

MUFG Asset Management

Japan Monthly Market Insight

January 2025

Naoya Oshikubo

Chief Market Economist



Japan Monthly Review and Outlook

Monthly Review (January 2025)

- ✓ In January 2025, the Japanese stock market was top-heavy on the back of uncertainty over President Trump's policies and the Bank of Japan's rate hike. TOPIX underperformed S&P500.
- ✓ The Bank of Japan raised its policy rate from around 0.25% to around 0.5% at its January monetary policy meeting. This was the first time since 2008 that Japan's policy rate has been at this level.
- ✓ JGB 10y yield rose moderately on the back of BoJ's rate hike. USD/JPY fell slightly.

Outlook

- ✓ The Japanese stock market is expected to be generally resilient on the back of strong October-December 2024 earnings results and the continued momentum for wage hikes, although the market is likely to be swayed by headlines surrounding President Trump's tariff policies.
- ✓ Following the Japan-U.S. summit in February, it will be interesting to see whether the U.S. will also impose tariffs on Japan. We expect the U.S. to show a conciliatory attitude toward Japan because (1) the U.S. trade deficit with Japan is small, and (2) Japan has invested heavily in the U.S. We believe Japan will pledge to increase its purchases of energy and agricultural products from the U.S. In addition, amid the lingering turmoil from the DEEPSEEK shock, NVIDIA's earnings results on February 26 (U.S. time) will be of interest in predicting the performance of Japan's semiconductor-related stocks.

Major Indices

Asset	Index	Month-end	1-mth	3-mth	6-mth	1YR
EQ	Nikkei 225	39,572	-0.8%	1.3%	1.2%	9.1%
	TOPIX	2,789	0.1%	3.5%	-0.2%	9.3%
	TOPIX Value	3,252	0.4%	5.4%	0.3%	12.7%
	TOPIX Growth	3,394	-0.1%	1.5%	-0.7%	5.9%
	TOPIX 100	1,929	0.2%	4.0%	0.3%	11.2%
	TOPIX Mid400	2,746	0.1%	2.1%	-1.3%	5.6%
	TOPIX Small	3,098	-0.1%	3.1%	-1.1%	6.3%
	S&P 500	6,041	2.7%	5.9%	9.4%	24.7%
	NASDAQ	19,627	1.6%	8.5%	11.5%	29.4%
	Russell2000	2,288	2.6%	4.1%	1.5%	17.5%
	Euro STOXX 600	540	6.3%	6.8%	4.1%	11.1%
Bond (%pt)	JGB 10Y	1.25	0.14	0.29	0.19	0.51
	US Treasury 10Y	4.54	-0.03	0.25	0.51	0.63
	Germany Bunds 10Y	2.46	0.09	0.07	0.16	0.29
FX	USD/JPY	155.2	-1.3%	2.1%	3.5%	5.6%
	EUR/JPY	160.8	-1.2%	-2.8%	-1.0%	1.2%
	EUR/USD	1.04	0.1%	-4.8%	-4.3%	-4.2%
COM	WTI OIL	72.5	1.1%	4.7%	-6.9%	-4.4%
	CME Gold	2812.5	6.5%	2.3%	15.9%	37.3%

Note: Data as of the end of January 2025

Source: Bloomberg, MUFG: Trust Bank



TOPIX and Nikkei 225

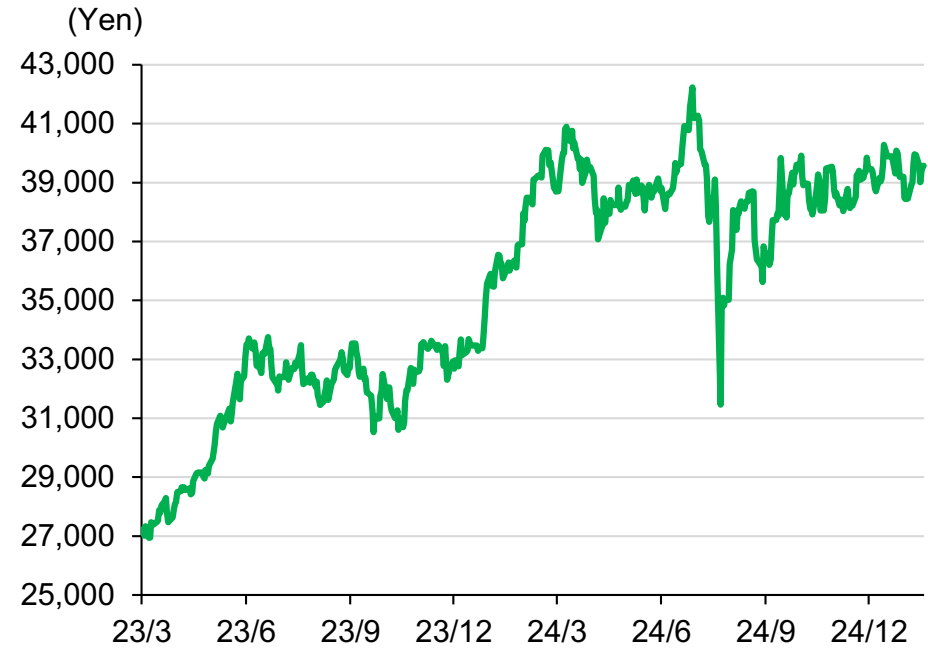
- In January 2025, Japanese stock markets remained resilient.
- TOPIX slightly outperformed Nikkei.

TOPIX



Source : Bloomberg, MUFG: Trust Bank

Nikkei 225

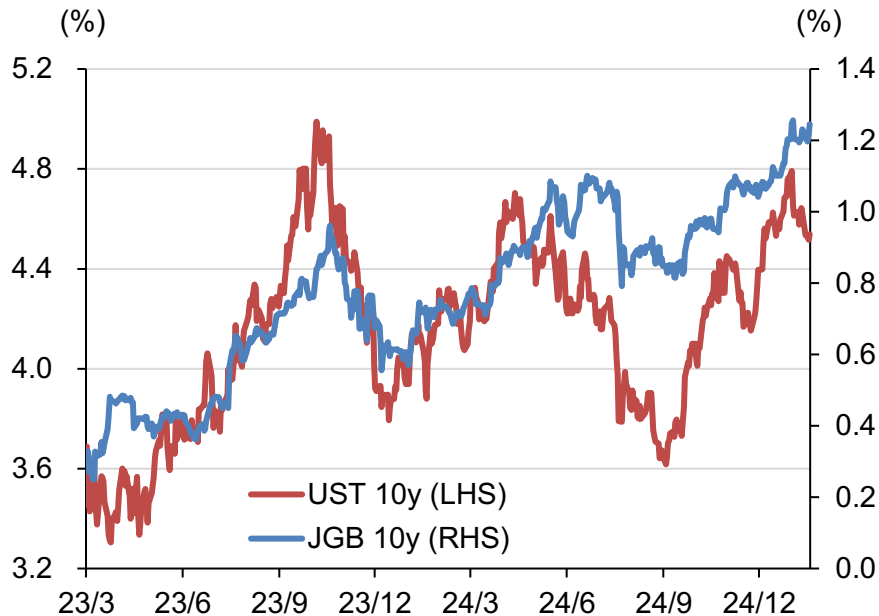


Source : Bloomberg, MUFG: Trust Bank

Japanese 10y Bond Yield and Exchange Rate

- In January 2025, UST 10y yield was in a high range. JGB 10y yield rose moderately.
- USD/JPY fell slightly on the back of speculation related to Trump tariffs and BoJ's rate hike.

UST 10y yield and JGB 10y yield



Source : Bloomberg, MUFG: Trust Bank

USD/JPY



Source : Bloomberg, MUFG: Trust Bank

Global IG OAS and Global HY OAS

- In January 2025, Global IG Option-Adjusted Spread (OAS) and Global HY OAS tightened to historically low levels.

Global IG OAS



Source : Bloomberg, MUFG; Trust Bank

Global HY OAS



Source : Bloomberg, MUFG; Trust Bank

TOPIX Sector Return (as of the end of January 2025)

	wght	1-mth	3-mth	6-mth	1YR
Industrials	25.4%	-1.2%	2.7%	3.8%	28.1%
Consumer Discretionary	18.0%	-1.0%	11.0%	8.2%	12.4%
Financials	14.5%	3.3%	15.2%	4.5%	36.6%
Information Technology	12.8%	2.0%	0.9%	0.5%	10.1%
Communication Services	7.1%	2.8%	8.6%	9.0%	14.4%
Health Care	7.0%	-0.5%	-6.1%	-4.1%	6.0%
Consumer Staples	6.0%	-2.3%	-3.0%	-2.0%	0.7%
Materials	5.1%	-2.0%	-3.4%	-8.8%	-3.3%
Real Estate	1.9%	3.7%	4.8%	-2.2%	8.6%
Utilities	1.3%	-4.7%	-11.6%	-10.9%	-0.2%
Energy	0.9%	-3.8%	-3.1%	-7.5%	15.9%

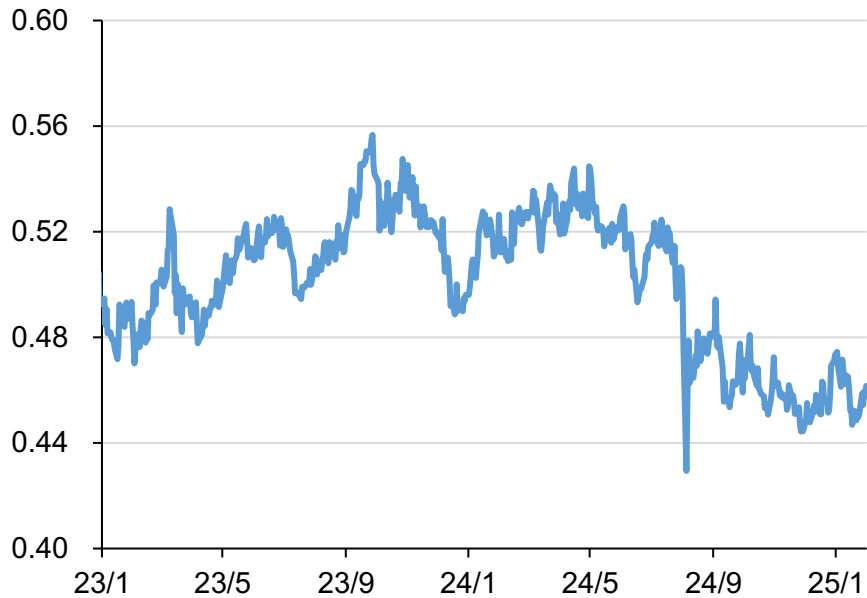
**Note: Weighting of each stock is as of the end of the base month
Replacement of stocks is not considered
Our estimates based on the assumptions above**

Source : Bloomberg, MUFG: Trust Bank

TOPIX vs. S&P500

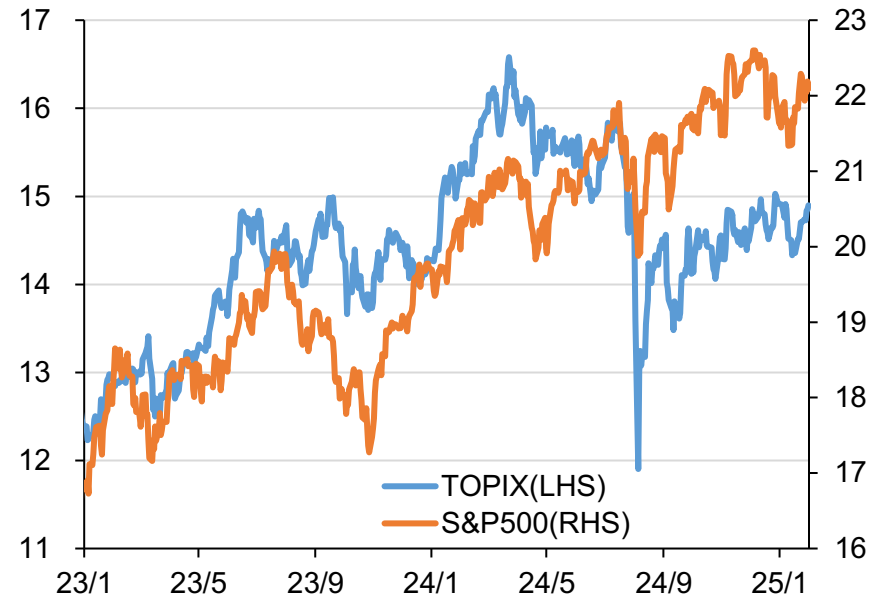
- In January 2025, TOPIX underperformed S&P500.
- TOPIX became more undervalued relative to S&P500 in terms of PER.

TOPIX/S&P500



Source : Bloomberg, MUFG: Trust Bank

TOPIX and S&P500 PER

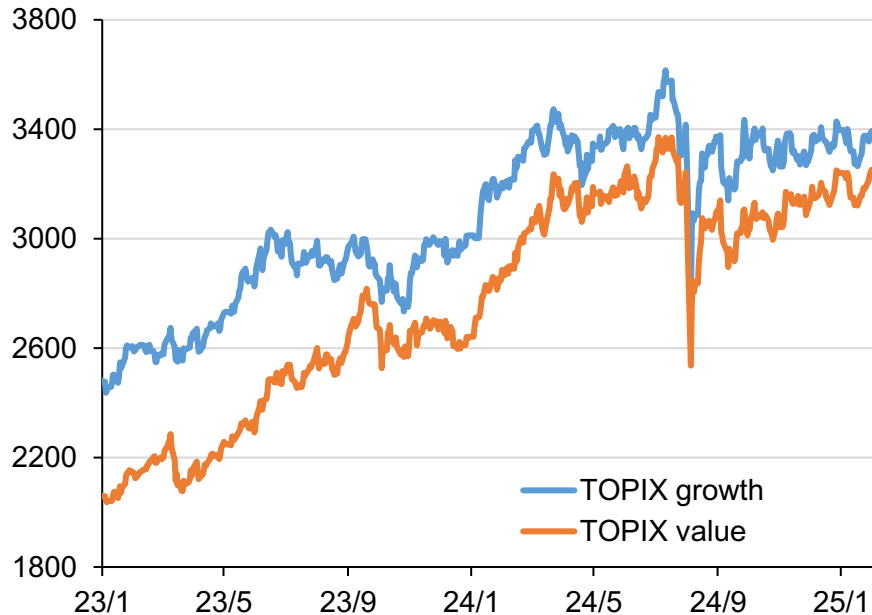


Source : Bloomberg, MUFG: Trust Bank

TOPIX Growth vs. Value

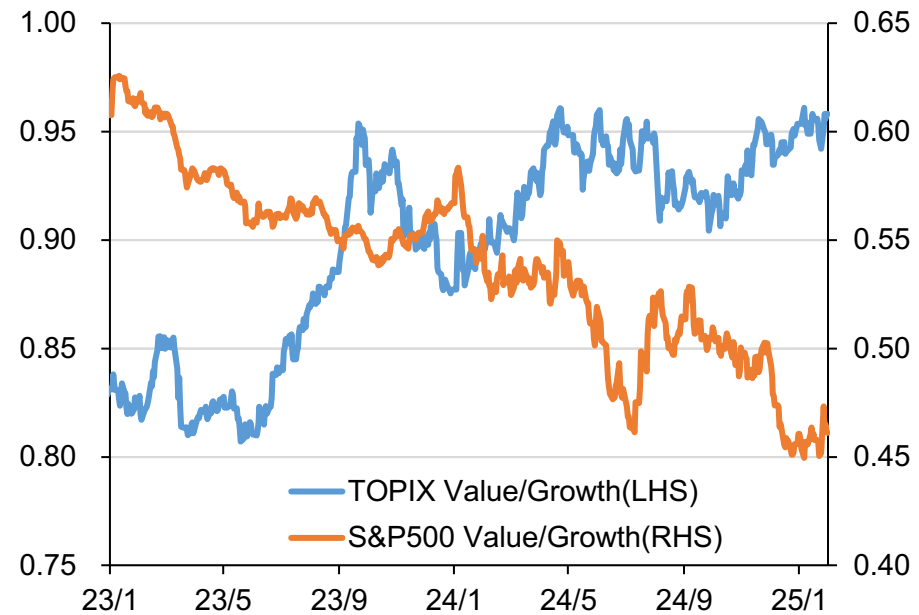
- In January 2025, TOPIX Value outperformed TOPIX Growth.
- S&P500 Value also outperformed S&P500 Growth.

TOPIX Growth and TOPIX Value



Source : Bloomberg, MUFG: Trust Bank

TOPIX Value/Growth and S&P500 Value/Growth

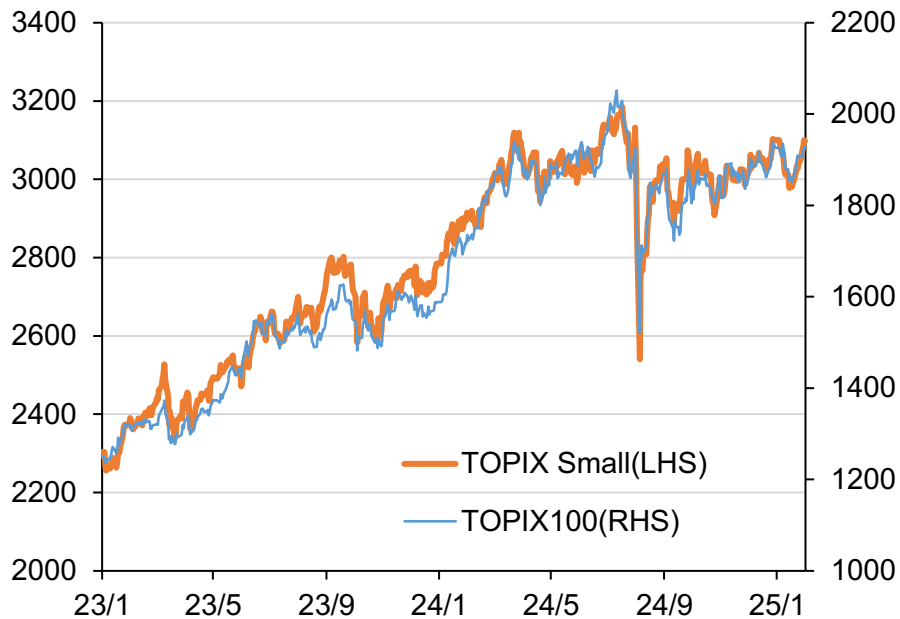


Source : Bloomberg, MUFG: Trust Bank

TOPIX Large vs. Small

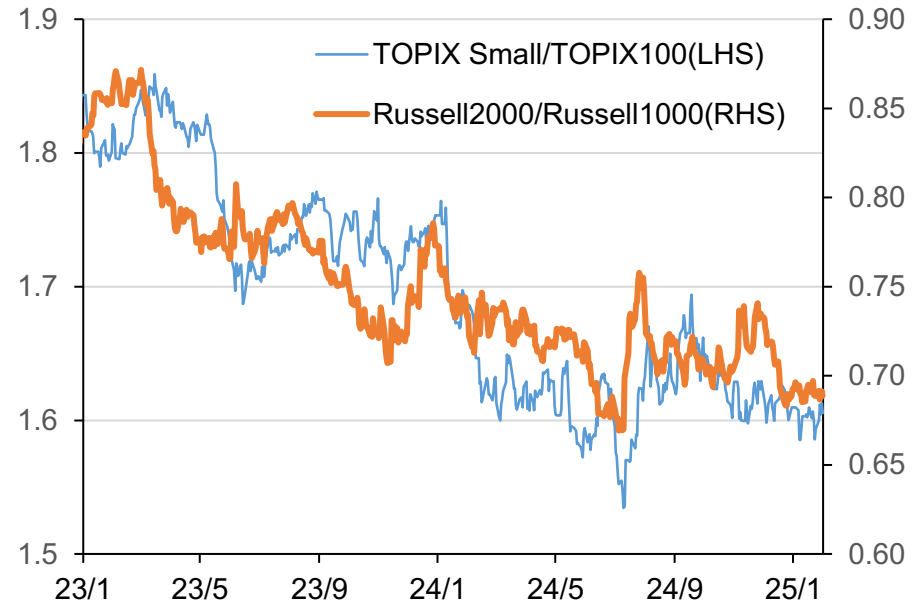
- In January 2025, TOPIX Small slightly outperformed TOPIX Large.
- On the other hand, Russell2000 slightly underperformed Russell1000.

TOPIX100 and TOPIX Small



Source : Bloomberg, MUFG: Trust Bank

TOPIX Small/TOPIX100 and Russell2000/Russell1000



Source : Bloomberg, MUFG: Trust Bank

Disclaimer

©2025 Mitsubishi UFJ Trust and Banking Corporation (MUFG: Trust Bank). All rights reserved.

- The information contained herein is proprietary to Mitsubishi UFJ Trust and Banking Corporation and its subsidiaries, associates or affiliates (“MUFG: Trust Bank”). These materials have been prepared solely for informational purposes, based upon information generally believed to be reliable, and no representation or warranty is given with respect to its accuracy or completeness.
- These materials do not constitute an offer to buy or sell, or a solicitation of an offer to buy or sell any investment product, security, or instrument or participate in any particular trading strategy and no representation or warranty is given with respect to any future offer or sale.
- The information contained herein is not intended for the general public; it is intended for institutional or professional investors with adequate resources and advice to enable a thorough understanding of the services provided by MUFG: Trust Bank and how to interpret the data in these materials in the context of the relevant markets, and who would be able to assume the financial risks presented or that may arise in connection with the investments and strategies discussed in these materials.
- MUFG: Trust Bank accepts no responsibility or liability for executions or investment decisions resulting from your use of these materials.
- MUFG: Trust Bank will not update the information contained in these materials.
- Although we use reasonable efforts to obtain reliable, comprehensive information, we make no representation that it is accurate, complete or timely. The information and data contained herein has been obtained from a variety of sources, is based on certain assumptions, information and conditions available at the date of the materials, and may be subject to change at any time without notice or updates to you. Accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of you acting based on these materials.
- The value of securities and the income from them, if any, may fall as well as rise. Investments are subject to investment risks including the possible loss of the principal amount invested, and are not obligations of, deposits in, or guaranteed or insured by MUFG: Trust Bank. Past performance figures as well as any projection or forecast used in these materials, are not indicative of the future or likely performance of the company or security mentioned.
- MUFG: Trust Bank disclaims any and all liability for the information contained herein, including without limitation, any express or implied representations or warranties for information or errors contained in, or omissions from, these materials. MUFG: Trust Bank and its officers and employees shall not be liable for any loss or liability suffered by you resulting from the provision to you of these materials or your use or reliance in any way on the information herein.
- MUFG: Trust Bank does not comment on the fundamentals or financial standing of any of the companies mentioned herein.
- Unless indicated, all views expressed herein are the views of the author, may differ from or conflict with those of MUFG: Trust Bank or others and is subject to change at any time without prior notice.
- These materials are permitted to be used solely by the persons to whom they have been provided by MUFG: Trust Bank and is subject to change at any time without prior notice.
- MUFG: Trust Bank expressly prohibits the dissemination of these materials to persons for whom they are not intended and/or to persons who would be prohibited from receiving them under the laws of their jurisdiction. MUFG: Trust Bank makes no offer or solicitation to any person through the provision of these materials. These materials may not be – and are not intended to be - distributed in any jurisdiction where it is unlawful to do so.
- Clearbrook Investment Consulting, LLC (“CIC”) is an SEC-registered investment adviser. CIC primarily provides pensions consulting and family office advisory services for a wide variety of for-profit and nonprofit organizations. All strategy, assets under management and performance data described above refer to professional advisory services which CIC has engaged MUTB to act as a subadvisor for certain Japanese equity strategies. Fees charged are at the discretion of CIC; investment advisory fees are described in CIC’s Form ADV Part 2, which is available upon request. Past performance does not guarantee future results. Individual account management and construction will vary depending on each client’s investment needs and objectives.

