

## Nikkei 225 gained above 19,000 yen as a milestone

19,000 yen was a 15-year high since April 2000

■ Nikkei 225 index recovered JPY19,000 level on March 13 for the first time in almost 15 years since April 19, 2000 (closing price basis).

Point **1** 

■ The Nikkei index was range-traded between 18,600 yen to 18,800 yen for a few weeks at the end of February, but it surged helped by improved external environment.

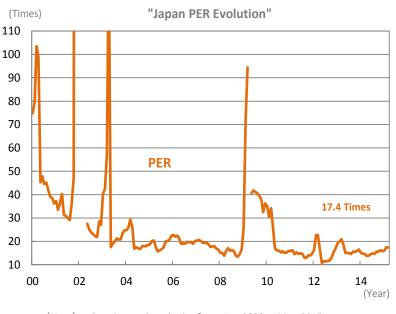
### Point 2 Sign of economic recovery Fresh money inflows into the equity market amid excess liquidity

- January Machinery Order released on March 11 was - 1.7% m-o-m, better than expectation of - 4% m-o-m by Bloomberg consensus, which showed Japan's strong recovery on track. In addition, the February "Survey on Labor Economy Trend" published by the Ministry of Health, Labour & Welfare showed a solid recovery sign as the sentiment of labour shortage reached its historical high level. Such movement was also helped by USD/JPY rate that has risen above 121 yen since December 2014.
- In addition to the high expectation for the solid recovery, the Japanese stocks are likely to move higher, helped by global money inflow under excess liquidity, which is spurred by the monetary easing of ECB since March 9.

# FutureUpbeat earnings growth willOutlooksupport the equity market

■ When Nikkei 225 was traded above 19,000 yen in Year 2000, the P/E of the stocks was extremely high of between 70x and 100x during the period of so-called "IT Bubble" in Japan. The Current P/E is still 17.4x and the market does not look like a bubble. Although the market may become more volatile under increasing excess liquidity, the Japan's market is expected to advance underpinned by strong corporate earnings as the pretax profit for FY2015 is forecasted to grow to the historical high.





(Note) Data is month end price from Jan. 2000 to Mar. 2015
 (Price of 11<sup>th</sup> for Mar. 2015).
 PER = Stock price / Earnings per share. Based on Nikkei forecast.
 (Source) SMAM, based on Quick Astra Manager data.



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