Japan Insights | Market Strategy by Nozomi Moriya
Changing Rate Dynamics and Japanese Equities

Nomura Asset Management Co., Ltd. Published November 6, 2026



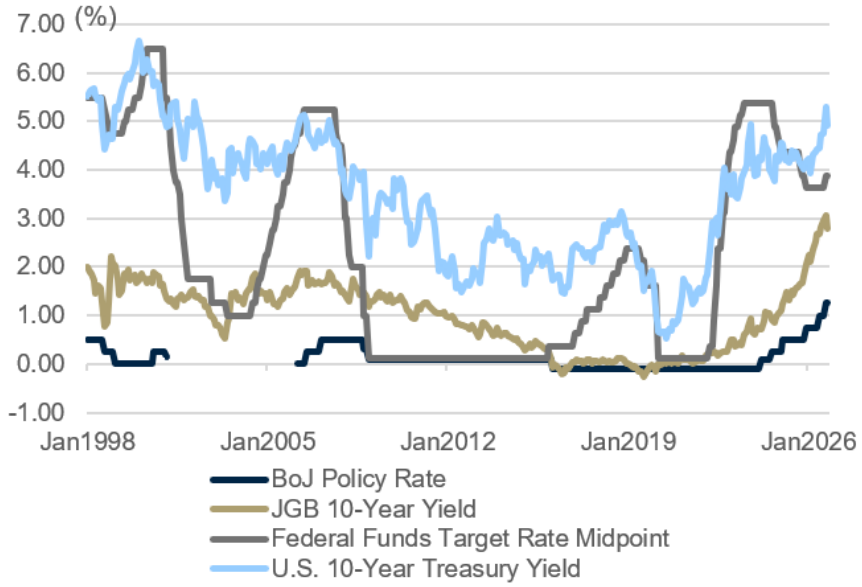
Nozomi Moriya – Chief Strategist (Institutional Clients)

At the end of October, both the Federal Reserve and the Bank of Japan left policy rates unchanged. Markets, however, are already looking ahead to December, with further rate increases being priced in on both sides of the Pacific.

Higher rates are typically a headwind for equities. For Japanese stocks, though, it is important to separate the impact of higher US rates from that of rising rates at home.

US rates — a test for AI and growth

Figure 1. Japan/U.S. Policy and Long-Term Rates



Source: Nomura Asset Management based on Bloomberg. Monthly data, Jan. 1998–Oct. 2026.

Copyright © 2026 Nomura Asset Management
This document is the sole property of Nomura Asset Management. No part of this document may be reproduced in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior written permission of Nomura Asset Management.

In the US, higher rates are testing the resilience of the AI and growth-stock rally.

AI-related investment remains enormous, particularly in data centers and semiconductors. Concerns over CoreWeave's debt burden have already put financing under the spotlight, and Meta's latest results added to the debate over the sheer scale of AI investment and how it will be funded. For now, investors are looking not only at the size of the AI opportunity, but also at how companies finance that investment and how quickly it can translate into cash flow.

Higher rates raise the bar further. With the gap between US equity earnings yields and Treasury yields already narrow, elevated valuations require increasingly strong growth expectations.

There is an old market saying: "When Wall Street sneezes, the world catches a cold." With US AI stocks now carrying an outsized weight in global markets, the phrase feels particularly relevant. A sharp correction in US equities, especially in AI-related names, would inevitably spill over into Japan.

Even so, Japan should not be seen simply as a high-beta extension of US technology stocks. The market offers exposure not only to technology, but also to financials, capital goods, trading companies, services and domestic demand. That breadth, along with the depth and liquidity of the market, remains an important source of resilience.

Japanese rates — returning to a world where rates matter

Rising rates in Japan need to be viewed differently. Here, higher rates are not only a headwind; they also mark a return towards a more normal monetary environment after an exceptionally long period of ultra-low rates.

Over the past three decades, government debt has risen, but corporate balance sheets have strengthened and household financial assets have accumulated. Japanese companies have cut interest-bearing debt, and many now hold substantial net cash positions. With private-sector leverage relatively low, the economy is comparatively well placed to absorb higher rates.

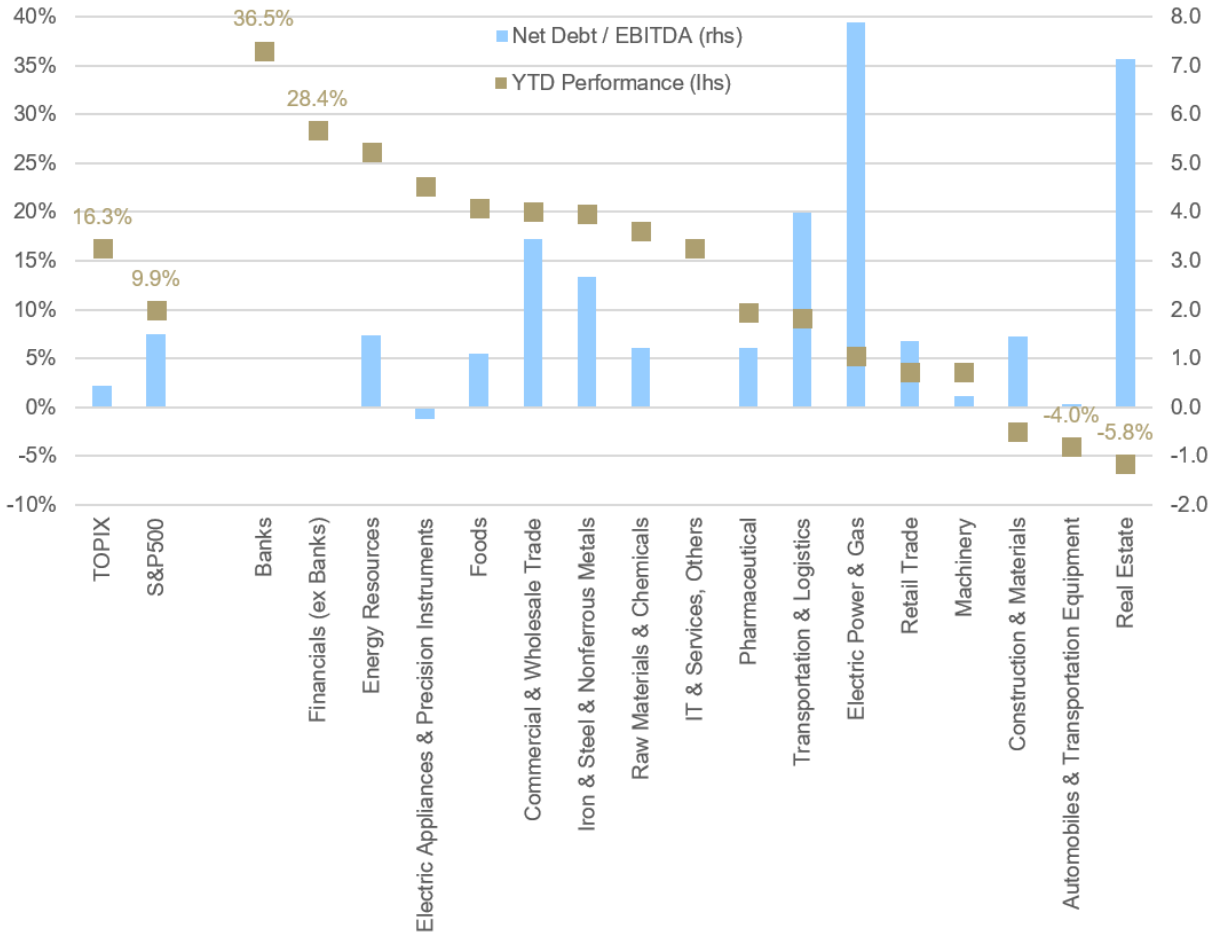
More importantly, a return to a world where interest rates move again could change corporate behaviour. When rates were effectively pinned near zero, the cost of capital was a weak signal. As rates start to function as a meaningful price signal again, companies have greater incentive to scrutinise funding costs, investment returns and the use of excess capital.

That should sharpen choices over whether capital remains tied up in low-return businesses or is redirected towards growth investment, restructuring or shareholder returns. A functioning interest-rate mechanism could therefore encourage greater discipline in capital allocation.

The impact, of course, will not be uniform. Banks and insurers tend to benefit from higher rates, while property companies and highly valued long-duration stocks are more exposed to higher funding costs and discount rates. Much of that divergence, however, is already reflected in market performance. From here, the key question is less which sectors are rate-sensitive than how much has already been priced in.

Copyright © 2026 Nomura Asset Management
This document is the sole property of Nomura Asset Management. No part of this document may be reproduced in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior written permission of Nomura Asset Management.

Figure 2. TOPIX-17 sectors: YTD Performance and Financial Leverage



Source: Nomura Asset Management based on Bloomberg. As of end Oct 2026.

FX — more than an interest-rate differential

Foreign exchange is another part of the equation. Even if the BoJ continues to raise rates, US yields remain high, so the US-Japan rate differential may not narrow quickly. Our house view sees the yen weakening towards around ¥165 per US dollar.

For Japanese equities, both a weaker and a stronger yen can offer support through different channels. Yen weakness is positive for earnings at globally exposed companies, while yen appreciation improves foreign-currency returns for unhedged overseas investors. That matters because foreign investors account for roughly 60% of trading in Japanese equities and remain a major driver of market flows.

What matters most, however, is not the direction of the currency alone but the speed of the move. A rapid yen appreciation, as in August 2024, can trigger position unwinding and a sharp rise in equity-market volatility. A more stable trading range is ultimately more supportive for the market.

Both US and Japanese rates are moving back into focus, but their implications for Japanese equities are very different. In the US, higher rates can spill over into Japan through the funding and valuation of AI and growth stocks. In Japan, the return of a functioning interest-rate environment could instead become a catalyst for changes in corporate behaviour and capital allocation.

Copyright © 2026 Nomura Asset Management
This document is the sole property of Nomura Asset Management. No part of this document may be reproduced in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior written permission of Nomura Asset Management.

In a world where rates matter again, the key is not simply where rates are heading, but how those changes feed through to corporate decisions and market pricing.

Note: This material contains personal views and does not necessarily reflect Nomura Asset Management's house view. This article is not intended as investment solicitation, nor does it constitute a recommendation to buy or sell any specific security or imply any rise or fall in price.

Nozomi Moriya

Chief Strategist (Institutional Clients)

Nomura Asset Management Co., Ltd. ("Nomura AM")

Nozomi Moriya is Chief Strategist for Institutional Clients in Japan and overseas at Nomura AM. She joined the firm in September 2026 after more than two decades at UBS, where she worked as an equity analyst covering the Japanese consumer sector before becoming Japan Equity Strategist in 2023.

Drawing on her extensive experience analyzing Japanese companies and industries, she specializes in analyzing Japan's corporate reforms and connecting bottom-up corporate developments with broader macroeconomic and capital-market trends. She also actively shares her views on Japanese equities with audiences in Japan and abroad, highlighting their global appeal.

She graduated with a B.A. in Economics from the University of Tokyo in 2003.

Index Hedge Clause

The index used as references in material is as follows: (Includes indicators partially used and/or not shown.)

Index values, marks, and trademarks related to the Tokyo Stock Price Index (TOPIX) and Tokyo Stock Exchange REIT Index （TSE REIT Index) are the intellectual property of JPX Market Innovation & Research, Inc. and its affiliates (hereinafter referred to as "JPX"). JPX retains all rights related to the calculation of the index, releases of its values, and its usage, in addition to rights related to all relevant know-how, marks, and trademarks. JPX does not guarantee nor assume any responsibility for errors, delays, or interruptions in the calculation or release of TOPIX and TSE REIT Index values. This product is not offered, guaranteed, or sold by JPX. JPX shall not be liable for any damages arising from the establishment, sale, or promotion activities of these products.

MSCI indexes are the exclusive property of MSCI Inc.. MSCI and MSCI indices are service marks of MSCI or its affiliates. Nomura Asset Management Co., Ltd. has been licensed to use these service marks for certain purposes. Neither MSCI, MSCI affiliates, nor any other party involved in or related to the production or editing of MSCI indexes have made decisions concerning the legality or compatibility of the funds and/or accounts noted herein, nor do they issue, support, recommend, market, manage, or advertise the funds and/or accounts noted herein, nor do they guarantee or assume any responsibility for the funds and/or accounts noted herein.

Disclaimer

This report was prepared by Nomura Asset Management Co., Ltd. for information purposes only. Although this report is based upon sources we believe to be reliable, we do not guarantee its accuracy or completeness. Unless otherwise stated, all statements, figures, graphs and other information included in this report are as of the date of this report and are subject to change without notice. The contents of this report are not intended in any way to indicate or guarantee future investment results. Further, this report is not intended as a solicitation or recommendation with respect to the purchase or sale of any particular investment. This report may not be copied, re-distributed or reproduced in whole or in part without the prior written approval of Nomura Asset Management Co., Ltd.

Trade name: Nomura Asset Management Co., Ltd.

Director of Kanto Local Finance Bureau (Financial Instruments Firms) No.373

Business Category of Financial Instruments Business: Investment Management Business, Investment Advisory and Agency Business, Type II Financial Instruments Business.

Membership: Investment Management Association of Japan/ Type II Financial Instruments Firms Association

Copyright © 2026 Nomura Asset Management
This document is the sole property of Nomura Asset Management. No part of this document may be reproduced in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior written permission of Nomura Asset Management.

Investment Risks and Costs

Costs Associated with Financial Products (Fees and Other Costs)

Customers pay the following expenses.

All information on this report is intended for information purposes only and does not constitute a solicitation of an offer to buy any investment product nor to enter into an investment advisory agreement with Nomura Asset Management to any persons. The following fees and expenses are charged to investors of our investment products. We can only provide a general description of our fee calculation formula here, as fee rates will vary depending on the specific product characteristics or the specific contract with each of our clients.

- As consideration of our investment advisory services, fees equivalent to the sum of the assets under contract multiplied by the agreed-upon percentage fee rate (%) will be charged depending on the length of the contract.

  [Calculation formula] Assets amount under contract x fee rate (%) x length of the contract (days) / 365

- Based on mutual agreement, we may adopt a performance-based fee structure or a combination of a performance-based fee structure and the flat fee structure mentioned above. We are unable to provide detailed calculation nor the maximum fee for a performance-based fee structure as the actual advisory fee vary depending on the investment performance of the relevant strategy, and the agreed terms with each client. Performance-based fee structures will be negotiated individually between client and Nomura Asset Management.

- Separate from the investment advisory fees, securities trading consignment fees and expenses related to the custody of securities will also be deducted from the contracted assets. It is not possible to specify the rate or maximum amount in advance as such fees would vary depending on the status of the investment.

- Nomura Asset Management may, based on its discretionary investment decisions, purchase investment trust products to be included in a portfolio under a discretionary investment contract. In such cases, expenses such as investment trust management fees, sales company and management company fees, and fees charged when converting investment trusts to cash would incur. If such cases investment trust products are issued by our own company or one of our group companies, the investment advisory fees may be adjusted to avoid double payment of management fees. The adjustment calculation methods are specified in each contract. Total investment advisory fees paid by the client shall amount to investment advisory fees less the investment management fees associated with the purchased investment trust products.

Investment Risks Associated with Financial Products

The financial instrument transactions conducted on behalf of the client shall include investments made in shares, bonds with new share warrants, bonds issued by public corporations, and other instruments (including cases where investments are made via investment trusts and through Limited Partnerships). Consequently, the prices of shares and other investments may decline as a result of the effects of domestic and overseas economic variables and political circumstances, fluctuations in interest rates, and changes in the performance and financial standing of the issuing entities, resulting in investment losses.

Financial products may also make use of derivative transactions. Such transactions utilize leverage in excess of the margin amount, and if prices change as a result of the fluctuations in the securities and indexes that serve as the underlying assets, it is possible that losses in excess of the amount of the margin deposited will be incurred. Also, the leverage rates vary continuously as a result of changes in investment policies and domestic and overseas market environments, and consequently they cannot be specified in advance. During the terms of derivative transactions, Nomura Asset Management shall deposit margins taken from the contract assets in amounts that it determines to be suitable based on calculations performed by the securities companies with which the orders are placed.

Copyright © 2026 Nomura Asset Management
This document is the sole property of Nomura Asset Management. No part of this document may be reproduced in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior written permission of Nomura Asset Management.

Important Information (based on Japan Financial Instruments Exchange Act)

Risks Associated with Investment Trusts

Investment trusts primarily invest in securities whose prices fluctuate, such as domestic and international equities and public and corporate bonds. As the principal amount invested is not guaranteed, the price per investment unit may fluctuate due to changes in the market prices of the underlying assets, foreign exchange rates, and other factors. Consequently, the value of an investment may fall below the amount originally invested, resulting in a loss.
Investment trusts are different from bank deposits and savings. In addition, the nature and characteristics of the risks involved vary among investment trusts because the types of underlying assets, investment restrictions, trading markets, and countries in which they invest differ from one investment trust to another. Before investing, please carefully read the Investment Trust Prospectus (Prospectus for Delivery) and the Pre-Contractual Disclosure Document.

Fees and Expenses Associated with Investment Trusts November, 2026

Sales Charge at Purchase **Up to 3.85% (including tax)**	The fee is borne by investors when they apply to purchase an investment trust. The distributor receives this fee as compensation for expenses related to the sale of the investment trust. Please confirm the applicable fee rate and other details with the distributor of the investment trust. Depending on the investment trust, a "redemption fee" or other fee may also be charged when the investment is redeemed (including upon maturity).
Management Fee (Trust Fee) **Up to 2.222% (including tax)**	This fee is charged for the period during which an investor holds the investment trust. The investment trust management company receives its portion as compensation for managing the fund; the trustee receives its portion for the safekeeping and administration of the trust's assets: and the distributor receives its portion for administrative services related to the payment of distributions and redemption proceeds, as well as for mailing investment reports. • For some funds, an additional performance-based fee may be charged depending on investment performance. • In the case of a fund of funds, except for certain funds, trust fees and other expenses for the investment trust securities in which the fund invests are charged separately.
Trust Asset Retention Amount (retention charge) **Up to 0.5%**	Investors bear this charge when redeeming their holdings in an investment trust or in similar circumstances. It is intended to ensure that investors themselves bear the costs incurred within the trust assets as a result of their redemptions or similar transactions.
Other Fees and Expenses	In addition to the fees and expenses described above, investors may be required to bear other costs depending on the holding period and other factors, including brokerage commissions incurred in trading portfolio securities and other assets, taxes imposed on the fund, audit fees, and various expenses associated with the safekeeping and administration of assets overseas. As these fees and expenses may vary depending on the fund's investment performance and other factors, their rates, maximum amounts, and other details cannot be specified in advance.

The total amount of the fees and expenses described above varies depending on the period during which investors hold the fund and other factors; therefore, it cannot be stated in advance.

Important Notice:

The risks and expense items described above are based on a general investment trust. The expense ratios shown represent the highest rates applicable to each respective expense borne by investors among all publicly offered investment trusts managed by Nomura Asset Management.
The risks and expenses associated with investment trusts vary depending on the individual investment trust. Before investing, please carefully read the Investment Trust Prospectus (Prospectus for Delivery) and the Pre-Contractual Disclosure Document.
Before applying to invest in an investment trust, investors should be sure to review the content of the Investment Trust Prospectus (Prospectus for Delivery) provided by the distributor and make their own investment decision.

Copyright © 2026 Nomura Asset Management
This document is the sole property of Nomura Asset Management. No part of this document may be reproduced in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without the prior written permission of Nomura Asset Management.