



EQUITIES - JAPAN	1 Mth	3 Mth	YTD	12 Mth
MSCI Japan	-2.2	2.3	3.7	15.0
Nikkei 225	-2.9	1.8	0.5	22.1
Topix	-1.8	2.8	4.2	14.9
Jasdaq	2.7	2.3	11.3	34.0

Returns in Singapore dollars. Source: Bloomberg, 30 April 2010

TOPIX rose 0.84% to 987 in April. The stock market remained strong in the early half of April, thanks to better economic data, and yen weakness. In the latter half of the month, new fears over the Greek debt crisis and Chinese yuan revaluation concerns weighed on the market. The fraud charge against Goldman Sachs also triggered concern about tighter financial regulation. Toward the end of the month, favorable earnings results and positive profit guidance helped the TOPIX close with a month-on-month gain.

The best performing sectors in April were Oil & Coal Products, Air Transport, Real Estate, Pulp & Paper, Insurance, Maritime Transport, and Services. The worst performers were Iron & Steel, Electric Power & Gas, Foods, Wholesale Trade, and Pharmaceutical.

OUTLOOK AND STRATEGY

	Policy	Change	Comment
Financials	Underweight	–	Neutral on real estate and banks. Underweight non-banks.
Consumer	Overweight	–	Like selected companies within the specialty retail sector given growth potential and relative valuations.
Technology	Overweight	–	Revival in corporate IT spending, and new product launches are expected to drive growth.
Energy	Overweight	–	Valuations are undemanding.





Industrials	Overweight	–	Positive on the sector given recovery in Japan’s industrial production, and positive earnings revision momentum. Sector valuations are also undemanding relative to the market. Like beneficiaries of Asia growth.
Pharmaceuticals	Underweight	–	Slow pace of product approval remains a negative for the sector. Like generic companies.
Materials	Overweight	–	More positive on electronic materials, particularly those leveraged to LCD theme, as inventory correction has now run its course. For petrochemicals, the worst appears to be over.
Info Communications	Underweight	–	Anaemic top-line growth makes the sector relatively unattractive.
Utilities	Underweight	–	Unexciting medium-term prospects.

In the near term, external conditions could continue to affect sentiment, and cause the correction in Japanese equities to continue. Our base case view is that if the Greece situation worsens, the policymakers will take additional measures, such as further monetary easing. Despite the rise in uncertainty, we continue to stay positive on equities as leading economic indicators continue to be firm, and this will continue to drive the recovery of corporate earnings.

We maintain our preference for cyclicals over defensives. In the near term, selective domestic-oriented companies could perform better than exporters. We nevertheless look to add exporters with minimal Euro exposure on further weakness. We are overweight Industrials, Materials, Technology, Consumer Discretionary and Energy. We are neutral on Banks, Consumer Staples, and Real Estate, and underweight Info-Communications, Pharmaceuticals, Utilities, and Non-Banks.



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