

## **Goldman Sachs**

### **The case for Japanese stocks**

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**Kazunori Tatebe:** We think there are quite compelling opportunities in Japanese stocks.

We've recently seen record declines- with TOPIX falling 20%, before recovering about half of that.

The market move was intensified by position unwinding but there are also fundamental reasons behind the selloff. After many months of decline, yen shot higher which could turn a tailwind for Japanese exporters into a headwind.

We've also seen renewed concerns about the US economy- which is bad news on two fronts. It could mean reduced demand, and if the Fed cuts rates more aggressively it might further strengthen the yen. But we think the US economy remains solid, and importantly, the sharp market drop has reset valuations. The TOPIX forward P/E has fallen to a depressed level which could clear the way for the next bullish run.

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