

Today's Topic

Nikkei 225 hit 15 year high at 20,000 yen

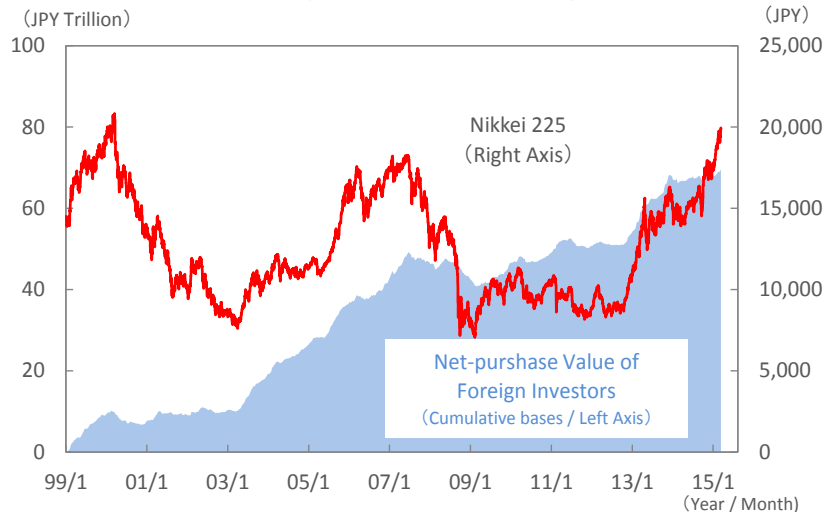
Point 1

Global monetary easing and corporate earnings boosted the stocks

Acceleration of buying by foreign investors

- Nikkei 225 opened higher to 20,006 yen, hitting 15 year high at 20,000 yen since April 17th, 2000. The index closed slightly lower -30.09 at 19,907.63 yen after the psychological milestone of 20,000 yen induced profit-taking.
- Although Nikkei 225 declined temporarily to below 19,000 yen on April 1, it has been climbing on the back of global monetary easing and upbeat corporate earnings forecast.
- By investor category, foreign investors are aggressively buying the shares again lately. This investor category has accelerated buying to JPY44.54billion in the first week of April from JPY53.06billion in March after turning to a net buyer of JPY20.15billion in February from a net seller of JPY89.32billion in January.

"Nikkei 225 and Net-purchase Value of Foreign Investors"



(Note) Data period: Nikkei 225 from Jan. 29, 1999 to Apr.10, 2015.
Net-purchase value of foreign investors from Jan. 29, 1999 to Apr.3, 2015. (weekly data on cumulative bases)
(Source) SMAM, based on Bloomberg L.P. data.

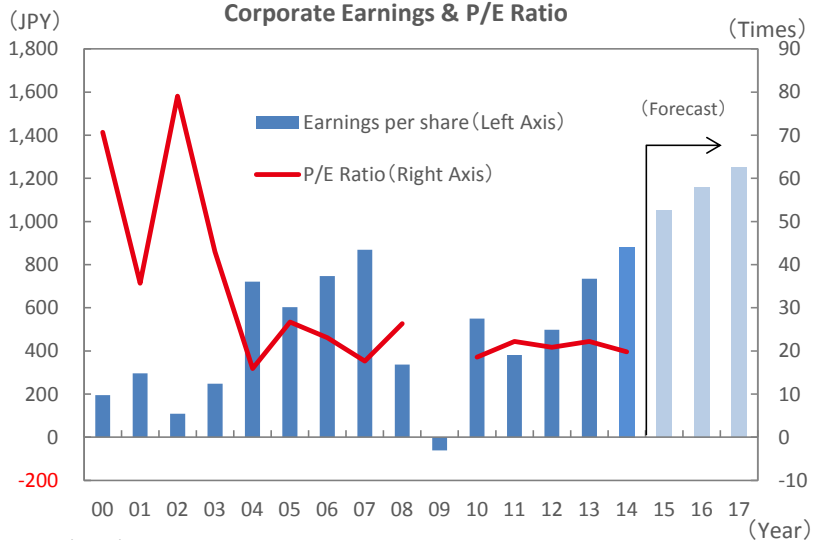
Point 2

Toward medium to long term solid rally

20% corporate earnings profit growth forecast in FY2015

- One of the reasons for supporting the equity market is that companies are more focusing on the shareholders' interest. The medium to long term return on equity (ROE) growth is increasingly expected as companies are reinforcing the shareholder return through share buyback and taking into account of corporate governance such as raising the number of unaffiliated directors.
- In addition, the corporate earnings are likely to continue growing to all-time high as the consensus forecast for FY2015 by Bloomberg has been revised upward to + 19% y-o-y from + 5% y-o-y about a few months ago.

Corporate Earnings & P/E Ratio



(Note) Data is from 2000 to 2017. Consensus forecast by Bloomberg after FY2015. No P/E is shown for FY2009 as the figure is negative.
Both Earnings per share and P/E are based on Nikkei 225 index.
(Source) SMAM, based on Bloomberg L.P. data.

Future Outlook

Solid market is expected underpinned by upbeat corporate earnings

- When Nikkei 225 was traded above 19,000 yen in Year 2000, the P/E of the stocks was extremely high of about 70x during the period of so-called “IT Bubble” in Japan. In contrast, the current P/E is still 19x and the market does not seem to be an excessively overbought.
- Although the market may consolidate for a short while as it has sharply risen since the beginning of this year, the Japan's market is expected to advance further along with expanding corporate profits renewing their historical high.

Disclaimer

Please read this disclaimer carefully.

- This material is for non-Japanese institutional investors only.
- The research and analysis included in this report, and those opinions or judgments as outcomes thereof, are intended to introduce or demonstrate capabilities and expertise of Sumitomo Mitsui Asset Management Company, Ltd. (hereinafter “SMAM”), or to provide information on investment strategies and opportunities. Therefore this material is not intended to offer or solicit investments, provide investment advice or service, or to be considered as disclosure documents under the Financial Instruments and Exchange Law of Japan.
- The expected returns or risks in this report are calculated based upon historical data and/or estimated upon the economic outlook at present, and should be construed no warrant of future returns and risks.
- Past performance is not necessarily indicative of future results.
- The simulated data or returns in this report besides the fund historical returns do not include/reflect any investment management fees, transaction costs, or re-balancing costs, etc.
- The investment products or strategies do not guarantee future results nor guarantee the principal of investments. The investments may suffer losses and the results of investments, including such losses, belong to the client.
- The recipient of this report must make its own independent decisions regarding investments.
- The opinions, outlooks and estimates in this report do not guarantee future trends or results. They constitute SMAM's judgment as of the date of this material and are subject to change without notice.
- The awards included in this report are based on past achievements and do not guarantee future results.
- The intellectual property and all rights of the benchmarks/indices belong to the publisher and the authorized entities/individuals.
- This material has been prepared by obtaining data from sources which are believed to be reliable but SMAM can not and does not guarantee its completeness or accuracy.
- All rights, titles and interests in this material and any content contained herein are the exclusive properties of SMAM, except as otherwise stated. It is strictly prohibited from using this material for investments, reproducing/copying this material without SMAM's authorization, or from disclosing this material to a third party.