

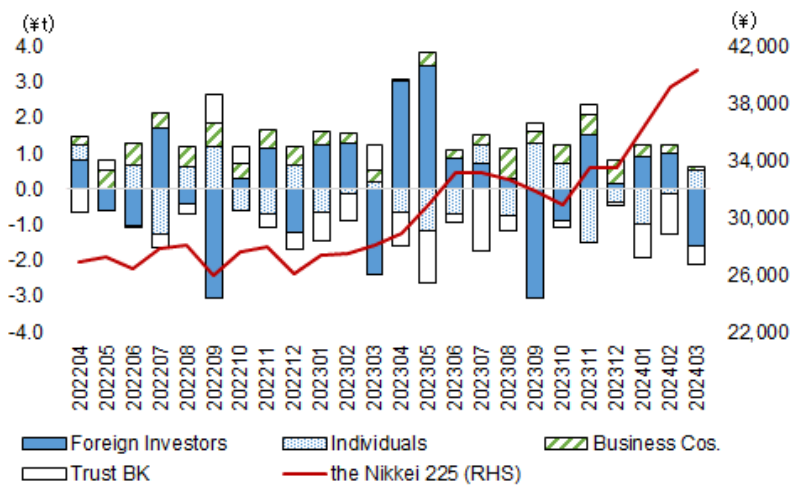
Researcher's Eyes

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

Chizuru MORISHITA / Researcher, Financial Research Dept.
mchizuru@nli-research.co.jp

In March, the Nikkei Stock Average had a strong start, surpassing 40,000 on the 4th, but as speculation about an accelerated timeline for the Bank of Japan's normalization of monetary policy emerged, it fell to 39,598 by the 7th. Furthermore, the index dropped to 38,695 on the 13th, driven by a decline in U.S. tech stocks and a dislike for the yen strengthening to a point of ¥147/\$ level. From mid-month onwards, as the results of the Bank of Japan's policy meeting were within the expected range, a sense of reassurance prevailed, leading to dominant buying. This sentiment helped the Nikkei to once again surpass 40,000 on the 19th. Additionally, a halt in the decline of U.S. semiconductor stocks and a weakening yen contributed to the index rising to 40,888 by the 22nd. Subsequently, the market experienced directionless trading due to transactions made with an eye on the end-of-March dividends and increased caution against currency intervention amidst the yen's weakening to approximately ¥152/\$ level. As a result, the index closed the month at 40,369. Individual investors and business corporations were net buyers, while foreign investors and trust banks and were net sellers.

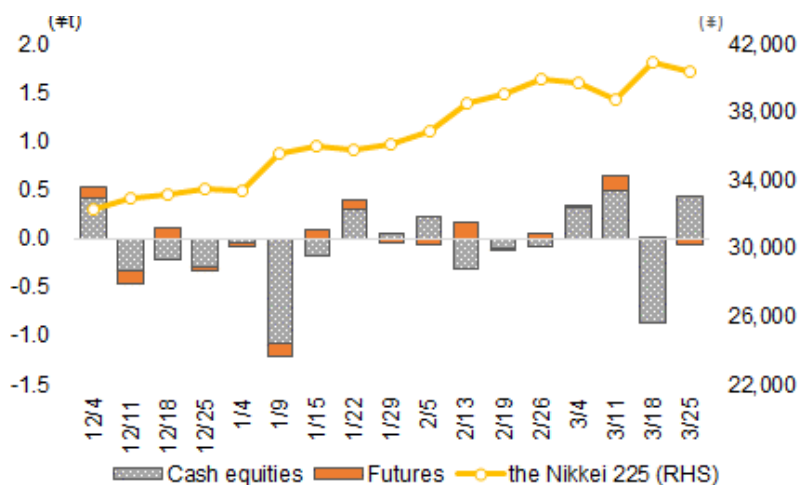
Figure1 Trading Trends by Major Types of Investors



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 March 2024, spanning from March 4 to March 29, show that individuals were the largest net buyers, with a total of 526.4 billion yen in cash equities and futures. Figure 2 shows the trading trends of individuals, offering a detailed comparison between cash equities and futures. On a weekly basis, net buying occurred during the week of 4-8, 11-15, and 25-29 March when the Nikkei declined. There was movement aiming for March dividends, but individual investors had been net sellers from November 2023 to February 2024. As the Nikkei updated its all-time highs, concerns about missing out on purchases also existed. Therefore, it is believed that individuals turned to net buying in March when the index fell.

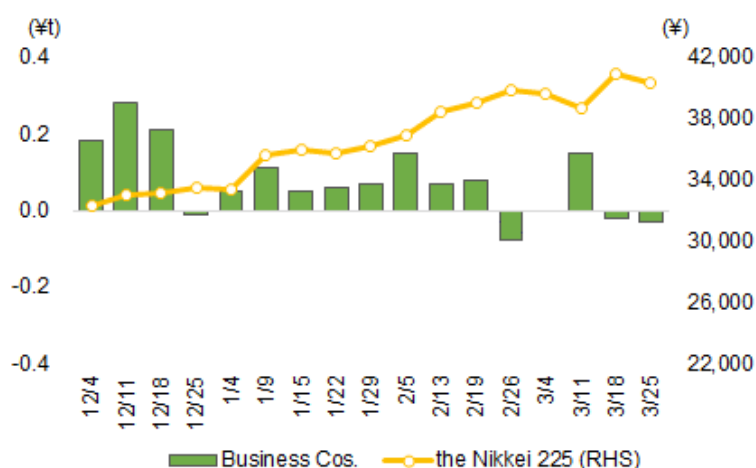
Figure2 Individuals were net buyers



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

Additionally, business corporations also have net bought a total of 105.1 billion yen in cash equities and futures in March.

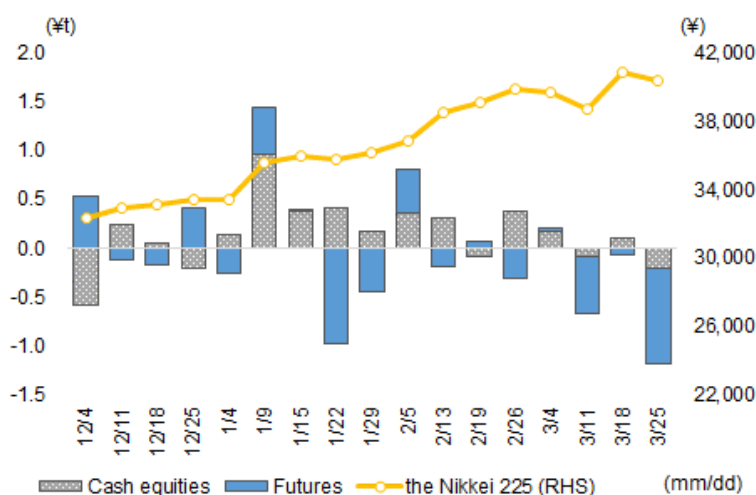
Figure3 Business Corporations net buyers for 34 consecutive months



Note: Total of cash equities and futures for business corporations, weekly
Source: NLI Research Institute

On the other hand, foreign investors were the largest net sellers, with a total of 1,612.1 billion yen in cash equities and futures. Foreign investors net sold 27.6 billion yen in cash equities and 1,584.5 billion yen in futures. Despite the predominance of selling in futures, there was also a marginal oversell in cash equities. Previously, in January and February, foreign investors had heavily purchased cash equities, indicating a significant inflow of medium- to long-term funds. However, this influx appears to have moderated throughout March.

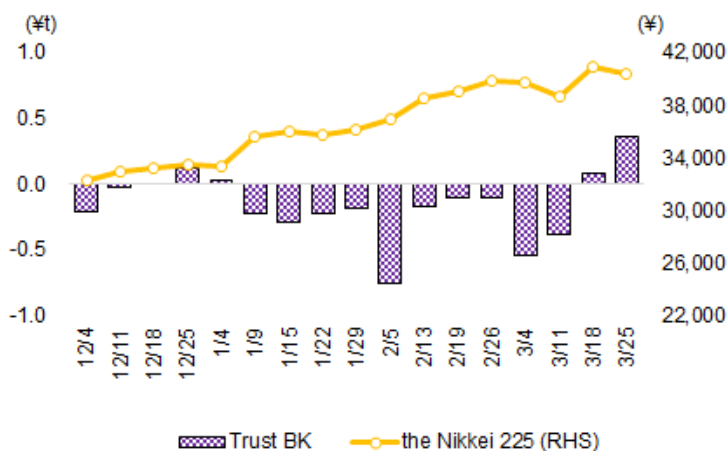
Figure4 Foreign investors were net sellers



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

Trust banks also became net sellers with a total of 488.1 billion yen in both cash equities and futures. As the Nikkei rose, it seems that profit-taking sales continued to dominate. However, typically at the end of the fiscal year, there is a tendency to buy more due to reinvestment of dividends, and this year too, foreign investors turned to net buying in the week of 18-22 and 25-29 March.

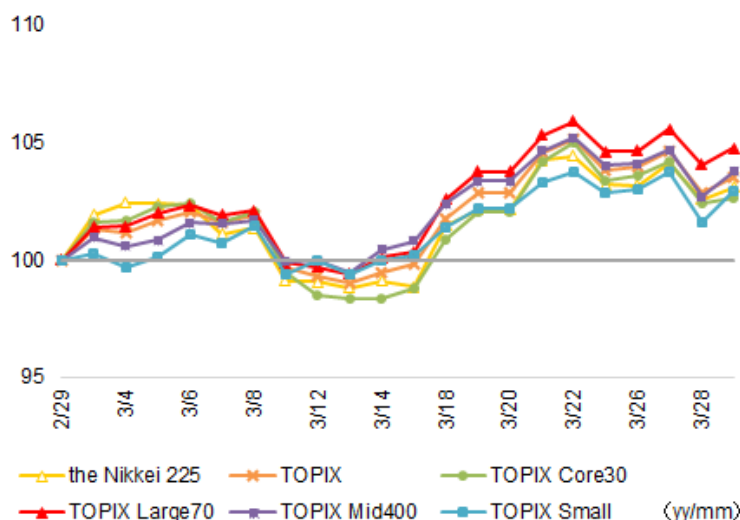
Figure5 Trust banks were net sellers



Note: Total of cash equities and futures for trust banks, weekly
Source: NLI Research Institute

Chart 6 presents the performance trends of key indices in March, using the base value of 100 at the end of February 2024. Large-cap and mid-cap stocks, such as TOPIX Large70 and Mid400, outperformed the TOPIX. In January and February, the mega-cap stocks of the TOPIX Core30 were outperforming the index, and it was observed that foreign investors were predominantly buying large-cap stocks. Although purchases of companies with large market capitalizations continued to dominate in March, compared to the past two months, the focus seemed to have expanded to mid-cap stocks.

Figure6 The concentrated buying of TOPIX Core30 has temporarily settled down



Note: Indexed with the end of February 2024 as the base value of 100, daily
 Source: Refinitiv

Please note: The data contained in this report has been obtained and processed from various sources, and its accuracy or safety cannot be guaranteed. The purpose of this publication is to provide information, and the opinions and forecasts contained herein do not solicit the conclusion or termination of any contract.