

# **Nomura Individual Investor Survey**

August 2014

August 14, 2014

Global Research Division  
Nomura Securities Co., Ltd.

The Nomura Individual Investor Survey is a monthly survey conducted with the aim of better understanding investing activity by individuals and providing information on related trends.

## 1. Survey overview

### (1) Nomura I-View Index declines 1.6pt m-m to 43.0

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook for share prices and calculated by subtracting the percentage of responses for "fall" from that for "rise," was 43.0 for August, a decline of 1.6pt from 44.6 in July. The proportion of respondents expecting a "rise of about 1,000 points" accounted for the majority at 54.2%, though that was down marginally, by 0.4ppt m-m. There was little change in response rates for any of the options, with apparently no significant change in the outlook for stock prices since last month.

### (2) Rise in investor interest in international affairs

Respondents were asked to select the factor most likely to impact the stock market in the next three months. International affairs was again the most-watched factor, with its response rate rising 2.6ppt m-m. We see this as reflecting heightening concerns of the situation overseas in Ukraine, the Middle East, and elsewhere. The response rate for domestic politics saw the largest m-m decline for all the options, of 3.4ppt.

### (3) Capital goods/other remains most appealing sector

Respondents were asked to choose one sector as an "appealing" investment target and one as "unappealing" over a timeframe of about three months, and we calculated a diffusion index for each sector by subtracting the percentage of responses for "unappealing" from that for "appealing." Capital goods/other once again occupied the top slot, with its DI also rising a substantial 3.0pt m-m. The DI for electrical equipment/precision equipment, though negative, saw the largest rise of all sectors, of 3.9pt. The financials sector's DI fell 7.5pt, the largest decline of any sector, dropping into negative territory. The consumer goods DI fell one place from the previous month to rank bottom.

### (4) Higher proportion of investors expect yen to appreciate against dollar

On the outlook for the USD/JPY rate over the next three months, the combined percentage of respondents expecting the yen to strengthen against the dollar was 44.5%, up a large 10.2ppt from the previous month's total of 34.3%. The response rate for "rise of about ¥5 against the dollar" marked the largest m-m rise, of 7.8ppt, with more individual investors apparently expecting a modest appreciation of the yen against the dollar.

### (5) Japanese yen the most appealing currency

Respondents were asked to choose one currency as an "appealing" investment target and one as "unappealing" over an approximately three-month timeframe. We calculated a diffusion index for each currency by subtracting the percentage of responses for "unappealing" from that for "appealing". The Japanese yen had the highest DI, at 23.1, which was up 2.4pt from the previous month. The Brazilian real's DI remained negative but tied for the largest m-m rise of 2.4pt, matching that for the Japanese yen. In contrast, the euro's DI declined 4.2pt m-m, the largest fall among all the currencies.

### (6) Japanese equities remain the most appealing financial instrument

To give an indication of plans for holding financial instruments, we calculate DIs for each financial instrument by subtracting the percentage of respondents planning to cease holding the instrument or decrease their holding from the percentage planning to hold the instrument for the first time or increase their holding. Japanese equities remained the most appealing financial instrument this month, although its DI declined 3.8pt m-m. Foreign investment trusts gained in terms of appeal, with its DI marking the largest m-m rise, of 0.5pt.

### (7) More investors expecting rise in prices one year out

When asked for their outlook for prices of regularly purchased goods and services one year out, 64.8% of respondents said they expected prices to rise, an increase of 0.4ppt from 64.4% the previous month. The proportion of respondents expecting a "rise of less than 2%" marked the largest increase of all the options, of 3.7ppt m-m. The proportion expecting a "rise of 2% up to 5%" fell 2.1ppt m-m, the largest decline. The proportion of respondents expecting "no change" was little different from the previous month, rising 0.4ppt.

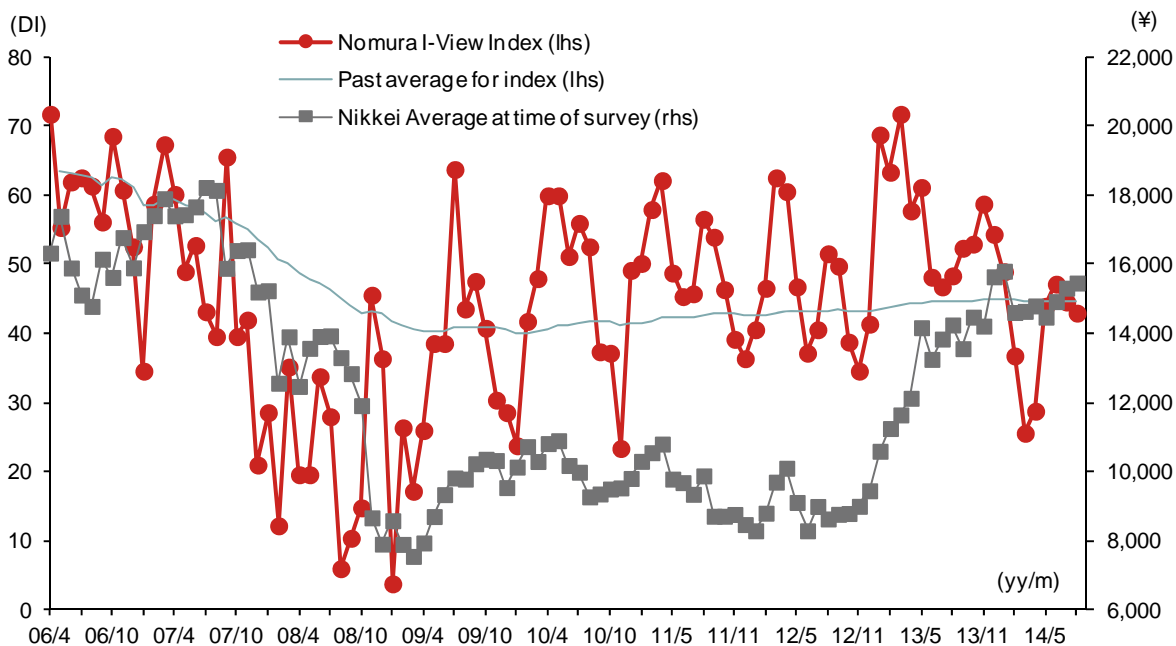
## 2. Survey results

### (1) Nomura I-View Index declines 1.6pt m-m to 43.0

The Nomura Individual Investor Market View Index (Nomura I-View Index), based on respondents' three-month outlook for share prices and calculated by subtracting the percentage of responses for "fall" from that for "rise," was 43.0 for August, a decline of 1.6pt from 44.6 in July (Figure 1).

The Nikkei Average reference level (4 August close) was 15,474.50, up 148.30 from the previous survey (1 July close of 15,326.20), although slightly more respondents appear to be expecting share prices to soften in future.

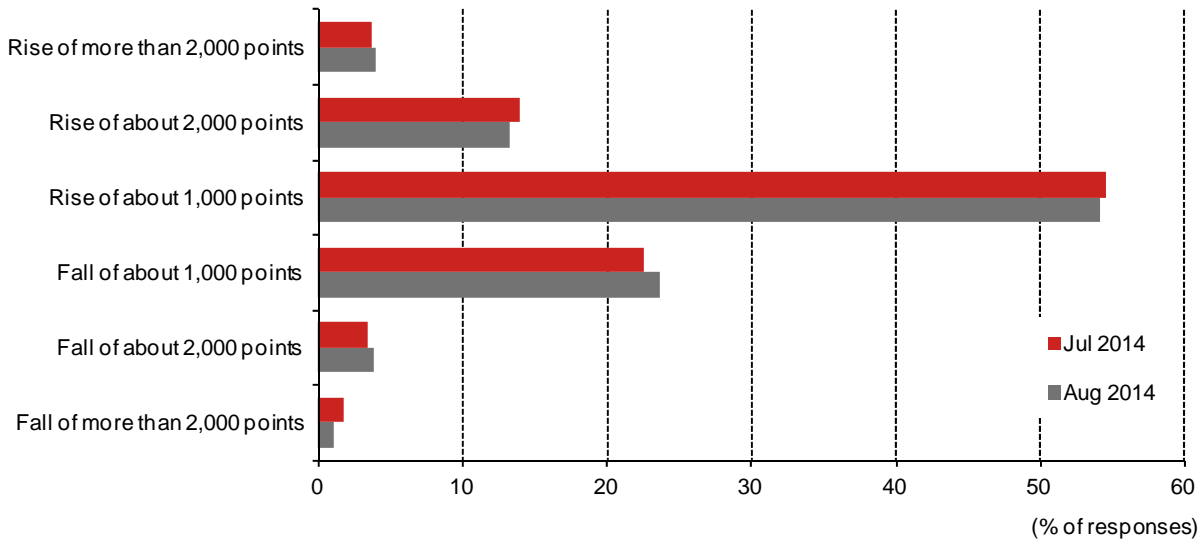
Fig. 1: The Nomura I-View Index and reference level of Nikkei Average at time of survey



Note: (1) The Nomura I-View Index is based on data collected by this survey and expressed as a diffusion index. The calculation method is as follows:  $\frac{((\text{Number of responses indicating expected rise in share prices in the next three months}) - (\text{number of responses indicating expected fall in share prices in the next three months}))}{\text{number of respondents}} \times 100$ . The figure for January 2010 used here excludes those respondents who projected the Nikkei Average would be flat. (2) The Nomura I-View Index ranges from -100 to +100. The closer to +100 the figure is, the more bullish the outlook held by individual investors. The closer to -100 the figure is, the more bearish the outlook held by individual investors.

The combined proportion of respondents expecting the Nikkei Average to rise over the next three months was 71.5%, down 0.8ppt from 72.3% in the last survey. The proportion of respondents expecting a "rise of about 1,000 points" accounted for the majority at 54.2%, though that was down marginally m-m, by 0.4ppt. There was little change in response rates for any of the options, suggesting that there has been no significant change in the outlook for stock prices since last month (Figure 2).

**Fig. 2: Outlook for Nikkei Average during the next three months**

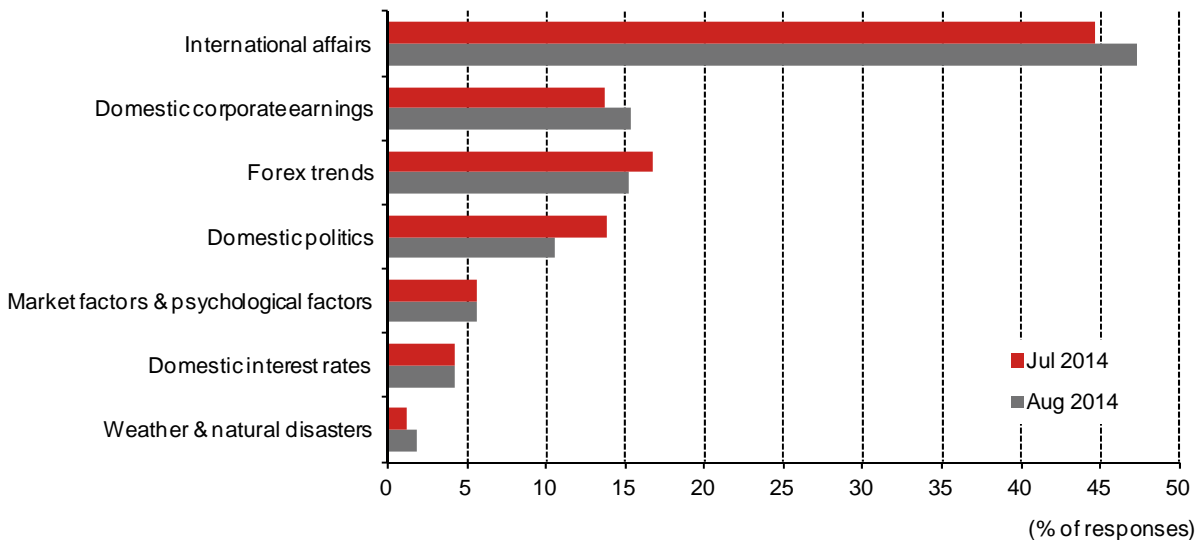


Note: Respondents were asked to share their outlook for the Nikkei Average during the next three months based on a 4 August closing figure of 15,474. Respondents could choose one answer from a possible six responses ranging from a rise of more than 2,000 points to a fall of more than 2,000 points with 1,000-point increments in between.

**(2) Rise in investor interest in international affairs**

Respondents were asked to select the factor most likely to impact the stock market in the next three months. International affairs was again the most-watched factor, with its response rate rising 2.6ppt m-m. We see this as reflecting heightening concerns of the situation overseas in Ukraine, the Middle East, and elsewhere. The response rate for domestic politics saw the largest m-m decline for all the options, of 3.4ppt (Figure 3).

**Fig. 3: Impact of factors on the stock market**



Note: Respondents were asked to choose one answer from a possible seven responses concerning factors likely to impact the stock market over the next three months or so.

**(3) Capital goods/other remains most appealing sector**

Respondents were asked to choose one sector as an "appealing" investment target and one as "unappealing" over a timeframe of about three months, and we calculated a diffusion index for each sector by subtracting the percentage of responses for "unappealing" from that for "appealing." Capital goods/other once again occupied the top slot, with its DI also rising a substantial

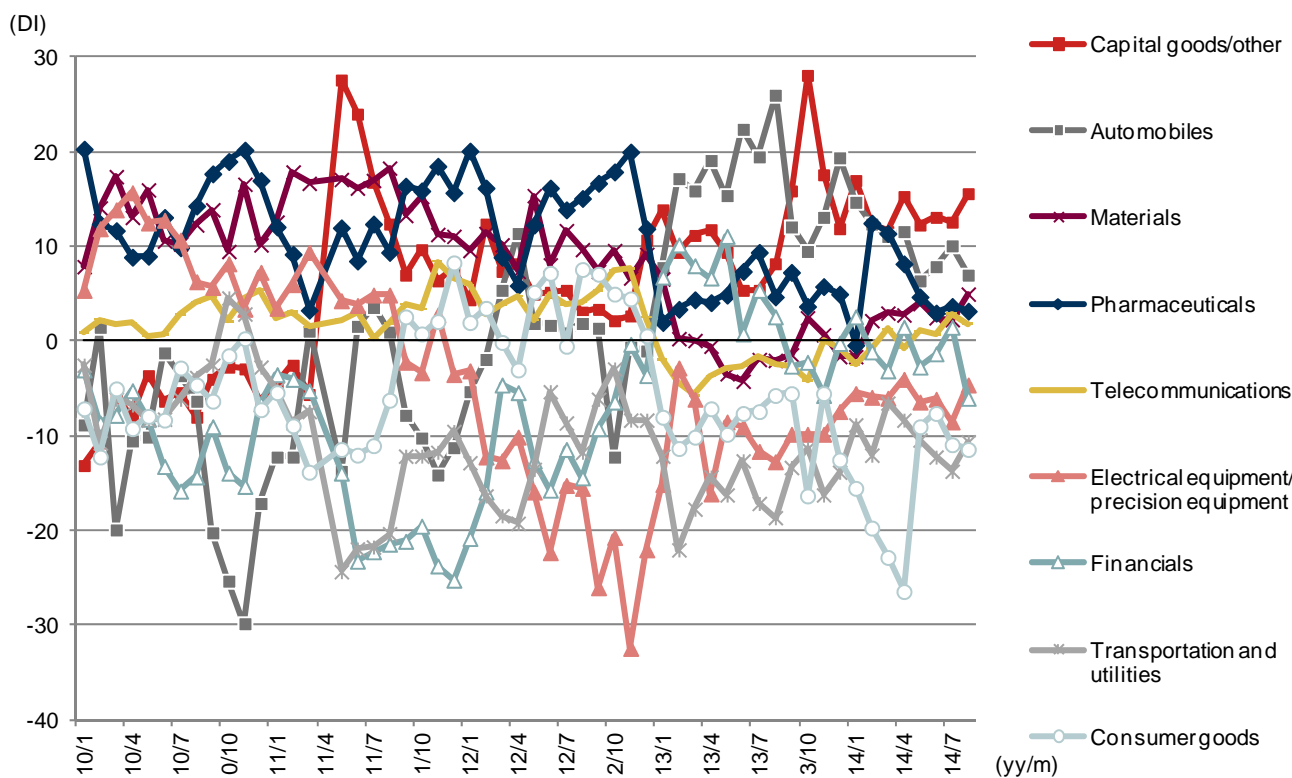
3.0pt m-m. The DI for electrical equipment/precision equipment, though negative, saw the largest rise of all the sectors, of 3.9pt. The financials sector's DI fell 7.5pt, the largest decline of any sector, dropping into negative territory. The consumer goods DI fell one place from the previous month to rank bottom (Figures 4 and 5).

**Fig. 4: Investment appeal by sector**

Sector	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Appealing	Unappealing	
Capital goods/other	15.6	19.9	4.3	12.6
Automobiles	7.0	13.2	6.2	10.1
Materials	5.0	14.2	9.2	2.3
Pharmaceuticals	3.2	10.7	7.5	3.7
Telecommunications	1.8	7.1	5.3	2.9
Electrical equipment/precision equipment	-4.6	8.0	12.6	-8.5
Financials	-6.0	9.0	15.0	1.5
Transportation and utilities	-10.6	7.0	17.6	-13.7
Consumer goods	-11.4	10.9	22.3	-10.9

Note: Respondents were given nine sectors and asked to choose one viewed as an appealing investment target and one viewed as unappealing. For each sector we calculated a diffusion index by subtracting the percentage of responses for unappealing from that for appealing. The materials sector comprises mining, textiles, paper & pulp, chemicals, oil, ceramics, steel, nonferrous metals, and trading houses. The financial sector comprises banks, miscellaneous finance, securities, and insurance. The capital goods/other sector comprises construction, machinery, shipbuilding, transportation equipment, miscellaneous manufacturing, and real estate. The transportation and utilities sector comprises railroads & buses, trucking, shipping, airlines, warehousing, electric power, and gas. The consumer goods sector comprises marine products, food, retail, and services.

**Fig. 5: Trend in DIs for selected sectors**



#### (4) Most-watched stocks

Respondents were asked to name one stock that they would like to have in their portfolio, irrespective of short- or long-term investment horizon (including stocks actually held) or that they find appealing. We show the most popular responses below (Figure 6).

Fig. 6: Name a stock with appeal (1,000 valid responses)

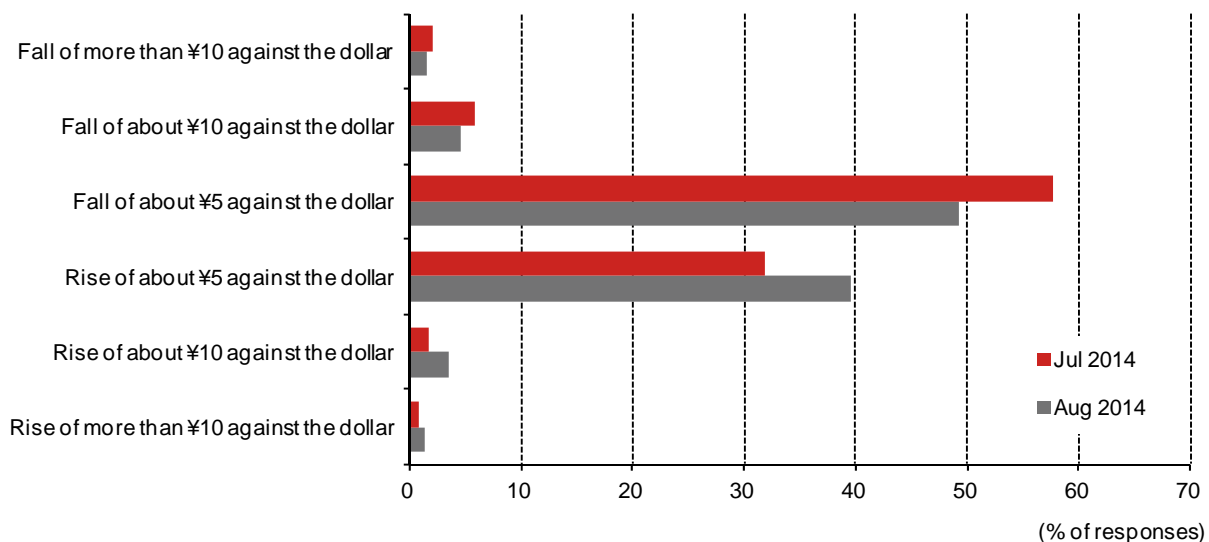
Code	Company	No. of respondents	Code	Company	No. of respondents
7203	Toyota Motor	89	6752	Panasonic	10
9984	Softbank	35	7261	Mazda Motor	10
4661	Oriental Land	24	1801	Taisei	9
4502	Takeda Pharmaceutical	22	7011	Mitsubishi Heavy Industries	9
7267	Honda Motor	20	8031	Mitsui & Co	9
8411	Mizuho Financial Group	18	2121	Mixi	8
8267	Aeon	17	4503	Astellas Pharma	8
9202	ANA Holdings	16	5401	Nippon Steel & Sumitomo Metal	8
8058	Mitsubishi Corp	15	7201	Nissan Motor	8
9437	NTT Docomo	14	9022	Central Japan Railway	8
8306	Mitsubishi UFJ Financial Group	13	4755	Rakuten	7
2811	Kagome	11	6501	Hitachi	7
6301	Komatsu	11			
6758	Sony	11			
7751	Canon	11			
9432	Nippon Telegraph and Telephone	11			

Note: Not included in valid responses were answers of "none" or clearly mistaken responses.

#### (5) Higher proportion of investors expect yen to appreciate against dollar

On the outlook for the USD/JPY rate over the next three months, the combined percentage of respondents expecting the yen to strengthen against the dollar was 44.5%, up a large 10.2ppt from the previous month's total of 34.3%. The response rates for "rise of about ¥5 against the dollar," "rise of about ¥10 against the dollar," and "rise of more than ¥10 against the dollar" all rose m-m, with that for "a rise of about ¥5% against the dollar" marking the largest rise, of 7.8ppt, suggesting that more individual investors expect a modest appreciation in the yen against the dollar. Response rates for all options for yen depreciation declined from the previous month (Figure 7).

Fig. 7: Respondents' three-month outlook for the USD/JPY rate



Note: Respondents were asked to share their outlook for the USD/JPY rate over the next three months, referencing a 4 August 2014 indicative rate of 102.62. They could choose one answer from a possible six responses ranging from a rise of more than ¥10 against the dollar to a fall of more than ¥10 against the dollar, with ¥5 increments in between.

### (6) Japanese yen the most appealing currency

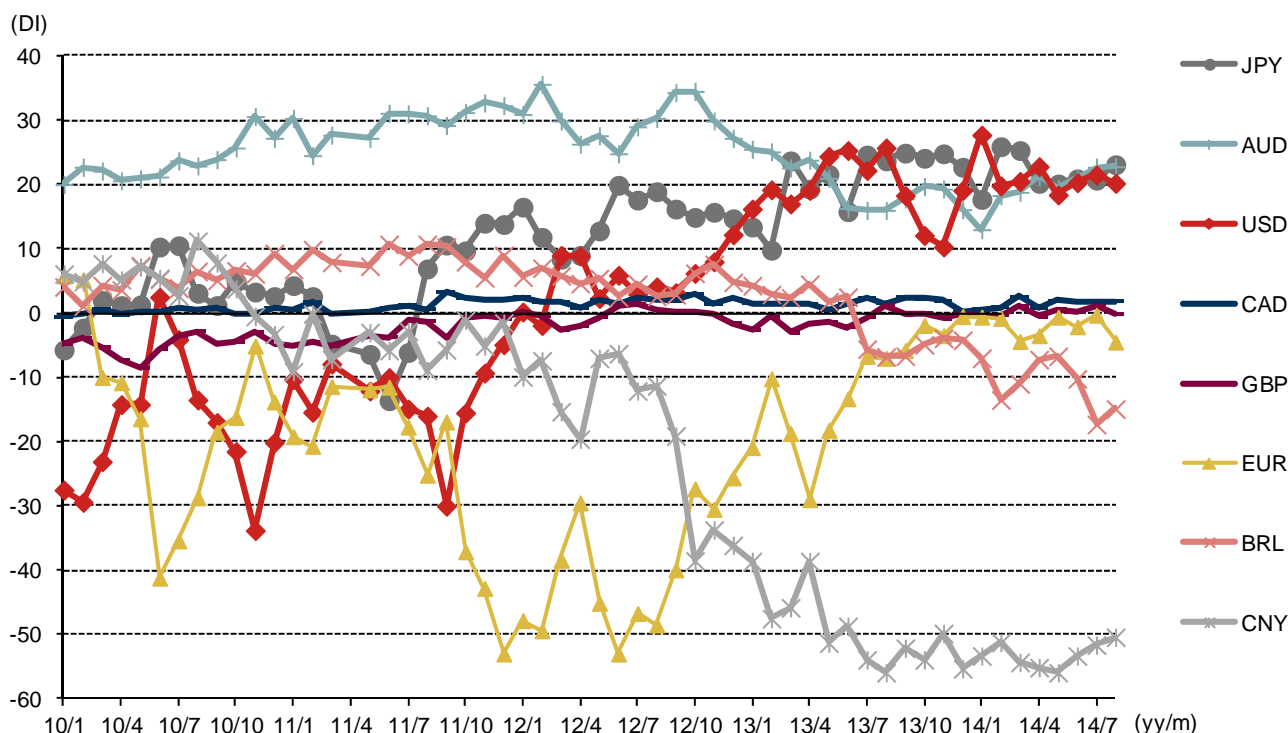
Respondents were asked to choose one currency as an "appealing" investment target and one as "unappealing" over an approximately three-month timeframe. We calculated a diffusion index for each currency by subtracting the percentage of responses for "unappealing" from that for "appealing". The Japanese yen had the highest DI, at 23.1, which was up 2.4pt from the previous month. The Brazilian real's DI remained negative but tied for the largest m-m rise of 2.4pt, matching that for the Japanese yen. In contrast, the euro's DI declined 4.2pt m-m, the largest fall among all the currencies (Figures 8 and 9).

Fig. 8: Investment appeal by currency

Currency	DI	Breakdown of DI (% of responses)		(Ref)
		Appealing	Unappealing	Previous DI
Japanese yen	23.1	30.2	7.1	20.7
Australian dollar	22.8	24.1	1.3	22.7
US dollar	20.2	26.5	6.3	21.5
Canadian dollar	1.8	2.4	0.6	1.6
Pound sterling	-0.2	2.1	2.3	1.1
Euro	-4.5	6.1	10.6	-0.3
Brazilian real	-14.9	5.1	20.0	-17.3
Chinese yuan	-50.4	1.3	51.7	-51.6

Note: Respondents were given nine possible responses, consisting of the above eight currencies and "other," and asked to choose one viewed as an appealing investment target and one viewed as unappealing. Those selecting "other" were asked to specify a currency.

Fig. 9: Trend in DIs for investment appeal of selected currencies



**(7) Japanese equities remain the most appealing financial instrument**

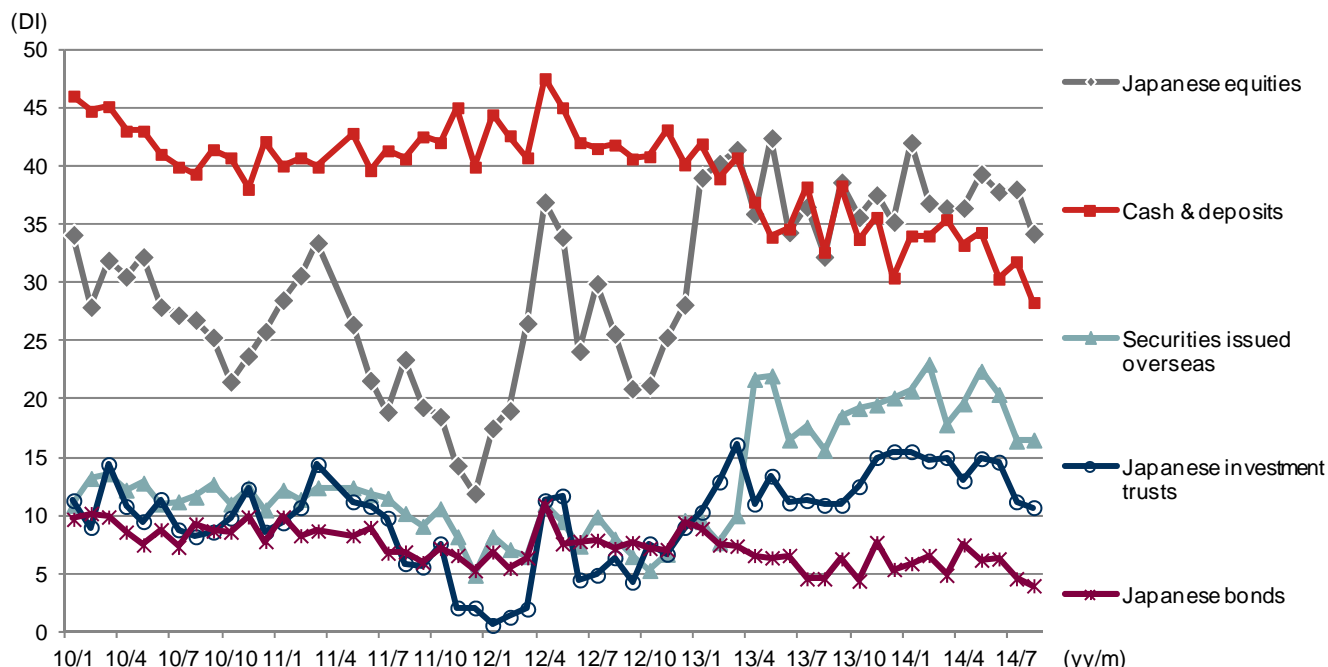
To give an indication of plans for holding financial instruments, we calculate DIs for each financial instrument by subtracting the percentage of respondents planning to cease holding the instrument or decrease their holding from the percentage planning to hold the instrument for the first time or increase their holding. Japanese equities remained the most appealing financial instrument this month, although its DI declined 3.8pt m-m. Foreign investment trusts gained in terms of appeal, with the DI marking the largest m-m rise, of 0.5pt (Figures 10 and 11).

**Fig. 10: Financial instruments for which investors are either seeking to increase or decrease their holdings**

Financial instrument	DI	Breakdown of DI (% of responses)		(Ref) Previous DI
		Plan to increase	Plan to decrease	
Japanese equities	34.2	45.7	11.5	38.0
Cash & deposits	28.3	33.2	4.9	31.8
Japanese investment trusts	10.7	16.7	6.0	11.2
Gold	9.9	10.1	0.2	10.6
Foreign equities	6.5	7.7	1.2	6.8
Foreign investment trusts	6.2	7.5	1.3	5.7
Japanese bonds	4.0	7.4	3.4	4.6
Foreign bonds	3.8	4.6	0.8	3.9
Hybrid securities	1.8	2.1	0.3	1.9
Other	0.4	0.5	0.1	0.7
None	-44.0	32.3	76.3	-48.2

Note: Respondents were given a selection of nine financial instruments and asked to choose those for which they planned to increase their holdings and those for which they planned to decrease their holdings (multiple responses were allowed). In the exhibit, "plan to increase" refers to financial instruments that investors plan to hold for the first time or for which they plan to increase their holding, while "plan to decrease" refers to instruments that investors plan to cease holding or for which they plan to decrease their holding. Hybrid securities and gold were added to the list of choices from the February 2012 survey. From the April 2013 survey, we have divided the former category of "Securities issued overseas" into foreign equities, foreign investment trusts, and foreign bonds.

**Fig. 11: Trend in DIs for financial instruments in which investors are either seeking to increase or decrease their holdings**



Note: "Securities issued overseas" is the total for foreign equities, foreign investment trusts, and foreign bonds.



**(8) More investors expecting rise in prices one year out**

When asked for their outlook for prices of regularly purchased goods and services one year out, 64.8% of respondents said they expected prices to rise (total of responses 5-7 in Figure 12), an increase of 0.4ppt from 64.4% the previous month. The proportion of respondents expecting a "rise of less than 2%" marked the largest increase of all the options, of 3.7ppt m-m. The proportion expecting a "rise of 2% up to 5%" fell 2.1ppt m-m, the largest decline. The proportion of respondents expecting "no change" was little different from the previous month, rising 0.4ppt. Response rates for all options for price declines fell from the previous month (Figure 12).

**Fig. 12: Outlook for prices one year out**

	Choices	% of responses	(Ref) Previous % of responses
1	Fall of 5% or more	3.3	3.5
2	Fall of 2% up to 5%	5.4	5.7
3	Fall of less than 2%	4.1	4.4
4	No change (0%)	22.4	22.0
5	Rise of less than 2%	37.2	33.5
6	Rise of 2% up to 5%	23.3	25.4
7	Rise of 5% or more	4.3	5.5
	Total	100	100

Note: Respondents were asked to select one response to the question: "How do you expect prices of regularly purchased goods and services to differ from current levels one year out?"

### 3. Nomura Individual Investor Survey

With the aim of better understanding investing activity by individuals and providing information on those trends, Nomura Securities conducts a monthly survey—the Nomura Individual Investor Survey. The results of the survey have been published monthly since April 2006.

**Survey method:** Questionnaire conducted electronically using the internet monitor questionnaire service administered by Nomura Investor Relations Co., Ltd.

**Survey target:** Survey sent to 3,000 individual investors randomly selected from the approximately 24,000 with equity investment experience participating in Nomura Investor Relations' internet monitor questionnaire service.

**Number of responses:** 1,000 (survey closed when 1,000 responses received)

**Survey period:** Survey distributed on 4 August with deadline for responses on 5 August.

**Survey content:** Questions included each month are (1) share price outlook, (2) factors expected to impact the stock market, (3) attractive sectors and stocks, (4) USD/JPY rate outlook and attractive currencies, (5) financial instruments for which investors plan to change their holdings, and (6) inflation outlook (since July 2013). Respondents are also asked spot questions each month and queries about their personal profiles.

### 4. Nomura Individual Investor Survey (August 2014) respondents

**Gender:** Male (81.9%), Female (18.1%)

**Age:** Under 30 (0.3%), 30–39 (8.2%), 40–49 (26.5%), 50–59 (29.7%), 60 and above (35.3%)

**Occupation:** Self-employed/fisheries, agriculture, forestry (8.9%), Professional (physician/medical professional, lawyer, etc) (2.6%), Company management/corporate officer (4.0%), Company employee/public servant (48.1%), Student (0.0%), Full-time homemaker (9.4%), Part-time worker/casual worker/job-hopper (5.1%), Unemployed/pensioner (20.2%), Other (1.7%)

**Region:** Kanto (51.0%), Kinki (18.1%), Tokai/Koshinetsu/Hokuriku (14.9%), Hokkaido/Tohoku (5.1%), Chugoku/Shikoku/Kyushu (10.9%)

**Financial assets held:** Less than ¥1,000,000 (7.2%), ¥1,000,000–¥2,999,999 (10.8%), ¥3,000,000–¥4,999,999 (10.5%), ¥5,000,000–¥9,999,999 (17.8%), ¥10,000,000–¥29,999,999 (29.8%), ¥30,000,000–¥49,999,999 (11.3%), ¥50,000,000 or more (12.6%)

**Value of domestic stocks held:** Less than ¥500,000 (11.4%), ¥500,000–¥999,999 (14.1%), ¥1,000,000–¥2,999,999 (22.0%), ¥3,000,000–¥4,999,999 (16.5%), ¥5,000,000–¥9,999,999 (15.2%), ¥10,000,000–¥29,999,999 (15.0%), ¥30,000,000 or more (5.8%)

**Investment experience:** Less than three years (2.7%), three years to less than five years (9.9%), five years to less than 10 years (25.0%), 10 years to less than 20 years (33.4%), 20 years or more (29.0%)

**Investment plan for domestic stocks:** Mainly for long-term holding (45.7%), Pursuit of gains from short-term appreciation (14.8%), Pursuit of dividends and shareholder perks (25.1%), No particular plan (14.4%)

#### Notice

The next Nomura Individual Investor Survey (September 2014) is scheduled for release on Thursday, 11 September 2014.

## Any Authors named on this report are Research Analysts unless otherwise indicated

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The distribution of all ratings published by Nomura Global Equity Research is as follows:

47% have been assigned a Buy rating which, for purposes of mandatory disclosures, are classified as a Buy rating; 41% of companies with this rating are investment banking clients of the Nomura Group\*.

43% have been assigned a Neutral rating which, for purposes of mandatory disclosures, is classified as a Hold rating; 54% of companies with this rating are investment banking clients of the Nomura Group\*.

10% have been assigned a Reduce rating which, for purposes of mandatory disclosures, are classified as a Sell rating; 24% of companies with this rating are investment banking clients of the Nomura Group\*.

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#### Explanation of Nomura's equity research rating system in Europe, Middle East and Africa, US and Latin America, and Japan and Asia ex-Japan from 21 October 2013

The rating system is a relative system, indicating expected performance against a specific benchmark identified for each individual stock, subject to limited management discretion. An analyst's target price is an assessment of the current intrinsic fair value of the stock based on an appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

#### STOCKS

A rating of **'Buy'**, indicates that the analyst expects the stock to outperform the Benchmark over the next 12 months. A rating of **'Neutral'**, indicates that the analyst expects the stock to perform in line with the Benchmark over the next 12 months. A rating of **'Reduce'**, indicates that the analyst expects the stock to underperform the Benchmark over the next 12 months. A rating of **'Suspended'**, indicates that the rating, target price and estimates have been suspended temporarily to comply with applicable regulations and/or firm policies. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies. Benchmarks are as follows: **United States/Europe/Asia ex-Japan**: please see valuation methodologies for explanations of relevant benchmarks for stocks, which can be accessed at: <http://go.nomuranow.com/research/globalresearchportal/pages/disclosures/disclosures.aspx>; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia, unless otherwise stated in the valuation methodology; **Japan**: Russell/Nomura Large Cap.

#### SECTORS

A **'Bullish'** stance, indicates that the analyst expects the sector to outperform the Benchmark during the next 12 months. A **'Neutral'** stance, indicates that the analyst expects the sector to perform in line with the Benchmark during the next 12 months. A **'Bearish'** stance, indicates that the analyst expects the sector to underperform the Benchmark during the next 12 months. Sectors that are labelled as **'Not rated'** or shown as **'N/A'** are not assigned ratings. Benchmarks are as follows: **United States**: S&P 500; **Europe**: Dow Jones STOXX 600; **Global Emerging Markets (ex-Asia)**: MSCI Emerging Markets ex-Asia. **Japan/Asia ex-Japan**: Sector ratings are not assigned.

#### Explanation of Nomura's equity research rating system in Japan and Asia ex-Japan prior to 21 October 2013

##### STOCKS

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Target Price - Current Price) / Current Price, subject to limited management discretion. In most cases, the Target Price will equal the analyst's 12-month intrinsic valuation of the stock, based on an appropriate valuation methodology such as discounted cash flow, multiple analysis, etc. A **'Buy'** recommendation indicates that potential upside is 15% or more. A **'Neutral'** recommendation indicates that potential upside is less than 15% or downside is less than 5%. A **'Reduce'** recommendation indicates that potential downside is 5% or more. A rating of **'Suspended'** indicates that the rating and target price have been suspended temporarily to comply with applicable regulations and/or firm policies in certain circumstances including when Nomura is acting in an advisory capacity in a merger or strategic transaction involving the subject company. Securities and/or companies that are labelled as **'Not rated'** or shown as **'No rating'** are not in regular research coverage of the Nomura entity identified in the top banner. Investors should not expect continuing or additional information from Nomura relating to such securities and/or companies.

## SECTORS

A **'Bullish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation. A **'Neutral'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation. A **'Bearish'** rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

## Target Price

A Target Price, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any target price may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings differ from estimates.

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