



# Multi-Asset Essentials

## Japan - through a sentiment lens

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### A burst of enthusiasm for Japan reflected in our sentiment indicators

Record foreign purchases of Japanese stocks in Q2 to date follows selling, so there's much room for further buying over the medium-term. But, near-term, our Sentiment Barometer Indicators\* are stretched for Japan in both JPY & USD terms.

### Sectors and Factors

Resilience in Cyclical vs. Defensive sectors matches Japanese breakevens trend. But sentiment on Small Caps vs. Large Caps has reached the 'stretched pessimism' SBI zone. And Value/Growth relative is also close to near-term oversold territory.

### To hedge or not to hedge, that is (one) question

Buying Japan on an FX-hedged basis has already given strong returns. With JPY cheap and global nominal GDP set to slow, the hedging case now isn't gripping. What does look attractive for longer-term bulls is selling near-term Nikkei calls.

### SENTIMENT WATCH:

**US EQUITIES:** Nasdaq 100 in 'stretched optimism' SBI zone vs. S&P 500 (p.7). And all 5 Factor relative SBIs in extended state (p.8)!

**GLOBAL SECTORS:** Semis and Software relative SBIs both overbought (p.11).

**VOLATILITY:** DM FX vol oversold near-term (p.6).

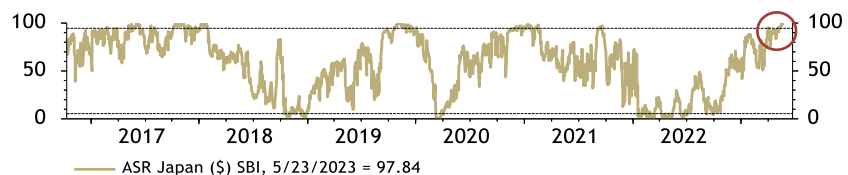
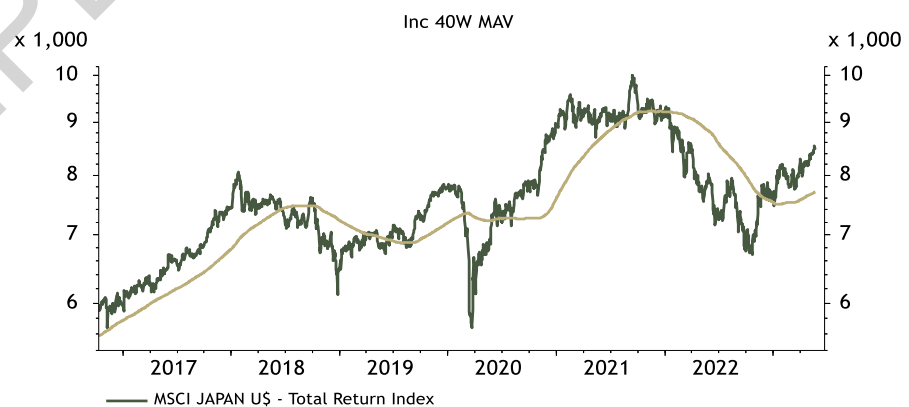
### SBI Summaries:

Updated Daily [here!](#)

### \*SBI Methodology

Sentiment Barometer Indicators (SBIs) use behavioural biases to create series that have the same dynamics as survey-based indices. Independent analysis showed how SBIs can add alpha - see [here](#).

### Chart of the week: Sentiment stretched for MSCI Japan in USD terms



Source: ASR Ltd./Refinitiv Datastream