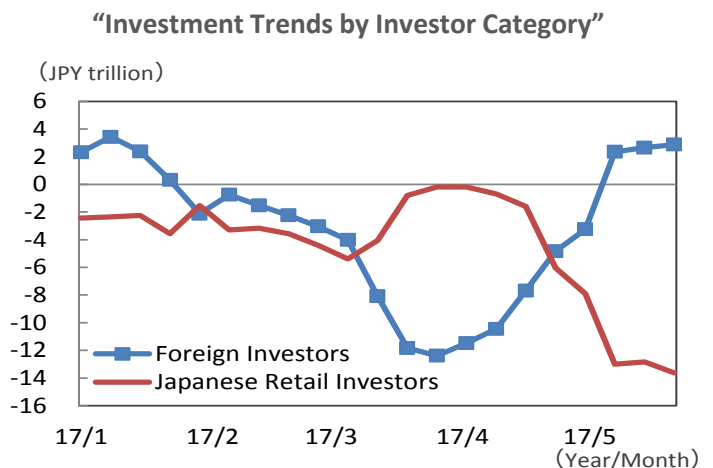


(Note) Data period is from 5<sup>th</sup> January 2017 to 2<sup>nd</sup> June 2017.  
(Source) SMAM, based on Bloomberg L. P. data.

### Point 2

#### Supply/demand conditions of Japanese equity has improved Foreign investors continued to be buyers of laggard Japanese equity

- The reason of Nikkei 225 index recovering 20,000 level seems to be revaluation of Japanese equity market which had been lagging behind European and US markets, as uncertainty of Trump administration and geopolitical risk have moderated.
- As to investment trends by investor category, while foreign investors have turned net-buyers since April 2017, selling pressure from Japanese retail investors is peaking out.



(Note) Data period is from 7<sup>th</sup> January 2017 to 27<sup>th</sup> May 2017.  
(Source) SMAM, based on QUICK data.

### Future Outlook

#### Japanese equity is supported by strong corporate earnings growth of Japanese corporations

- The Japanese equity market is likely to stay solid for the time being as revaluation of Japanese equity market relative to European and US markets seems to be under way and downside risk due to supply/demand conditions is low as outstanding margin buying and unsettled buying balance of arbitrage trading are relatively small.
- Earnings growth estimate of Japanese corporations for FY2017 is expected to show double digit growth of + 13.0% YoY (Tokyo Stock Exchange First Section excluding financials, QUICK consensus base, as of 31<sup>st</sup> May 2017). We expect that the Japanese equity market will eventually test its recent high while checking the possibility of upside revision of corporate earnings supported by global economic expansion.

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