



EQUITIES - JAPAN	1 Mth	3 Mth	YTD	12 Mth
MSCI Japan	6.5	-5.3	7.7	-30.5
Nikkei 225	6.2	-1.7	-6.4	-26.7
Topix	5.6	-6.1	-8.4	-29.1
Jasdaq	-2.9	-17.3	-20.4	-26.7

Returns in Singapore dollars. Source: Bloomberg, 30 April 2009

TOPIX rose for the second consecutive month in April. Global equity markets recovered following the release of improved economic indicators in the US and China. In Japan, the government's announcement of a ¥15.4 trillion package of stimulus measures to deal with the economic crisis, and the establishment of an equity purchasing corporation to acquire up to ¥50 trillion in equities also lifted sentiment.

The five best performers were Transportation Equipment, Iron & Steel, Securities & Commodity Futures, Electric Appliances, and Non-ferrous Metals. The five worst performers were Mining, Air Transportation, Warehousing & Harbour Transportation Services, Electric Power & Gas, and Other Products.





OUTLOOK AND STRATEGY

	Policy	Change	Comment
Financials	Neutral	–	Rising credit costs remains a concern for the coming financial year. Valuations are undemanding.
Consumer	Neutral	–	Reduced underweight in Autos as government stimulus measures in various markets may help support demand.
IT Hardware	Neutral	–	Demand remains weak, but inventory adjustment is over for certain sub-sectors.
Industrials	Neutral	↑	Raised rating given signs that Japan's industrial production has bottomed out, and in view of undemanding valuations.
Pharmaceuticals	Neutral	–	Slow pace of product approval, negative new developments within the US healthcare sector, and the next biennial National Health Insurance price cut scheduled in April 2010 for Japan are expected to weigh on the sector.
Materials	Neutral	–	Demand remains weak for electronic materials and chemicals. Nevertheless, inventory adjustment period could likely bottom out in 1H for certain segments.
Info Communications	Overweight	–	Reduced overweight. Like companies with high dividend yield.
Utilities	Underweight	–	Switching to cyclicals.

The combination of improving global economic data and large-scale domestic fiscal stimulus has prompted us to increase weighting in cyclical stocks at the expense of the defensive sectors. We have reduced our overweight in Consumer Staples and Info-Communications, and reduced our underweight in Autos.

We are neutral in Pharmaceuticals, Materials, Consumer Discretionary (ex-Autos), Banks, Real-Estate, Utilities, Technology and Industrials. We have also lowered Utilities to underweight. Following recent sharp gains, TOPIX could be range-bound near-term. Earnings announcements will be the key catalysts, along with macro data, the US banks' stress tests results, and swine flu developments.



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