

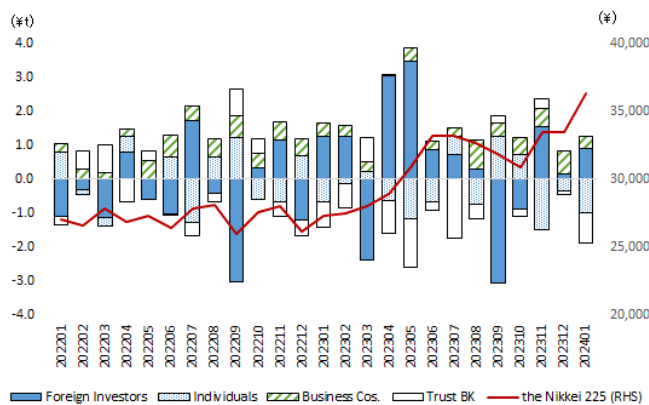
Researcher's Eyes

Investors Trading Trends in Japanese Stock Market: An Analysis for January 2024

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In the first half of January, the Nikkei Stock Average experiencing a decline on January 4th, the first trading day of the year, largely due to the immediate market reaction to the Noto Peninsula earthquake on New Year's Day. However, this initial downturn was quickly overturned by broader economic factors. As speculation grew around the Bank of Japan potentially postponing its monetary easing, coupled with expectations of a delay in U.S. interest rate cuts due to strong economic indicators of the United States, the yen depreciated to the ¥145/\$ level. This depreciation, viewed positively by the market, spurred a bullish sentiment among investors, particularly foreign investors. Consequently, the Nikkei 225 enjoyed a six-day rally from January 5th to the 15th, peaking at 35,901. Despite a period of profit-taking selling that reflected caution over the high market prices, the index found new strength by the late in the month. Fueled by the rise in U.S. stocks, the Nikkei 225 reached its highest level in nearly 34 years on January 22nd, at 36,546. Although the month closed with the index slightly off this peak at 36,286, due to a cautious focus on domestic and international earnings announcements, the overall trend remained positive. Foreign investors and business corporations were net buyers, while individual investors and trust banks were net sellers.

Chart1: Trading Trends by Major Types of Investors

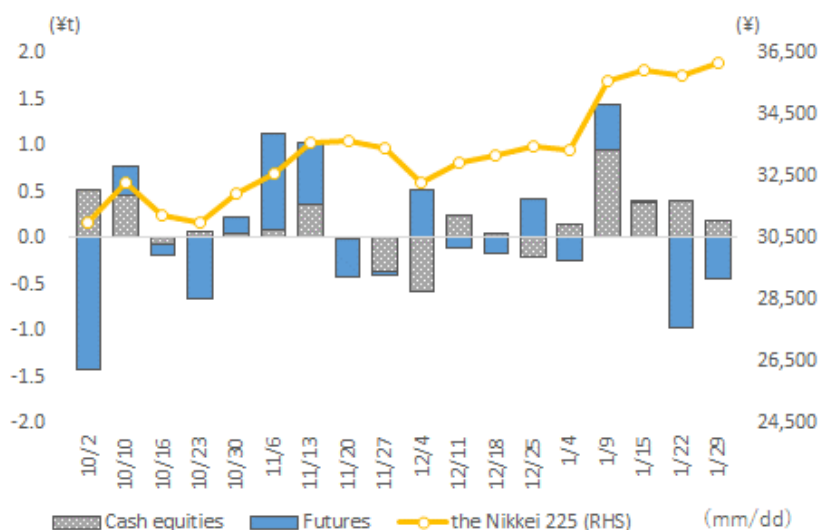


Note: Total of cash equities for two markets and futures including the total of Nikkei 225 futures, Nikkei 225 mini, TOPIX futures, mini TOPIX futures, and JPX Nikkei 400 futures.

Source: NLI Research Institute, based on TSE

The trading by type of investors on January 2024, spanning from January 4 to February 2, show that foreign investors were the largest net buyers, with a total of 894.2 billion yen in cash equities and futures, the third consecutive month of net buyers since November 2023. Chart 2 shows the trading trends of foreign investors, offering a detailed comparison between cash equities and futures. The cash equities, often reflective of a medium- to long-term investment approach, consistently attracted overbuying throughout the month. In contrast, futures, which is typically aligned with shorter-term strategies, demonstrated fluctuating activity. Initially mirroring the overbuying observed in cash equities from January 9 to 19, futures eventually transitioned to a net selling stance in the later weeks of the month. Additionally, business corporations also have net bought a total of 358.1 billion yen in cash equities and futures in January.

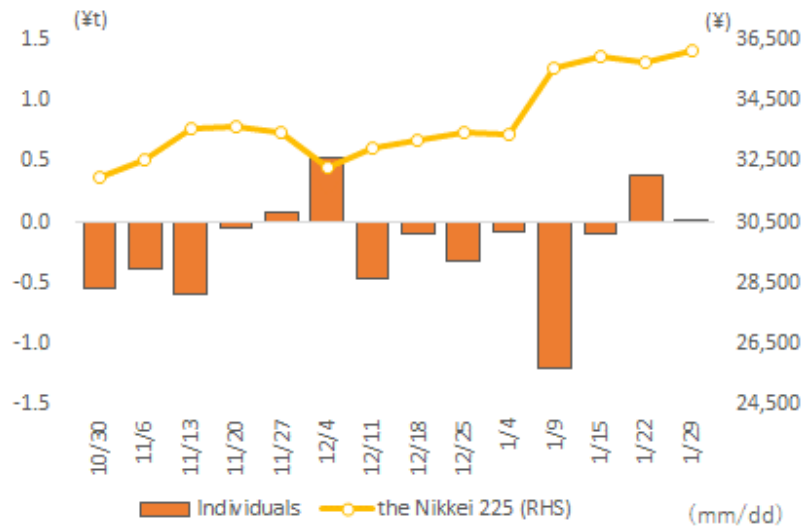
Chart 2: Foreign investors net bought cash equities in every weeks of January



Note: Total of cash equities and futures for foreign investors, weekly
Source: NLI Research Institute

On the other hand, individual investors were the largest net sellers, with a total of 985.7 billion yen in cash equities and futures. On a weekly basis, individuals have net sold a total of 1,212.7 billion yen in combined assets during the week of 9-12 January, when the Nikkei Stock Average rose approximately 2,100 yen. Trust banks also net sold a total of 929.1 billion yen in cash and futures contracts in January.

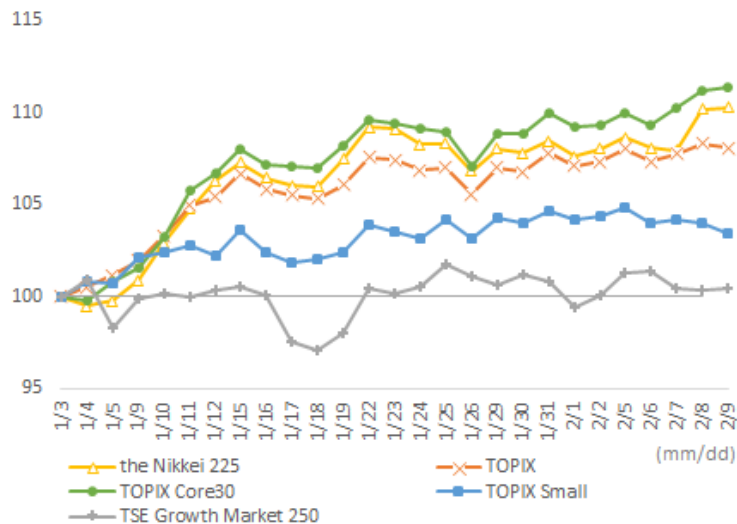
Chart 3: Individuals sold off sharply in the week of 9-12 January



Note: Total of Cash equities and futures for individuals, weekly
 Source: NLI Research Institute

Chart 4 presents the performance trends of key indices since the start of 2024, using a base value of 100 at the close of 2023. Throughout January, foreign investors significantly favored large-cap stocks, a preference that, however, did not extend broadly across the market. The movement of these representative indices has continued in the same trajectory as observed in January. It appears that large-cap stocks, known for their substantial market capitalization and high liquidity—attributes typically sought after by foreign investors—are expected to consistently outperform the broader market.

Chart 4: Large cap stocks outperform the broader market



Note: Indexed with the end of 2023 as the base value of 100, daily
 Source: Bloomberg

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