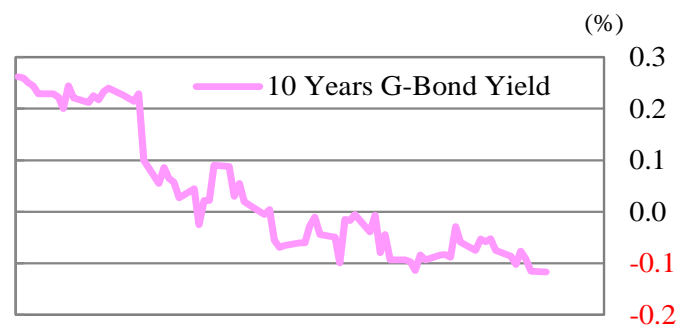
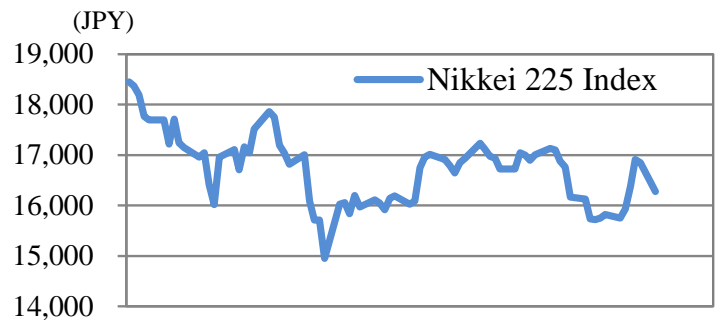


**Today's Topic** **Current trend and outlook of the Japanese equity market**  
**Oil Meeting Collapse sent Nikkei 225 sharply down**

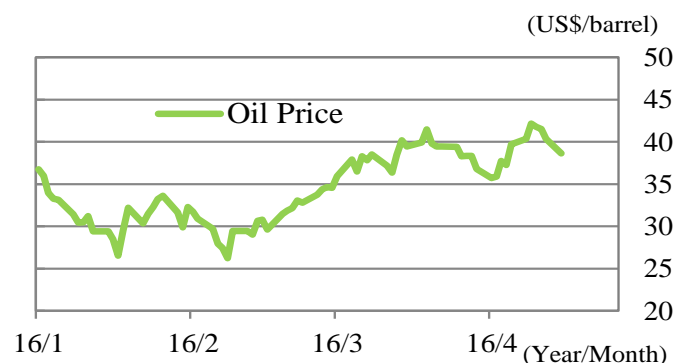
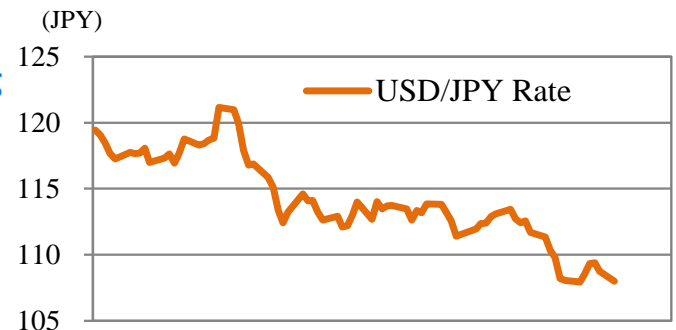
**Point 1** **Nikkei 225 index plunged**  
**Further JPY appreciation and fall of oil prices**

- Tokyo stock market saw a volatile start this week. On 18<sup>th</sup> April, the Nikkei 225 fell sharply by JPY 572.08 closing at JPY 16,275.95 and rose JPY 598.49 to JPY16,874.44, the following day.
- Major backdrop of this consolidation is the collapse of oil meeting which was initially expected to ease JPY appreciation pressure. Also, concerns over damage of supply chains owing to Kumamoto earthquakes has weighed on the sentiment of the market. (We would like to extend our condolence to those who have lost their precious lives, to those who have lost beloved ones and those who are suffering by Kumamoto earthquakes).



**Point 2** **Backdrop is collapse of oil meeting**  
**Expectation on supply and demand improvement receded**

- JPY appreciated as market participants deemed Japanese government/BOJ can not intervene, since there was no change of the currency policy description in the joint statement of G20 Finance Ministers and Central Bank Governors' meeting that ended on 15<sup>th</sup> April, 2016, from that of February.
- Market focused on oil meeting held in Doha on 17<sup>th</sup> April, based on their thoughts that stability of oil prices is a key to ease JPY appreciation pressure. Oil prices fell below US\$40 per barrel again, as expectation on supply and demand improvement receded due to failure of reaching agreement on production volume at the meeting. In the foreign exchange market, JPY appreciated towards JPY 107 level due to concerns over recurrence of weaker oil prices.



(Note) Data period is from 4<sup>th</sup> January 2016 to 18<sup>th</sup> January 2016.  
 (Source) SMAM, based on Bloomberg L. P. data.

## Future Outlook

### Focus on the scale and contents of economic measures implemented by Japanese government

- Though we need to keep our eyes on JPY appreciation and falling oil prices going forward, market is likely to focus more on corporate earnings announcement and economic measures taken by the government. As to corporate earnings, if assumed exchange rate used for corporate business plan is revised toward stronger yen, it will lead to downward revision of earnings. However, if profit decline is limited, investors will probably feel that share prices bottom out.
- While, economic measures are expected to be announced in coming May, these measures will strongly influence the trend of Japanese stock market in the latter half of this year. The key is whether or not market participants will appreciate the government's decision of consumption tax hike delay and the scale and contents of supplementary budget.

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