

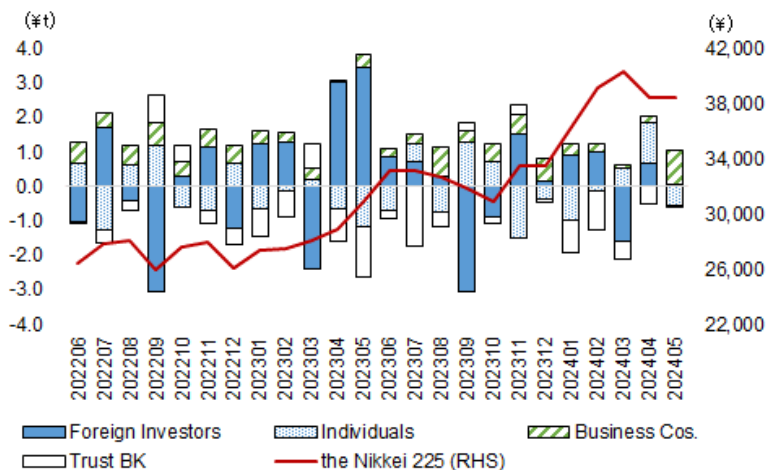
Researcher's Eyes

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

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

In May, the Nikkei stock average experienced a lack of direction. This was due to mixed factors: the positive impact of rising U.S. stocks and increased shareholder returns from domestic earnings announcements was offset by concerns over potential adjustments to the Bank of Japan's monetary policy and delayed expectations for U.S. interest rate cuts. The U.S. employment data on the evening of the 3rd came in below expectations, alleviating fears of a postponement of the U.S. interest rate cut, leading to a rise in U.S. stocks, and the Nikkei rose to 38,835 on the 7th. However, on the following day, the 8th, profit-taking dominated, and by the 9th, it had fallen to 38,073. It then remained flat partly because the earnings forecasts of domestic companies were not as high as expected, but after the U.S. CPI announcement on the night of the 15th heightened expectations for U.S. rate cuts, the NY Dow surpassed \$40,000 for the first time ever on the night of the 17th. The Nikkei recovered to the 39,000 on the 20th and rose to 39,103 on the 23rd. However, towards the end of the month, it declined again, finishing at 38,487. Business corporations and foreign investors were net buyers, individual investors were net sellers.

Figure 1: Trading Trends by Major Types of Investors

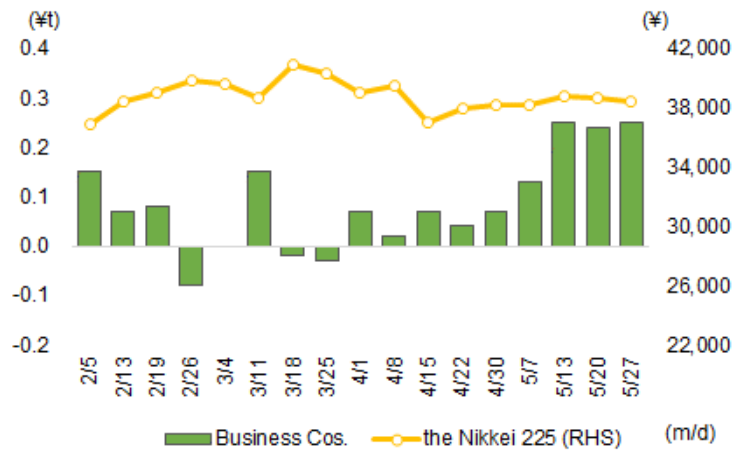


Note: Total of cash equities for two markets and futures including the total of Nikkei 225 futures, Nikkei 225 mini, TOPIX futures, mini TOPIX futures, and JPX Nikkei 400 futures.

Source: NLI Research Institute, based on TSE

The trading by type of investors on May 2024, spanning from April 30 to May 31, show that business corporations were the largest net buyers, with a total of 966.5 billion yen in cash equities and futures.

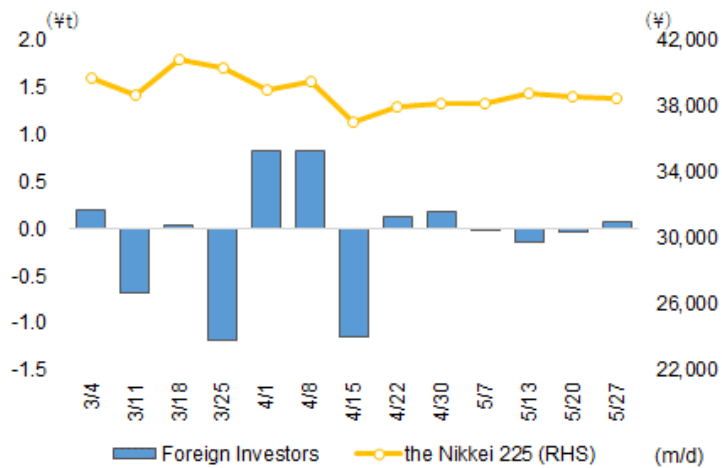
Figure2 Business Corporations net buyers for 36 consecutive months



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

Additionally, foreign investors also have net bought a total of 80.3 billion yen in cash equities and futures in May. Compared to their usual net buying/selling amounts, the net buying amount was modest, being less than 100 billion yen, and there were no particularly notable movements on a weekly basis.

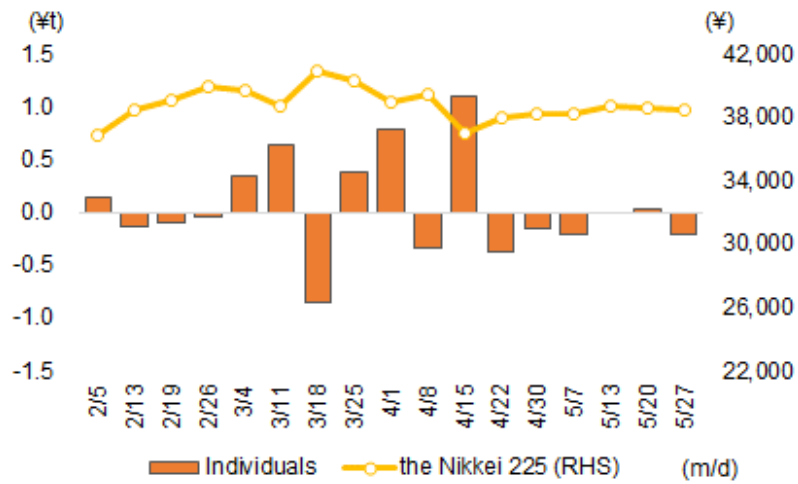
Figure3 Foreign investors were modest net buyers



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

On the other hand, individuals were the largest net sellers, with a total of 553.4 billion yen in cash equities and futures. While they were net buyers exceeding 1 trillion yen in April, many individuals turned to selling throughout May.

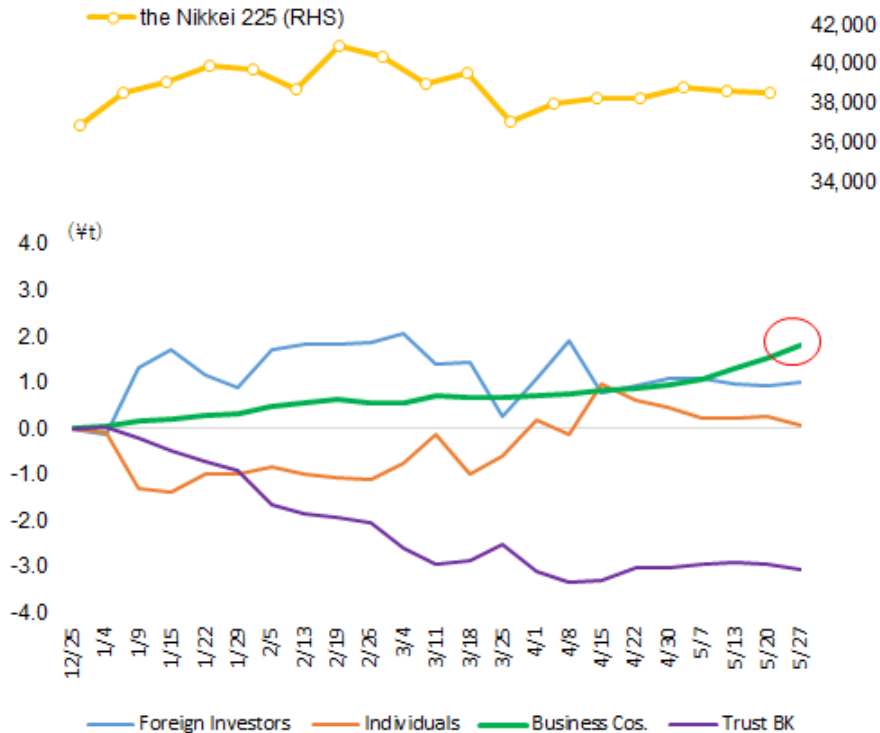
Figure4 Individuals were net sellers for the first time in two months



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

Figure 5 shows the weekly cumulative trading trends of cash equities and futures for each investment sector from January to May 2024.

Figure5 Business corporations became the largest net buying sector



Note: Total of cash equities and futures for individuals, weekly, cumulative trading trends since Jan. 2024.
 Source: NLI Research Institute

From January to February 2024, foreign investors were net buyers in total of cash equities and futures. However, after the Nikkei exceeded 40,000 in March, profit-taking sales began to appear. On the other hand, individuals, who were net sellers from January to February, turned to net buying from March to April, possibly due to concerns about missing out on opportunities. However, in May, the uncertainty surrounding the monetary policies of Japan and the U.S. persisted, making it difficult for both foreign investors and individuals to take action.

Amidst this, business corporations, primarily through share buybacks, have been net buyers for 36 consecutive months, making them the largest net buying sector from January to May 2024. The amount set for share buybacks (for TOPIX constituent stocks) from January to May 2024 has already reached 9 trillion yen, with the amount set in May alone hitting a record high of 5.8 trillion yen. As the trend of shareholder returns and the unwinding of cross-shareholdings continues, it is expected that business corporations will continue to be net buyers due to ongoing share buybacks.

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.