

Investments - Flash

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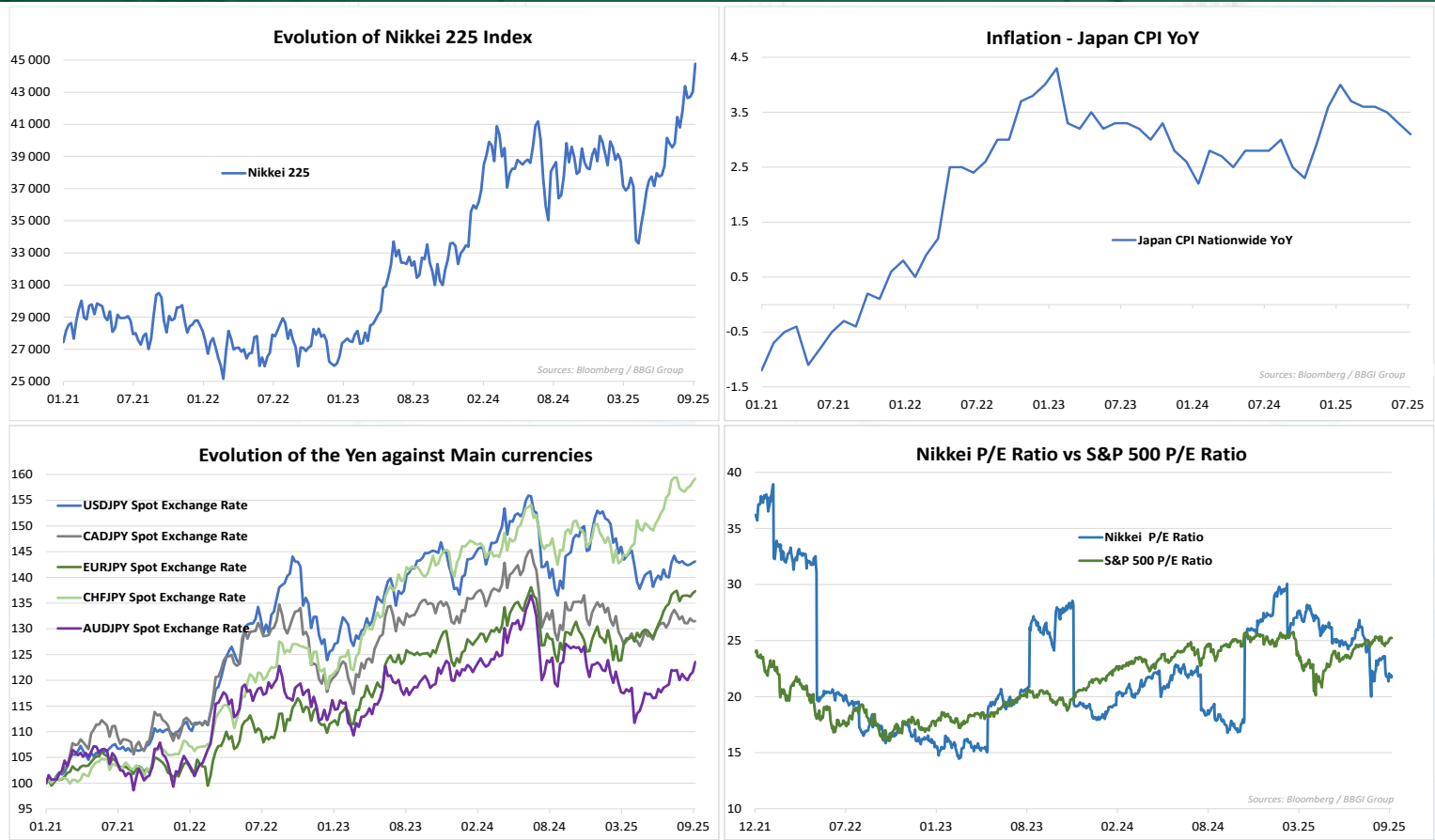


POSSIBLE TURNING POINT FOR THE NIKKEI

The recent acceleration to 45,000 points is not sustainable

The Japanese stock market is at a turning point at the end of Q3. After a remarkable performance of +45% since the April low and a +12% gain YTD, it is now caught between strong domestic support factors and increasingly strong international headwinds. The most likely scenario for the coming months is one of volatile consolidation, where the probability of a correction or stagnation is slightly higher than that of another spectacular surge. The paradigm shift towards moderate inflation is structurally positive for companies. They can more easily raise their prices, rebuild their margins, and invest in an environment of growing nominal demand. Resilient consumption is the cornerstone of this thesis. Furthermore, reforms aimed at improving return on equity and unwinding cross-shareholdings continue to attract foreign investors. This capital flow remains a major technical support for the market. Fundamentally, the

market remains attractive. The Nikkei's PE ratio (22x) is no longer significantly lower than that of the S&P 500 (25x). This discount still offers potential for revaluation, but the scenario of a gradual strengthening of the yen could lead to downward revisions in exporters' earnings forecasts. In addition, the gradual rise in yields is increasing the cost of capital for companies, which may have a marginal impact on sentiment. A significant correction in the US markets, driven by growth fears, would also have an impact on the Japanese market. After reaching an all-time high of around 45,000 points, a new wave of gains will depend on confirmation of a soft landing scenario in the US and stabilization of global demand, conditions that are unlikely to be met before early 2026.



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