

Nikkei 225 in May

As of the end of May, the Nikkei Stock Average (Nikkei 225) stood at 14632.38 up 328.27 points, or 2.29%, from the end of April, the first monthly rise in 2014. Lowering of expectations on BOJ's early monetary easing led to Yen rise, the 100 yen level for the first time in 6 months, which lowered the index around 14000. Afterwards, a sign of correcting the strong yen and Ukrainian presidential election conducted without any trouble made investors' risk tolerance greater, which drove up the index toward end of the month.

This month's Topic : Stock market showing a sign of bottoming out, which sectors led?

Tokyo stock market starts to show a sign of bottoming out, while it had been declining since start of this year. In May, the Nikkei 225 recorded its first monthly upturn since last December, and it was 5.19% above its year-to-date low on April 14. So, what led the recovery? A market analysis using the Nikkei Stock Average by Industry indicates that some sectors which fell greater until mid-April were rebound sharply after and that indices of some industries have been supported by expectations on deregulations.

Table1 shows a comparison of a yearly returns' ranking of the Nikkei indices by Industry in 2013 with a ranking of returns from January to April 14th, bottom of this year so far. It represents a clear Return-Reversal effect because indices of industries which recorded significant rises in 2013 declined sharply from Jan to mid-April, such as Communications, Securities and Other Financial Services indices.

Table1: Comparison between 2013 Annual Return and Return from End of 2013 to April 14

Industry	Rank	2013 Annual Return(%)	Industry	Rank	Return from End of 2013 to April 14 (%)
Communications	1	130.6	Fishery	1	1.2
Securities	2	95.2	Foods	2	-4.3
Marine Transport	3	80.2	Gas	3	-4.5
Other Financial Services	4	75.8	Mining	4	-5.3
Real Estate	5	68.9	Land Transport	5	-5.4
Shipbuilding	6	66.5	Glass & Ceramics	6	-6.3
Nikkei 225	-	56.7	Nikkei 225	-	-14.6
Pharmaceuticals	31	30.7	Communications	31	-19.3
Textiles & Apparel	32	28.6	Electric Power	32	-20.2
Railway & Bus	33	27.5	Real Estate	33	-21.2
Gas	34	23.1	Marine Transport	34	-21.7
Mining	35	21.9	Other Financial Services	35	-23.8
Fishery	36	18.5	Securities	36	-26.4

Table2 shows a returns' ranking of Nikkei indices by Industry from April 14th to end of May. It also indicates a Return Reversal effect in that indices of industries which declined sharply from January to mid-April were more rebound after that, such as Other Financial Services, Real Estate, and Communications indices. On the other hand, Railway & Bus and Mining indices were relatively more stable from January to mid-April and buoyed after that.

According to some market players, stronger industry indices are supported by expectations on

deregulations and specific events. For instance, expectation to Other Financial Services would be deregulation on interest cap rate and those to Real Estate and Railway & Bus would be to deregulate floor-area for ratio to Special Strategic Zone planed by the government. Also they mentioned that retail investors' preferences to Railway & Bus and some Communication stocks would be backed by NISA tax-advantaged investment accounts introduced in January, its tax exemption will be reportedly increased.

Table2: Comparison between Return from End of 2013 to April 14 and Return from April 14 to End of May

Industry	Rank	Return from End of 2013 to April 14 (%)	Industry	Rank	Return from April 14 to End of May (%)
Fishery	1	1.2	Other Financial Services	1	12.6
Foods	2	-4.3	Electric Power	2	10.7
Gas	3	-4.5	Insurance	3	9.7
Mining	4	-5.3	Land Transport	4	9.0
Land Transport	5	-5.4	Mining	5	9.0
Railway & Bus	11	-8.0	Railway & Bus	9	8.7
Nikkei 225	-	-14.6	Petroleum	10	8.5
Insurance	30	-17.5	Communications	12	8.1
Communications	31	-19.3	Real Estate	15	7.3
Electric Power	32	-20.2	Nikkei 225	-	5.2
Real Estate	33	-21.2	Foods	27	4.5
Marine Transport	34	-21.7	Marine Transport	31	3.1
Other Financial Services	35	-23.8	Fishery	34	0.2

Although the stock market starts to show a signal of bottoming out, market energy has not been sufficiently recovered in that daily trading values were below 2 trillion yen on most days. Analysis on some industry indices shows anticipations of deregulations in advance and it would be possible to interpret that what growth strategy initiatives the government will publish in this month is so crucial for the stock market and the result could significantly affect the direction of the market from June onwards.

Performance Summary of May 2014

○Nikkei 225 and its derived indices

(Data as of end of May)

Name of Index	Index Value	Monthly Return	Avg Return	Volatility	Yealy High	The Date	Yearly Low	The Date
Nikkei 225	14632.38	2.29%	0.04%	1.56%	16121.45	8-Jan	13910.16	14-Apr
Nikkei 225 TR	21340.48	2.30%	0.04%	1.57%	23327.25	8-Jan	20271.52	4-Feb
Nikkei 225 VI (Volatility)	19.75	-12.26%	-0.15%	4.60%	33.21	4-Feb	19.75	30-May
Nikkei 225 VI Futures	63697.35	-14.37%	-0.13%	2.57%	97741.36	4-Feb	63697.35	30-May
Nikkei 225 Covered Call	13038.30	2.32%	0.03%	1.35%	14030.41	8-Jan	12348.19	4-Feb
Nikkei 225 Risk Control	15342.02	1.42%	0.02%	0.73%	16161.58	8-Jan	14898.08	14-Apr
Nikkei 225 Leveraged	9121.73	4.38%	0.07%	3.12%	11295.91	8-Jan	8275.01	14-Apr
Nikkei 225 Inverse	3449.60	-2.49%	-0.04%	1.56%	3651.06	4-Feb	3193.30	8-Jan

Name of Index	Index Value	Change	Hist. High	The year	Hist. Low	The year
Nikkei 225 DP	9.83	6.39%	9.83	2014	2.05	2000

○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	10945.82	3.38%	0.04%	1.38%	11800.26	8-Jan	10314.83	14-Apr
Nikkei 300	244.35	3.60%	0.03%	1.39%	265.90	8-Jan	229.49	14-Apr
Nikkei China Related 50	1275.88	2.07%	0.01%	1.39%	1399.88	8-Jan	1220.64	4-Feb
Nikkei 500 Average	1270.31	3.66%	0.05%	1.37%	1348.15	8-Jan	1191.33	4-Feb
Nikkei Japan 1000	1417.71	3.38%	0.03%	1.40%	1541.51	8-Jan	1335.72	14-Apr
Nikkei JASDAQ Average	2008.28	2.77%	0.02%	1.07%	2187.50	22-Jan	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 May 2013.

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

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