

JAPAN WEEKLY REVIEW

For Week Commencing 1 February 2016

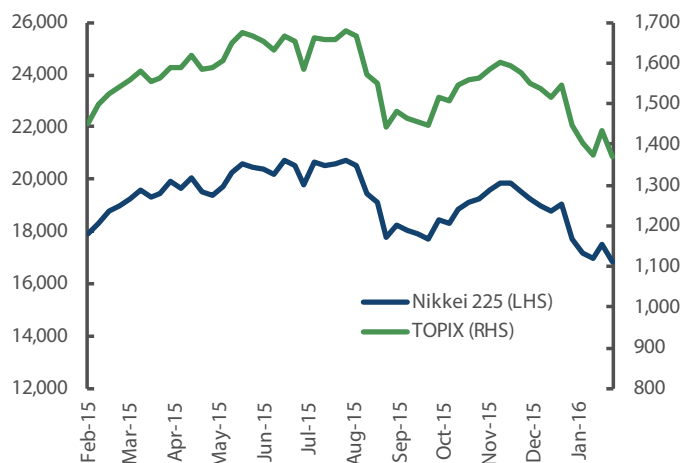
Market Review

Below are performance data for the TOPIX, Nikkei 225 and JPX-Nikkei 400, stock indices representative of Japan's stock market:

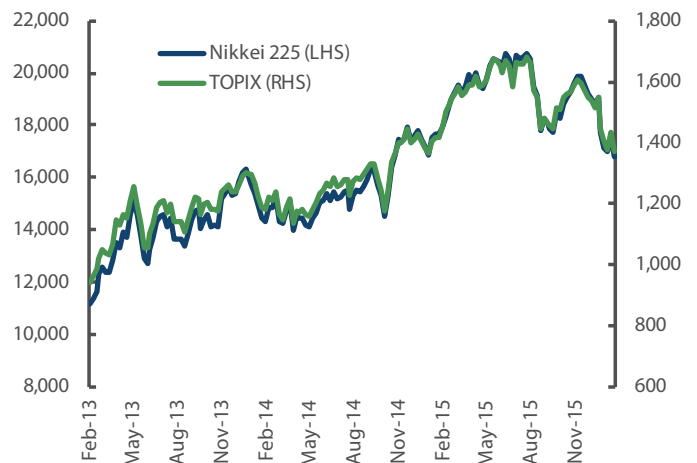
Stock Index	As of 2016/2/5	Performance Returns (%)					
		1 Week	Rolling 3 Months	Rolling 6 Months	Rolling 1 Year	MTD	YTD
Nikkei 225	16,819.59	- 4.0	- 12.0	- 18.4	- 3.9	- 4.0	- 11.6
TOPIX	1,368.97	- 4.4	- 12.0	- 17.8	- 2.9	- 4.4	- 11.5
JPX-Nikkei 400	12,358.86	- 4.3	- 11.6	- 17.8	- 3.3	- 4.3	- 11.4

Nikkei 225 & TOPIX

1 Year Performance



3 Year Performance



Source: Nikko AM, Tokyo Stock Exchange, Inc., as of 5 February 2016

Past performance or any prediction, projection or forecast is not indicative of future performance.

Macro & Other Data

- Yields on wide range of JGB durations turn negative following BOJ introduction of negative interest rate
- Consumer confidence index weakens 0.2 point in January, falling for first time in four months
- Japan's coincident composite index falls in December; government maintains assessment of economy

- Following the decision of the Bank of Japan to adopt the negative interest rate policy announced at its Monetary Policy Meeting on 29 January, interest yields on Japan Government Bonds (JGBs) fell across a wide range of durations. Yields on five-year JGBs turned negative on 29 January, falling to -0.07%, and had dropped to -0.19% as of 5 February. Yields on six, seven and eight-year JGBs also turned negative on 29 January, while those on 9-year JGBs did so on 4 February and ended the week at -0.04%. Yields on one, two and three-year JGBs also fell sharply, each dropping over 0.1 point in the week to 5 February. Therefore, the yield curve has bull-steepened with bonds with maturity ranging from one to nine years yielding negative rates as of 5 February.
- Japan's Cabinet Office on 3 February released the Consumer Confidence Survey for January. The survey showed that the seasonally adjusted Consumer Confidence Index (for households of two or more people)—which is an indicator of consumer sentiment—fell 0.2 point to 42.5, dropping on month for the first time in four months. The Cabinet Office also lowered its assessment of consumer sentiment, which it now says is “improving at a gradual pace”. This compares to its December 2015 assessment in which it said that “there are signs sentiment is improving”.
- On 5 February, Japan's Cabinet Office released the Indexes of Business Conditions preliminary data for December 2015, which showed the coincident composite index, a measure of the current state of the economy, falling 0.7 point from the previous month to 111.2 (2010 = 100). The leading index, which indicates the state of the economy several months in advance, also dropped 1.2 points to 102.0. The Cabinet Office upheld its assessment, which it has maintained since May 2015, that the economy continues to “tread water”.

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