

Researcher's Eyes

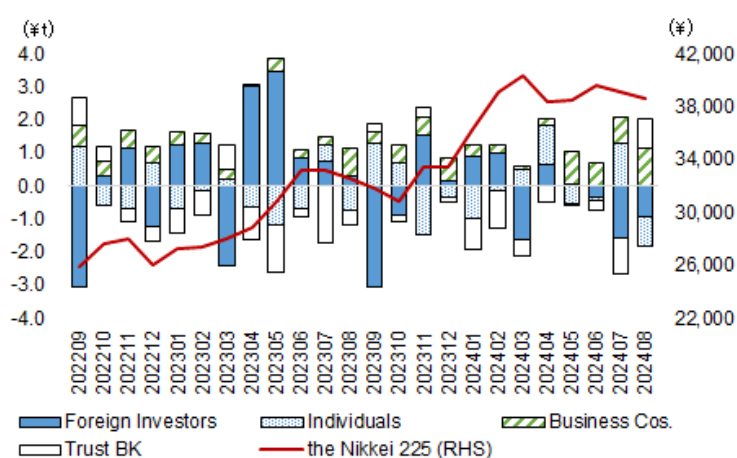
Investors Trading Trends in Japanese Stock Market: An Analysis for August 2024

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In early August, concerns about an additional rate hike by the Bank of Japan, worse-than-expected U.S. employment statistics, and rapid yen appreciation (up to ¥146/\$ level) caused a sharp drop in the Nikkei Stock Average, which plunged to 31,458 on August 5, a 4,451 yen drop from the previous day.

However, this was followed by a swift rebound due to dovish remarks from the BOJ Deputy Governor and strong U.S. economic data, easing concerns of a U.S. recession. By August 13, the Nikkei had recovered to the 36,000 level, and by August 16, it had risen to 38,062, aided by further yen depreciation to ¥149/\$. Later in the month, dovish comments from Fed Chair Powell at the Jackson Hole Economic Symposium led to yen appreciation again, which held back the Nikkei. Nonetheless, the index remained resilient around the 38,000 level and closed the month at 38,647. Business corporations and trust banks were net buyers, while foreign investors and individuals were net sellers (as shown in Figure 1).

Figure 1: Trading Trends by Major Types of Investors

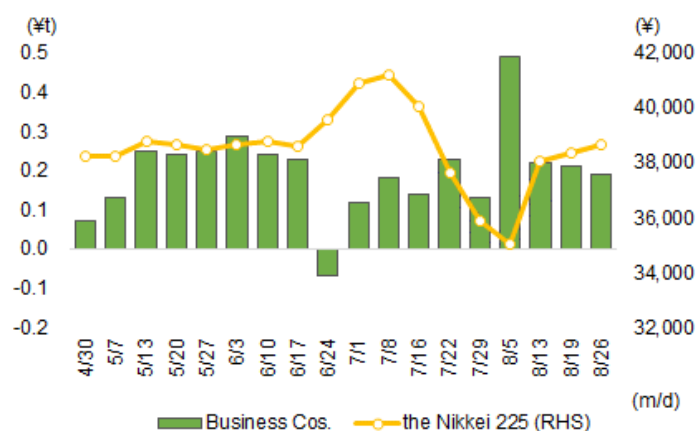


Note: Total of cash equities for two markets and futures including the total of Nikkei 225 futures, Nikkei 225 mini, TOPIX futures, mini TOPIX futures, and JPX Nikkei 400 futures.

Source: NLI Research Institute, based on TSE

The trading by type of investors on August 2024, spanning from August 5 to August 30, show that business corporations were the largest net buyers, with a total of 1.124 trillion yen in cash equities and futures. The total amount set for stock buybacks by TOPIX-listed companies from January to August 2024 reached 12 trillion yen, surpassing the full-year figure of 9.4 trillion yen for 2023 by about 2.6 trillion yen. In particular, during the first week of August (from August 5 to August 9), when the Nikkei posted its largest-ever single-day drop, business corporations made substantial purchases, with a total net buy of 493.4 billion yen in cash equities and futures. Many companies appear to have actively repurchased their shares when stock prices fell and became undervalued (as shown in Figure 2).

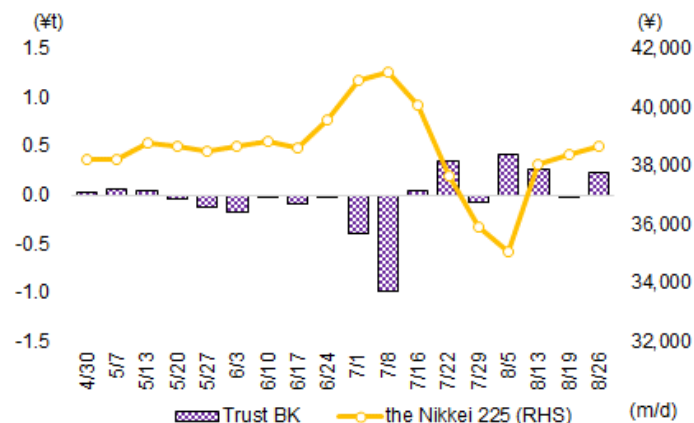
Figure 2: Substantial net buying in the first week of August



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

In August, trust banks were also net buyers with a total of 915.3 billion yen in both cash equities and futures, marking the first net purchase since November 2023. This was likely due to rebalancing purchases mainly by pension funds in response to the sharp drop in the Nikkei during the month (as shown in Figure 3).

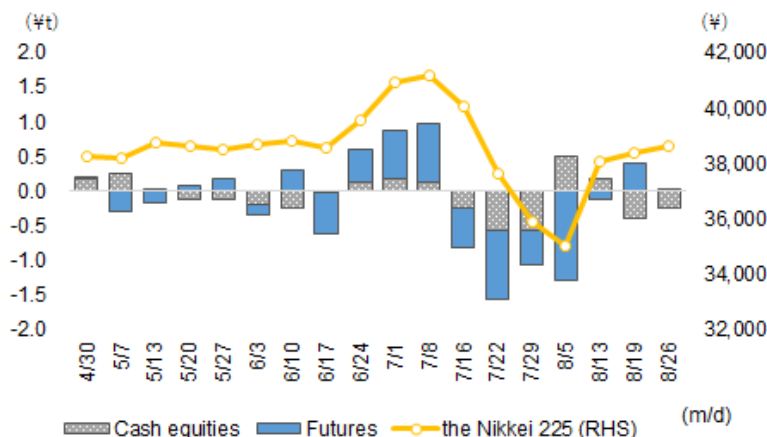
Figure 3: First net buying since November 2023 by trust banks



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

On the other hand, foreign investors were the largest net sellers, with a total net sale of 954.9 billion yen in both cash equities and futures. During the first week of August (from August 5 to August 9), while they were net sellers of futures, they made small net purchases in cash equities. However, from the third to fourth weeks of August (from August 19 to August 30), after the Nikkei recovered to the 38,000 level, foreign investors ceased their cash equities buying, and selling became dominant (as shown in Figure 4).

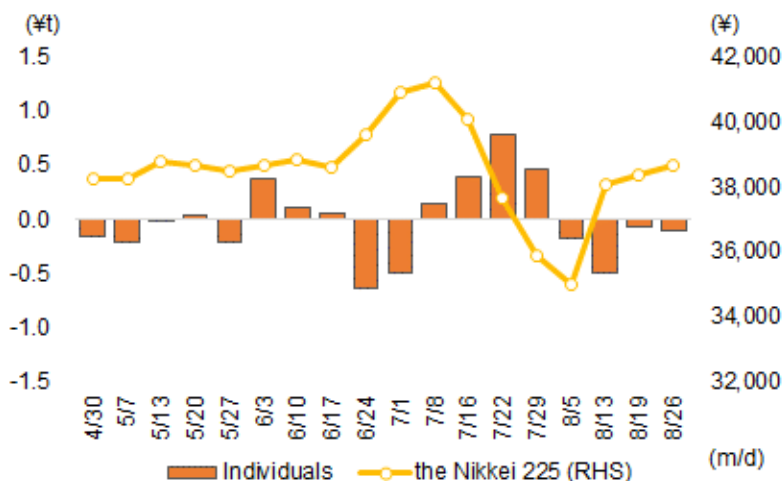
Figure 4: Foreign investors were net sellers



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

Individuals were also net sellers, with a total net sale of 865.2 billion yen in both cash equities and futures in August. While they were net buyers in late July, the sharp drop in the Nikkei at the beginning of August made them cautious, and as the market rebounded, selling became dominant. Typically, foreign investors tend to follow market trends, while individual investors often counter them, but in August, both groups exhibited a similar selling behavior as the Nikkei fluctuated wildly (as shown in Figure 5).

Figure 5: Individuals as net sellers every week in August



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

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