

# Investments - Flash



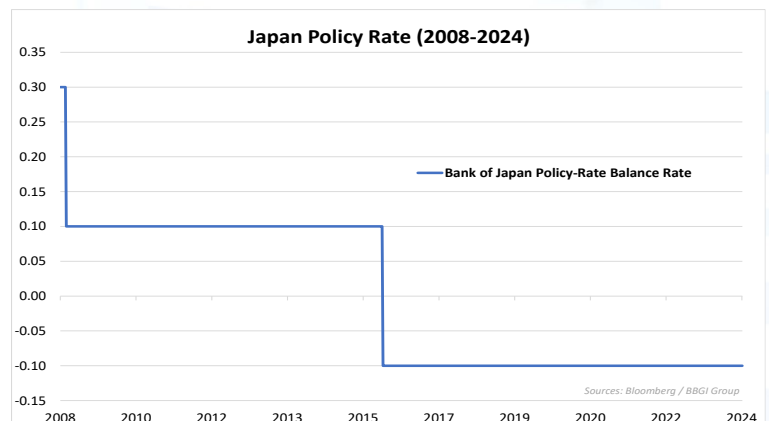
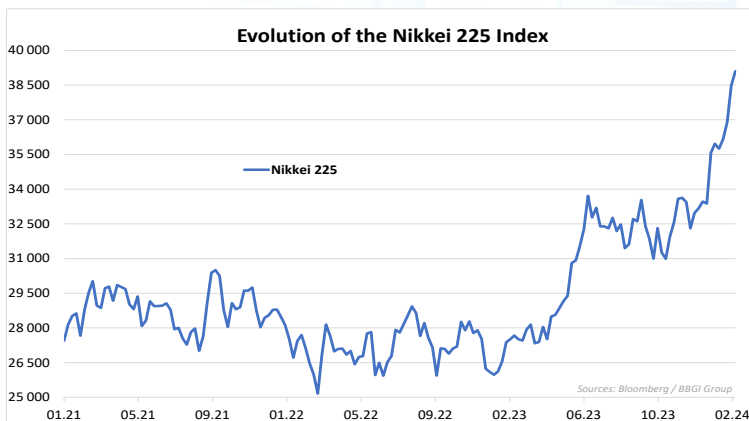
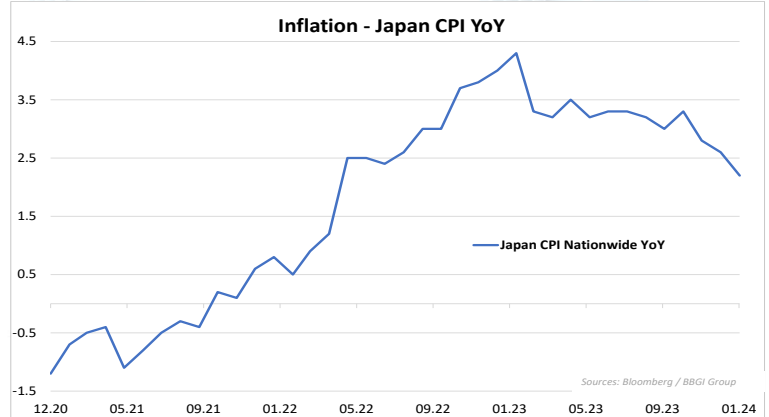
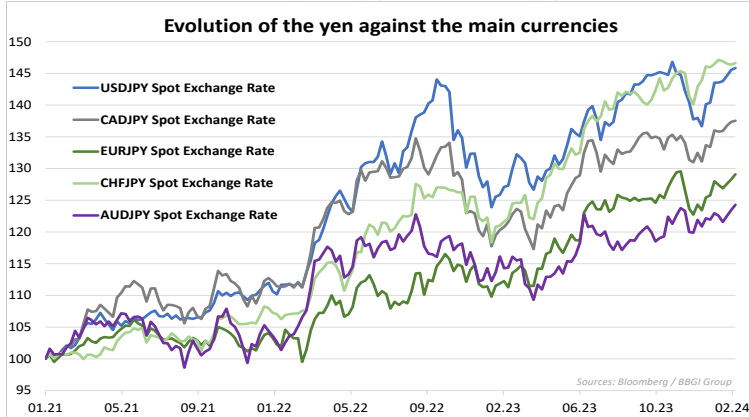
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## NIKKEI WILL SOON RUN OUT OF SUPPORT

Nikkei rally likely to face profit taking at 40,000 points

The Japanese market has soared in recent months on the back of rising profits for exporting companies, helped by the massive fall in the yen. But the rise has also been driven by an increase in technology stocks and companies linked to semiconductor production, as well as sectors benefiting from the AI revolution. The index has risen by more than 50% since its low point in January 2023, surpassing the all-time high of 38,957 reached in 1989, and is already at 39,600, just 1% short of the psychological threshold of 40,000 points. Corporate profits look solid and are also boosting interest from foreign investors, attracted by the prospect of profit growth and shareholder friendly reforms after a long, more uncertain period of business development. The absence of any risk of interest rate rises is also a significant factor in the exceptional resilience of Japanese equities, whereas the international context has tended to be marked by

upward trends in financing costs. Indeed, we believe that Japanese monetary policy will not undergo any radical changes in a context recently marked by a downward acceleration in inflation and the economy's entry into recession. This situation is likely to continue to penalize the exchange rate for some time to come. Expectations that negative interest rates (-0.1%) will soon come to an end may therefore be justified, but the change in monetary policy will remain very moderate and have no major influence on exchange rate movements. Now above its previous historic record of 1989, the Nikkei can surely still take advantage of the current craze to test the 40,000-point level before likely profit taking in the next few days.



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