



Today's Theme



Japan

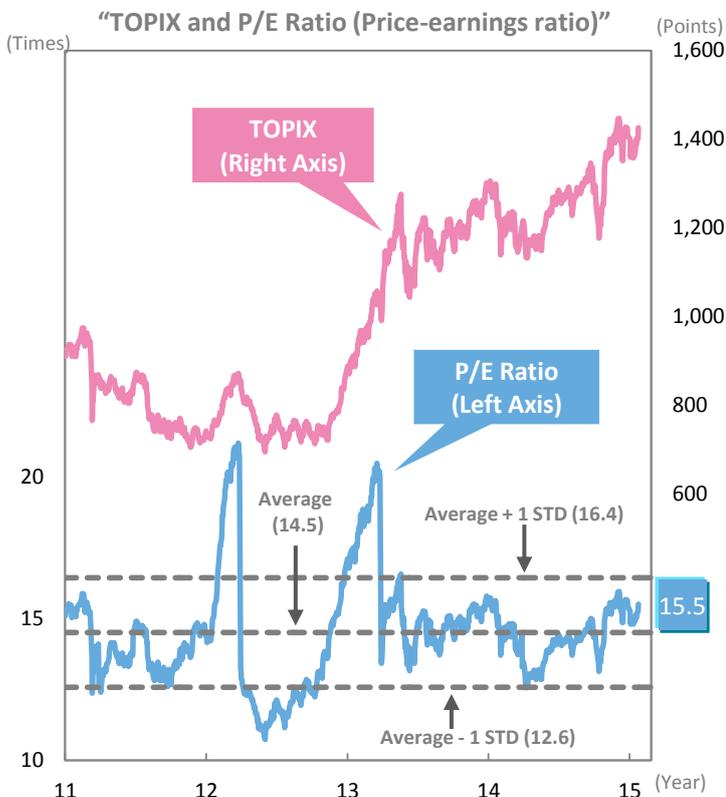
Japanese Equity Market Outlook

Q Is the Japanese equity market overvalued?

A Not judged overvalued in terms of historical P/E ratio (Price-earnings Ratio).
The equity market would rise as corporate earnings forecast is on an upward revision trend.

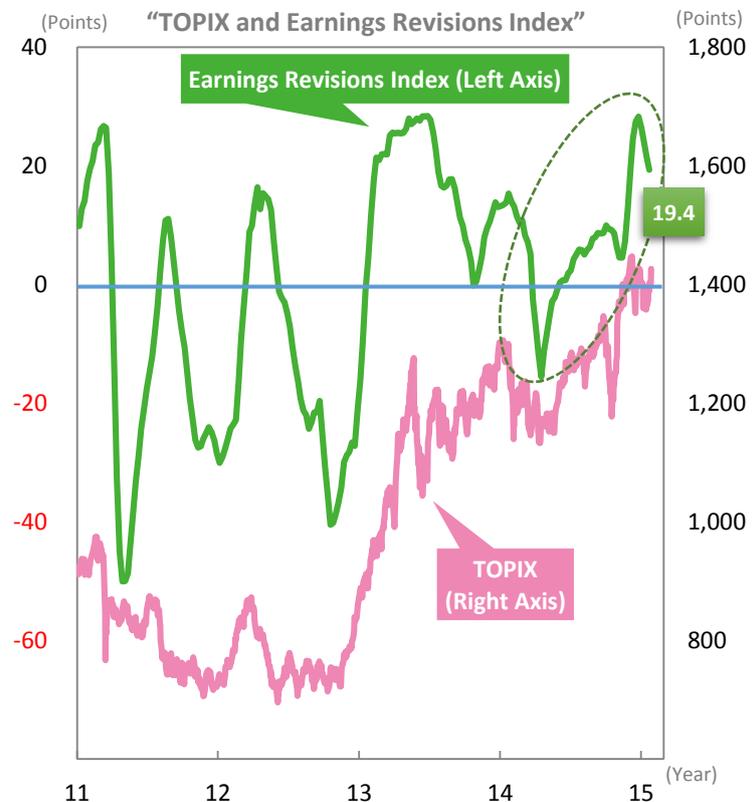
■ The current level of P/E Ratio (a measurement to evaluate stock prices on corporate earnings) is slightly above the historical average from 2011. Although the equity market has been rising since the midst of January this year, judging from the P/E multiple range in the past, it is not overvalued as the stock price is thought to be moving in line with corporate earnings growth perspectives.

■ Looking at the trend of corporate earnings forecast revision using the Earnings Revisions Index, we can find the earnings have been on an upward-revision trend since last March. Weaker yen and lower oil price are generally deemed positive factors to the corporate earnings growth like economic recovery. The stock market is expected to move on a steady tone along with the upward revision of corporate earnings forecast.



(Note) 1. Data is from Jan. 4, 2011 to Jan. 27, 2015.
To calculate the Average and STD (Standard Deviation) of PER, we used the data from Jan. 4, 2011 to Dec. 30, 2014.
STD is a measurement to quantify the degree of data dispersion.
2. PER: Price of share divided by its Earnings (forecast) per share.
The earnings forecast is on Bloomberg's forecast.

(Source) SMAM, based on Bloomberg L.P. data



(Note) 1. Data for the Revision Index is from Jan. 6, 2011 to Jan. 22, 2015.
Four weeks moving average of weekly data.
Data for TOPIX is from Jan. 4, 2011 to Jan. 27, 2015. (Daily bases)
2. Earnings Revisions Index: Number of companies with upward earning revision less the number of those with revised down, expressed as a percentage of the total number of companies.

(Source) SMAM, based on Datastream data



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