

## Nikkei 225 in July

As of the end of July, the Nikkei Stock Average (Nikkei 225) stood at 15620.77 up 458.67 points, or 3.02%, from the end of June, an increase for the third month in a row. After late month, it continuously climbed due to an expectation that Japanese companies will produce better performances as previously predicted in line with announcements of financial results by companies for the period of April to June 2014. However, trading volume was still shrunk. Daily averaged trading value in the month was the smallest level in 19 months.

## This month's Topic : Nikkei China Related Stock 50 buoyed in a selective buying phase

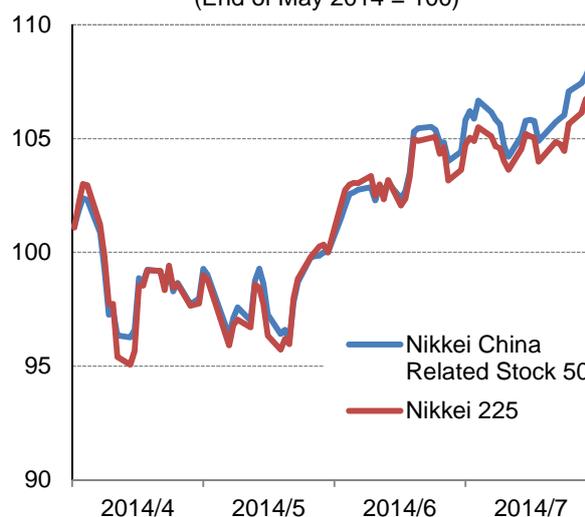
The Nikkei China Related Stock 50 has recently been producing steady performances. The index rose 4.42% and 3.16% in June and July respectively, greater than those of the Nikkei 225. Since January, the index is steadier in that it was 1.81% below the year high on January 8th while the Nikkei 225 was 3.11% below that on the same day.

Many market participants explained "the reason for the appreciation is because China economy started to show a sign of bottoming out", which was triggered by the fact that the HSBC flash Manufacturing Purchasing Managers' Index (PMI) in July, which was released on July 24, hit above the 50 mark two months in a row. However, the

Shanghai Stock Exchange Composite Index started to rally after late July. It seems there are any other reasons why the index has produced the better performances.

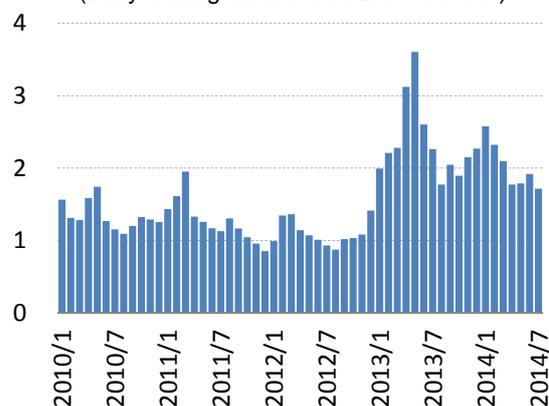
The Nikkei China Related Stock 50 is comprised of Japanese companies which have promoted businesses in China. The index has a higher proportion of large manufacturers as its members, comparing with those of other major stock indices such as the Nikkei 225. Also most of the index components are large-cap stocks, seen by the fact that 42 out of the 50 issues match those of a large-cap index, the TOPIX 100, while 44 out of the 50 stocks overlap components of JPX-Nikkei Index 400, which is said that it contains many blue-chip stocks. A market participant pointed out, "the index compositions are almost identical to shares public pension funds would prefer to invest, which implies that public pension money could flow more into such blue chip which expands the business globally".

Fig1: Steady performance of China Related Stock 50 (End of May 2014 = 100)



Another participant mentioned "shrinking trading volume could support the index as a result". Trading values per day last month were below 2 trillion yen for four consecutive months. The main reason was because hedge funds and individual investors decreased the trade, which indicated institutional investors who prefer for companies with better financial performances could have more impact on market movement. In fact, the best performers of the 50 issues in July were NSK (6471) and KOBE STEEL (5406), both of which increased the profit forecasts.

Fig2:Recent trading values fall below 2 trillion yen (Daily trading value for TSE 1st Section)



There was a phase when the Nikkei China Related Stock 50 outperformed the Nikkei 225 in the past, from October 2012 to January 2013. The main reason was the yen depreciation, which contributed to better financial performances of large-cap exporters, which buoyed the index consisted of stocks sensitive to weakening yen. The yen has recently started to decline after a lasting small range trade of slightly above 100 yen to the dollar. It might be possible that index could gain upward momentum if the foreign exchange market shows a clear trend of weakening yen.

#### Performance Summary of July 2014

○Nikkei 225 and its derived indices

(Data as of end of July)

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 225	15620.77	3.03%	0.06%	1.31%	16121.45	8-Jan	13910.16	14-Apr
Nikkei 225 TR	22812.87	3.03%	0.07%	1.32%	23327.25	8-Jan	20271.52	4-Feb
Nikkei 225 VI (Volatility)	16.02	-7.61%	-0.15%	4.19%	33.21	4-Feb	14.00	17-Jul
Nikkei 225 VI Futures	49563.82	-8.53%	-0.28%	2.17%	97741.36	4-Feb	45198.43	17-Jul
Nikkei 225 Covered Call	14106.24	3.15%	0.08%	1.14%	14124.74	30-Jul	12348.19	4-Feb
Nikkei 225 Risk Control	16089.74	2.40%	0.04%	0.69%	16161.58	8-Jan	14898.08	14-Apr
Nikkei 225 Leveraged	10373.28	6.07%	0.13%	2.62%	11295.91	8-Jan	8275.01	14-Apr
Nikkei 225 Inverse	3224.32	-3.01%	-0.06%	1.31%	3651.06	4-Feb	3193.30	8-Jan
Nikkei 225 Double Inverse	4967.06	-5.99%	-0.13%	2.62%	6467.31	4-Feb	4950.95	30-Jul

Name of Index	Index Value	Change	Hist. High	The year	Hist. Low	The year
Nikkei 225 DP	128.96	16.74%	128.96	2014	47.39	2002

○Benchmark and other indices

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
JPX-Nikkei Index 400	11734.57	2.34%	0.06%	1.15%	11800.26	8-Jan	10314.83	14-Apr
Nikkei 300	261.00	2.18%	0.06%	1.16%	265.90	8-Jan	229.49	14-Apr
Nikkei China Related 50	1374.56	3.17%	0.06%	1.16%	1399.88	8-Jan	1220.64	4-Feb
Nikkei 500 Average	1359.88	2.44%	0.07%	1.14%	1360.82	30-Jul	1191.33	4-Feb
Nikkei Japan 1000	1520.71	2.14%	0.06%	1.16%	1541.51	8-Jan	1335.72	14-Apr
Nikkei JASDAQ Average	2217.32	2.87%	0.08%	0.81%	2229.04	29-Jul	1890.85	19-May

Note: Avg Return and Volatility are calculated on the daily return for the past 1 year.

"Change" in the Nikkei 225 Dividend Point Index (Nikkei 225 DP) indicates a comparison with the value at the end of July 2013.

Historical High and Low in the dividend index were based on the values in the same month since 1998.

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