

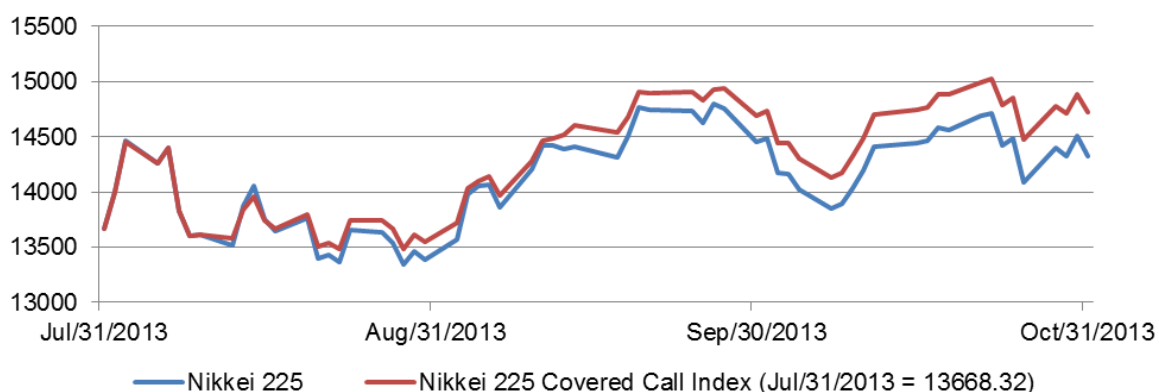
Nikkei 225 in October

As of the end of October, the Nikkei Stock Average (Nikkei 225) stood at 14327.94 down 127.86 points, or 0.9%, from the end of September. At the beginning, a deadlock between US Democrats and Republicans over the budget pushed down the index below the 14000 . After an agreement of the US fiscal deal, the index increased for 7 consecutive days until 17th. However, it moved in a narrow range at the 14000 level afterwards due to concerns over negative impacts of the Yen's appreciation and observations on publications of financial results in the 2Q for fiscal 2013 by companies, continuing to November.

This month's Topic : More attractive Covered Call Index in stalled markets

The Nikkei 225 Covered Call Index stood at 12609.76 points on October 31, up 0.2% in October, 1.1 percentage points greater a return of the Nikkei 225 (-0.9%) in the month. Its return for the past 3 months, August to October was 7.7%, 2.9 percentage points greater that of the Nikkei 225.

Figure 1: Comparison of Covered Call Index with Nikkei 225

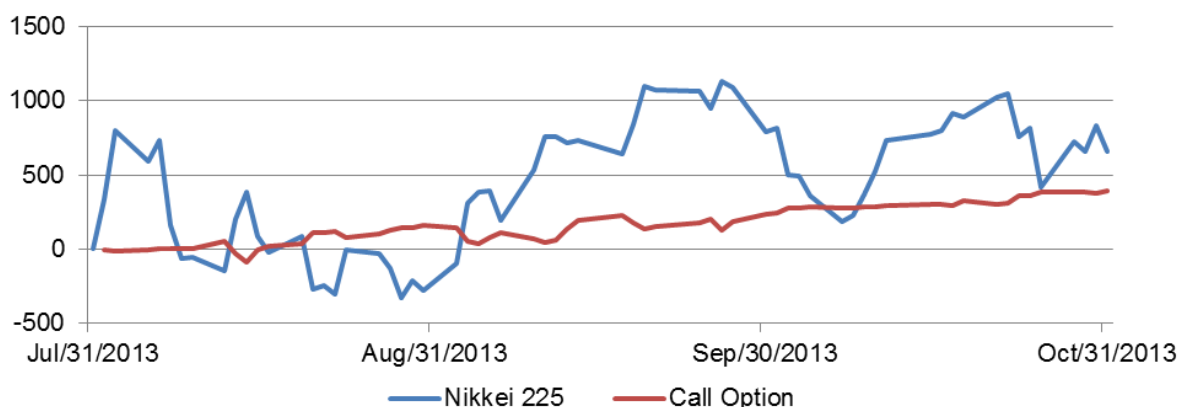


The Nikkei 225 Covered Call Index indicates the performance of a “Covered Call Strategy” on the Nikkei 225. The strategy to invest linked to the Nikkei 225 and also to sell the Nikkei 225 call option every month with a strike price 5% higher than the Nikkei 225 could result in better performances due to revenues from decreases in the call option prices. Due to stalled stock market for a couple of months where the Nikkei 225 didn't touch the strike prices, the option revenues (premiums) were purely added on the index. As a result, the Covered Call Index became 400 yen greater than the Nikkei 225 based on the Nikkei 225 level on July 31st (Figure 1). Figure 2 describe cumulative returns of the Nikkei 225 and the short positions of the call options respectively, which has represented the steady option's contribution.

However, bullish markets produce the opposite results because significant increases in the Nikkei

225 could offset part of the profits by losses incurred from short positions of the call options due to the option price increases. As the result, the Covered Call Index underperforms the Nikkei 225. For instance, in the market rally from December 2012 to May 2013, the index's return was 32.2%, 13.6 percentage points lower than the Nikkei 225' return (45.8%) where the Nikkei 225 levels exceeded the strike prices of the call options 5 times out of 6 times for the period. The index was more attractive in stalled stock markets as expect.

Figure 2: Cumulative returns of Nikkei 225 & the call options for 3 months (Yen based)



To know more about the Nikkei 225 Covered Call Index, please [visit here](#).

Performance Summary of October 2013

ONikkei 225 and its derived indices (Data as of end of October)

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 225	14327.94	-0.88%	0.21%	1.68%	15627.26	22-May	10486.99	23-Jan
Nikkei 225 TR	20709.09	-0.88%	0.21%	1.68%	22417.23	22-May	14924.17	23-Jan
Nikkei 225 VI (Volatility)	21.33	-19.08%	0.21%	6.02%	46.19	13-Jun	19.06	8-Jan
Nikkei 225 VI Futures	88796.68	-17.21%	0.26%	3.11%	128730.71	4-Sep	47519.52	23-Jan
Nikkei 225 Covered Call	12609.76	0.22%	0.15%	1.35%	13319.05	22-May	9865.49	23-Jan
Nikkei 225 Risk Control	15065.27	-0.30%	0.12%	0.82%	15659.93	22-May	12624.71	8-Jan
Nikkei 225 Leveraged	8980.27	-2.09%	0.41%	3.36%	11165.32	22-May	5125.79	23-Jan
Nikkei 225 Inverse	3616.65	0.56%	-0.21%	1.68%	5261.18	8-Jan	3459.80	22-May

Name of Index	Index Value	Change	Hist. High	The year	Hist. Low	The year
Nikkei 225 DP	145.11	5.96%	160.76	2008	57.07	2002

OBenchmark and other indices

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 300	242.49	-0.10%	0.21%	1.52%	259.66	22-May	176.73	8-Jan
Nikkei China Related 50	1268.33	-0.55%	0.20%	1.61%	1423.34	22-May	981.20	8-Jan
Nikkei 500 Average	1239.43	1.01%	0.20%	1.42%	1276.55	22-May	881.67	8-Jan
Nikkei Japan 1000	1405.36	-0.02%	0.21%	1.52%	1502.78	22-May	1023.90	8-Jan
Nikkei JASDAQ Average	1931.74	1.49%	0.15%	1.13%	2140.59	14-May	1435.89	4-Jan

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 October 2012.

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

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