

Nikkei 225 in July

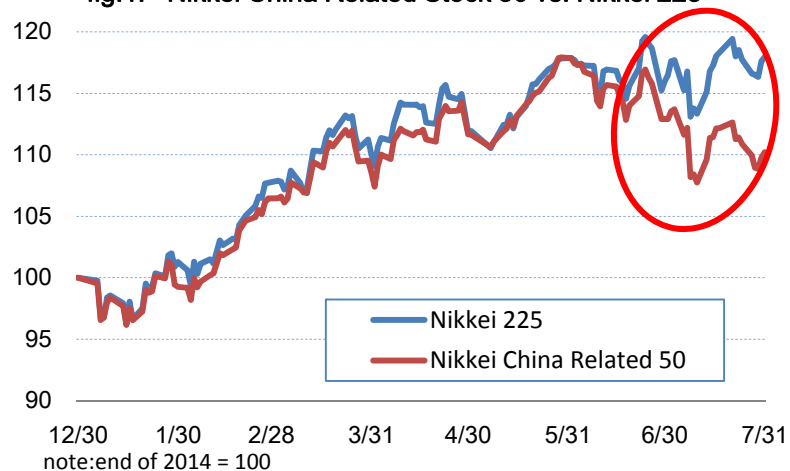
As of the end of July, the Nikkei Stock Average (Nikkei 225) stood at 20585.24 up 349.51 points or 1.73% from the end of June 2015. The Greek debt problem and unstable Chinese stock market led to a plunge in the index, 638 points on 8th. Afterwards, the market sentiment was positively changed following an agreement on EU support plan for Greece and tentative recovery in the Chinese stock market.

This month's Topic : Underperformed China Related Stock 50 with the sluggish economy

The Nikkei China Related Stock 50 has been sagging. The index has clearly underperformed the Nikkei 225 since July although the two indexes had indicated similar performances in this year. On July 31st, the China Related index was still 7% below its year high at 1805 while the Nikkei 225 almost recovered 99 % to its year high at 20868. In China, a plummet in the Shanghai Stock Exchange (SSE) Composite Index as well as a decline in the flash Manufacturing Purchasing Manager Index (PMI) in July published on July 24th, which was lowest for the first time in 15 months have represented worse fundamentals in the country. These could affect badly Japanese market as whole in addition to the China related stocks.

The Nikkei China Related Stock 50 started its publication in December 2010. The index is comprised of 50 stocks from major Japanese companies from the stand point of “how actively companies expand businesses in China”. As the index has a characteristic of higher exposures in major manufacturers, in many cases, it outperformed the other indexes such as the Nikkei 225 when market participants paid attentions to yen depreciation in foreign exchange markets. However, its performance was clearly worse than that of the Nikkei 225 after middle of June when the SSE Composite Index reached its peak.

fig.1: Nikkei China Related Stock 50 vs. Nikkei 225



Which components were significant contributors to the sharp drop? The table 1 has ranked the components by negative contributions to the declines in the index for the period to end of July from June 12th, the last peak of the SSE Composite Index. Funac had the largest minus impact on the index mainly due to a rapid fall of the issue on July 29th. On 28th, the

company announced a downward adjustment in an estimation of annual net income for its accounting period ending in March 2016, to ¥159.5 billion by more than ¥30 billion downward revision mainly due to a shrink in order of machines to produce components for smartphone in China. Panasonic, on the second place, was disappointed at a decrease in operating profits in April to June in 2015 due to sluggish sales of air conditioners in China.

Reversely, the constituent stocks of retails, food, daily necessities, previously called domestic-demand related stocks showed relatively better performances. This is because the ratios of sales in China for such companies are relatively low in the index components and the sales of such companies have been strongly supported by active purchases of visitors from overseas to Japan. It would be possible to mention that Japanese stock market respond to fundamentals calmly through varied moves of individual stocks.

Table 1 : Ranking of negative contributors

company name	contribution in the index	price return (%)
Fanuc	-14.45	-21.45
Panasonic	-11.70	-17.77
Mitsubishi Electric	-10.58	-20.81
Sony	-6.46	-6.69
Mitsubishi Heavy Industries	-5.62	-15.28
Daikin Industries	-5.30	-14.58
Murata Manufacturing	-4.93	-7.60
JFE Holdings	-4.61	-20.16
Nippon Steel & Sumitomo Metal	-4.48	-12.68
Itochu	-3.48	-9.13
⋮	⋮	⋮
Ajinomoto	2.29	11.95
Kao	2.88	7.04
Aeon	3.39	16.49
Seven & i Holdings	6.60	10.71
Fast Retailing	6.82	16.29

note: Compare June 12 and July 31

Performance Summary of July 2015

(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	20585.24	1.73%	0.12%	1.12%	20868.03	24-Jun	16795.96	14-Jan
JPX-Nikkei Index 400	14961.66	1.67%	0.10%	1.05%	15159.05	24-Jun	12308.20	7-Jan
Nikkei 225 TR	30562.32	1.73%	0.13%	1.12%	30941.86	21-Jul	24719.38	14-Jan
Nikkei 225 VI (Volatility)	17.57	-17.94%	0.22%	6.33%	26.58	6-Jan	16.33	21-Jul
Nikkei 225 VI Futures	19321.71	-13.18%	-0.35%	2.66%	50080.55	6-Jan	19038.03	21-Jul
Nikkei 225 USD Hedged	21880.22	1.74%	0.12%	1.13%	22179.49	24-Jun	17851.30	14-Jan
Nikkei 225 EUR Hedged	19271.98	1.72%	0.12%	1.13%	19531.69	24-Jun	15690.33	14-Jan
Nikkei 225 Covered Call	18073.18	1.99%	0.11%	0.98%	18242.04	24-Jun	14648.80	14-Jan
Nikkei 225 Risk Control	18339.97	1.12%	0.06%	0.69%	18586.71	24-Jun	16255.58	14-Jan
Nikkei 225 Leveraged	17463.81	3.19%	0.24%	2.25%	18015.34	24-Jun	11771.84	14-Jan
Nikkei 225 Inverse	2371.49	-1.97%	-0.12%	1.12%	2942.85	14-Jan	2343.28	21-Jul
Nikkei 225 Double Inverse	2603.89	-4.17%	-0.24%	2.25%	4059.40	14-Jan	2543.36	21-Jul
Nikkei 300	337.06	1.97%	0.11%	1.05%	340.64	24-Jun	274.44	14-Jan
Nikkei China Related 50	1687.15	-2.38%	0.09%	1.06%	1805.35	29-May	1471.94	14-Jan
Nikkei 500 Average	1840.74	2.24%	0.13%	1.04%	1866.05	21-Jul	1464.27	7-Jan
Nikkei Japan 1000	1963.86	1.81%	0.11%	1.05%	1988.05	24-Jun	1603.46	14-Jan
Nikkei JASDAQ Average	2793.06	2.75%	0.10%	0.65%	2847.99	21-Jul	2329.73	3-Feb

Name of Index	Index Value	Change	Hist. High	The year	Hist. Low	The year
Nikkei 225 DP	155.93	20.91%	155.93	2015	47.39	2002

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 2014. Historical High and Low in the dividend index were based on the values in the same month since 1998.

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