

Strategist View:

Supply and Demand Dynamics of Japanese Equity Market

Nomura Asset Management Co., Ltd. Published November 19, 2025

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The supply-demand environment for Japanese stocks appears favorable

The TOPIX, which reflects overall market movements, hit a new high for the second consecutive day on the 13th, indicating a continued environment characterized by strong expectations for further gains. Rising expectations of escaping deflation, progress in corporate reforms, and hopes for policy support from the Takaichi administration are believed to be driving stock prices higher, but another point worth noting is the favorable supply-demand environment. Supply and demand are key factors that influence stock prices and are likely to attract significant investor interest.

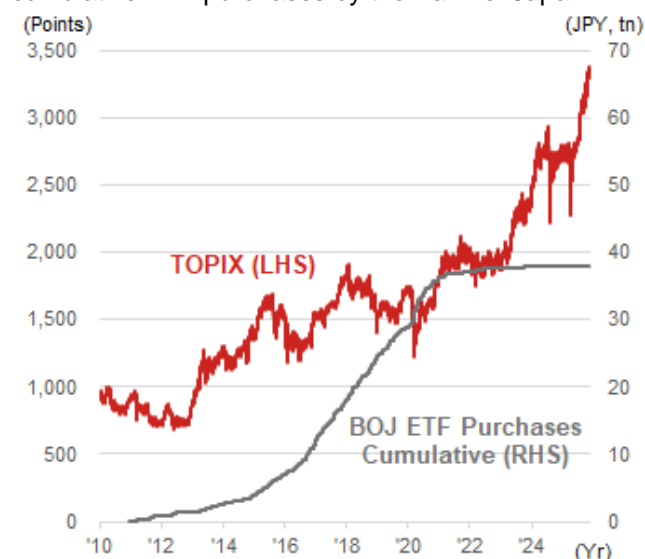
A primary factor in Japan's supply-demand environment is the Bank of Japan's continued holdings of ETFs. The BOJ began purchasing ETFs in December 2010, and its cumulative purchases have exceeded ¥37 trillion on an acquisition-cost basis (Fig. 1). By absorbing a large volume of shares from the market over many years, the BOJ has effectively supported Japanese stocks from a supply-demand standpoint.

Support from business corporations and foreign investors

The strengthening of buying by business corporations and foreign investors is also acting as a tailwind. Since the 2023 Tokyo Stock Exchange reform request, awareness of corporate reform has increased, and share buybacks have been on the rise. Looking from 2012 onward, combined net purchases by the Bank of Japan and business corporations have exceeded ¥80 trillion. Foreign investors are also paying attention to structural changes in the Japanese economy and progress in corporate reforms, strengthening their renewed interest in Japanese equities. In October, net purchases amounted to about ¥3.4 trillion, the largest monthly net inflow on record, contributing to an improvement in the supply-demand environment for Japanese stocks (Fig. 2).

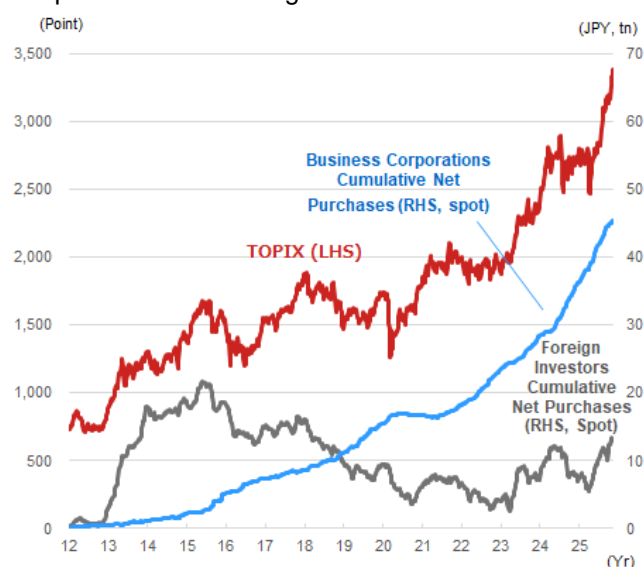
Alongside rising expectations of escaping deflation, Japanese companies are expected to continue expanding earnings. With both fundamentals and supply-demand dynamics in favorable condition, the outlook for Japanese equities has become brighter. From a medium- to long-term perspective, Japanese stocks may be an attractive investment option.

Fig. 1. TOPIX (Tokyo Stock Price Index) and cumulative ETF purchases by the Bank of Japan



Period: TOPIX: 4 January 2010 – 13 November 2025 (daily)
Bank of Japan cumulative ETF purchases: 15 December 2010 – 13 November 2025 (daily) Source: Prepared by Nomura Asset Management based on Bloomberg data.

Fig. 2. Cumulative Net Purchases by Business Corporations and Foreign Investors and TOPIX



Period: TOPIX: 6 January 2012 – 13 November 2025 (weekly)
Other series: Week 1 of January 2012 – Week 1 of November 2025 (weekly)
Note: Cumulative net purchases are indexed to the first week of January 2012. Source: Prepared by Nomura Asset Management based on Bloomberg data.

The commentary is based on personal views and does not necessarily reflect the house view.

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