



# Japan

4.0 Stars - Attractive ★★☆☆☆

## Macro Outlook

- Japanese equities are underpinned by reopening tailwinds, buffer from a high proportion of cash-rich companies, attractive valuations, and currency tailwinds.
- BOJ's move in December is a sign that policymakers are warming up to further tightening, and we recommend an unhedged exposure to Japanese equities.

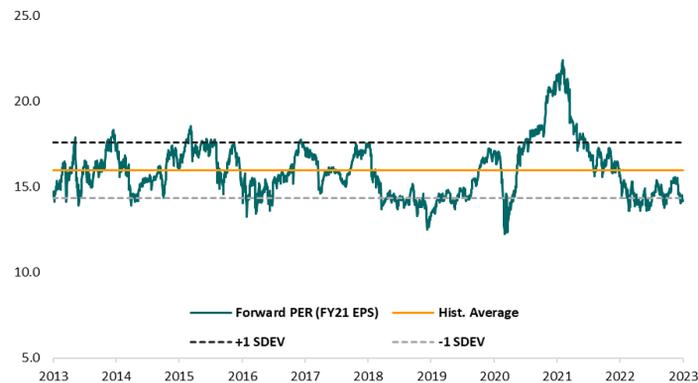
## What we like about

- Reopening tailwinds should peak in 2023 and contribute to consumption-led growth.
- A high proportion of companies are net-cash which could buffer against a recession.
- Relatively cheaper valuations compared to DM peers.
- Currency tailwinds as the JPY marches higher.

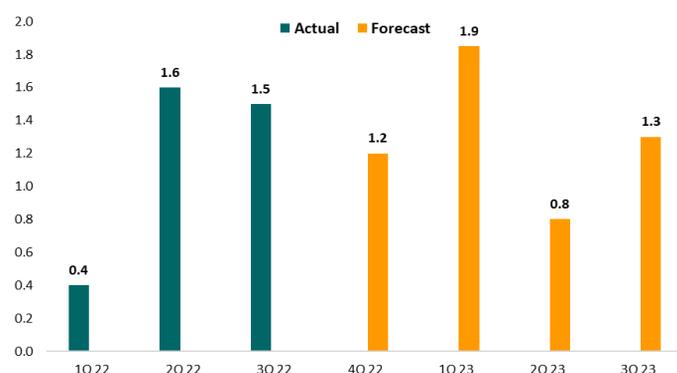
## Investment Risk(s)

- We can no longer count on accommodative policy from the BOJ, as their recent move in Dec 2022 may be a precursor to further tightening in 2023.

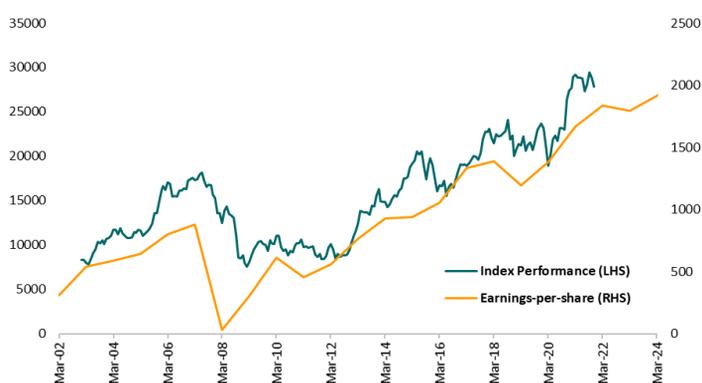
Nikkei 225 Index Forward PE Ratio (x)



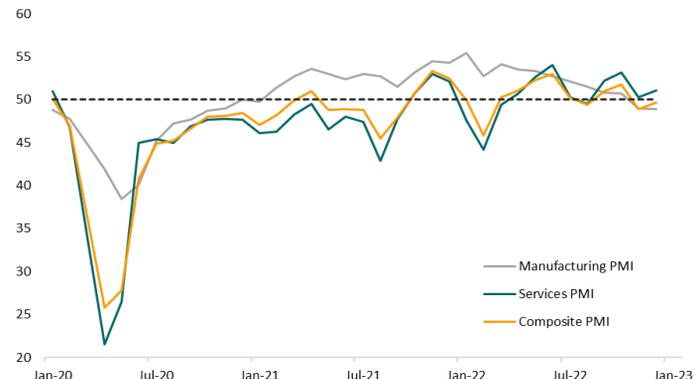
Real Quarterly GDP- Actual and Forecast (YoY %)



Japan Equity (Nikkei 225 Index) Price vs EPS



Japan Nikkei/ Markit PMI



Source : Bloomberg Finance L.P, iFAST compilations. Data as of Jan 2023.

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