

APOLLO

# Outlook for Japan

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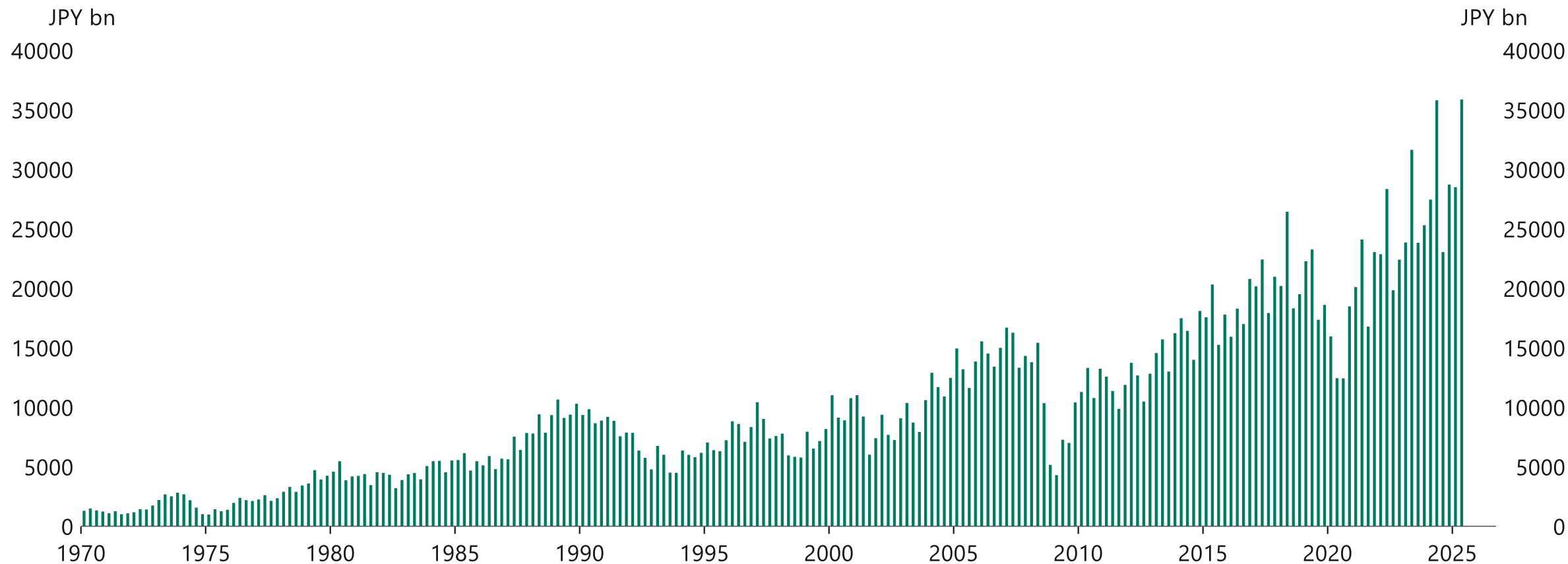
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Macro

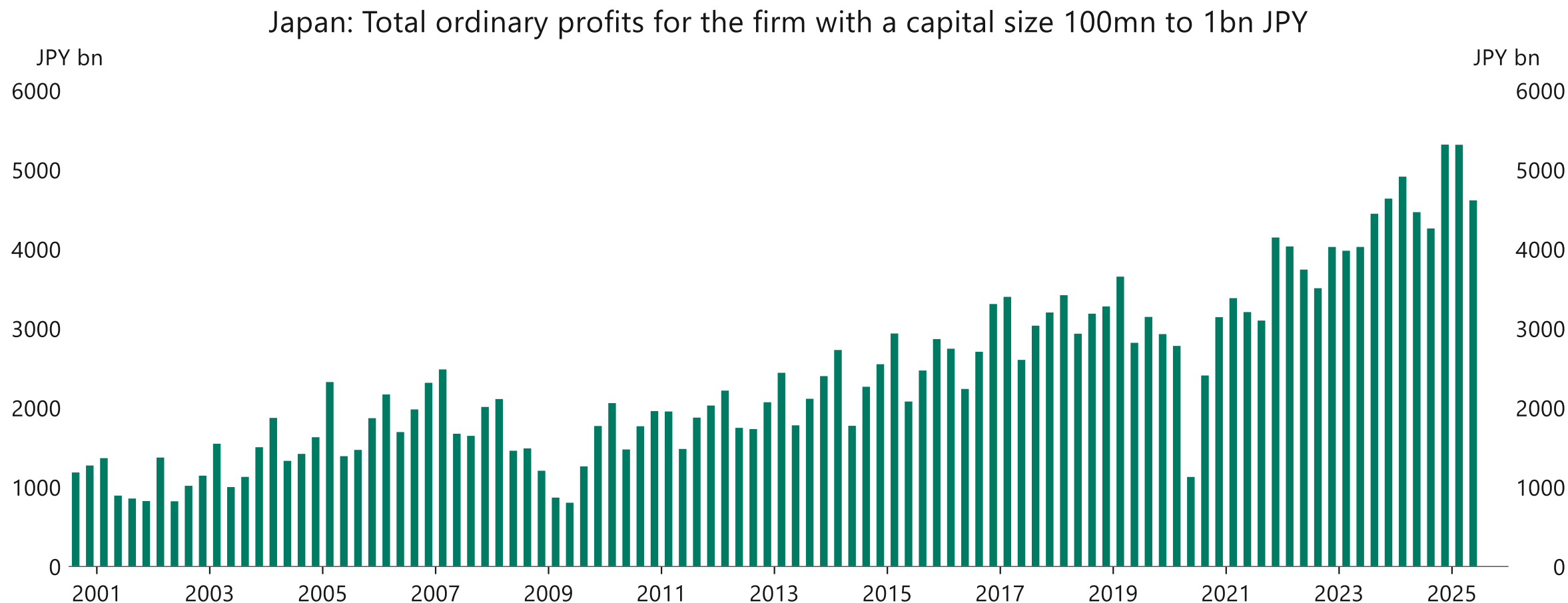
# Japan: Corporate profits for all industries are rising

## Japan: Total ordinary profits for all non-financial industries

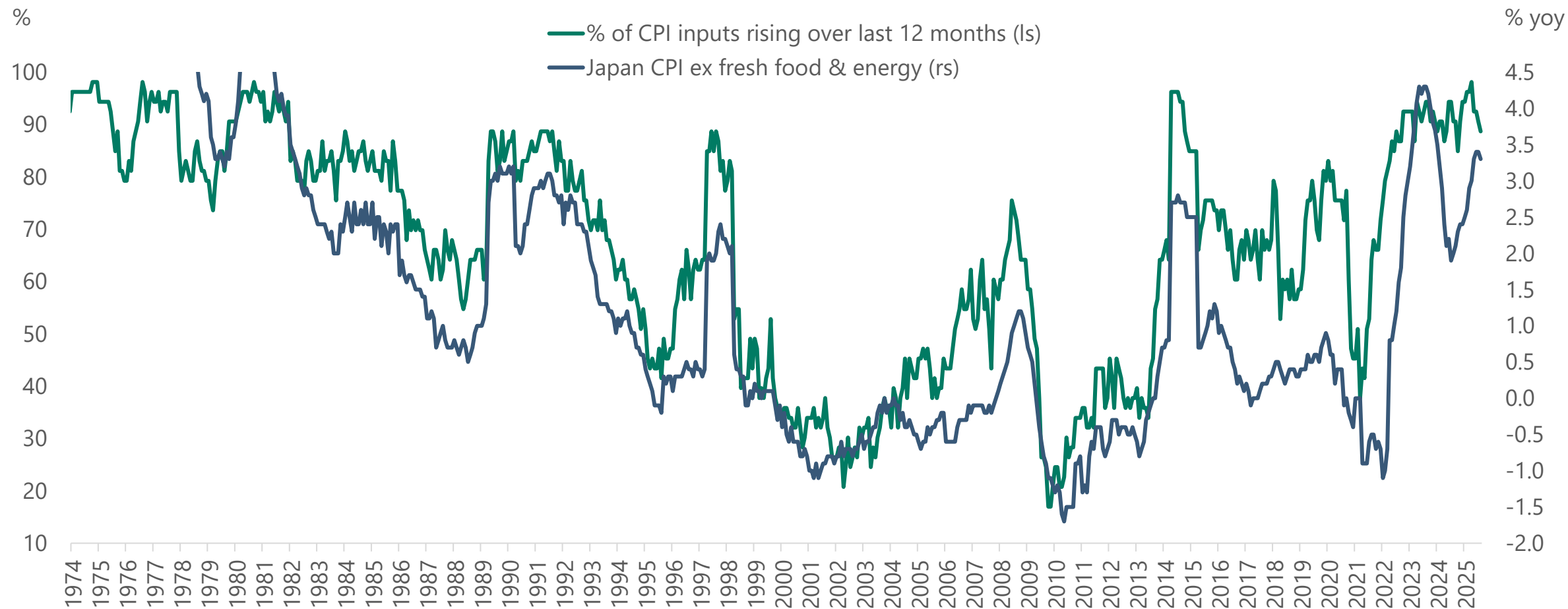


Source: Ministry of Finance Japan, Bloomberg, Macrobond, Apollo Chief Economist

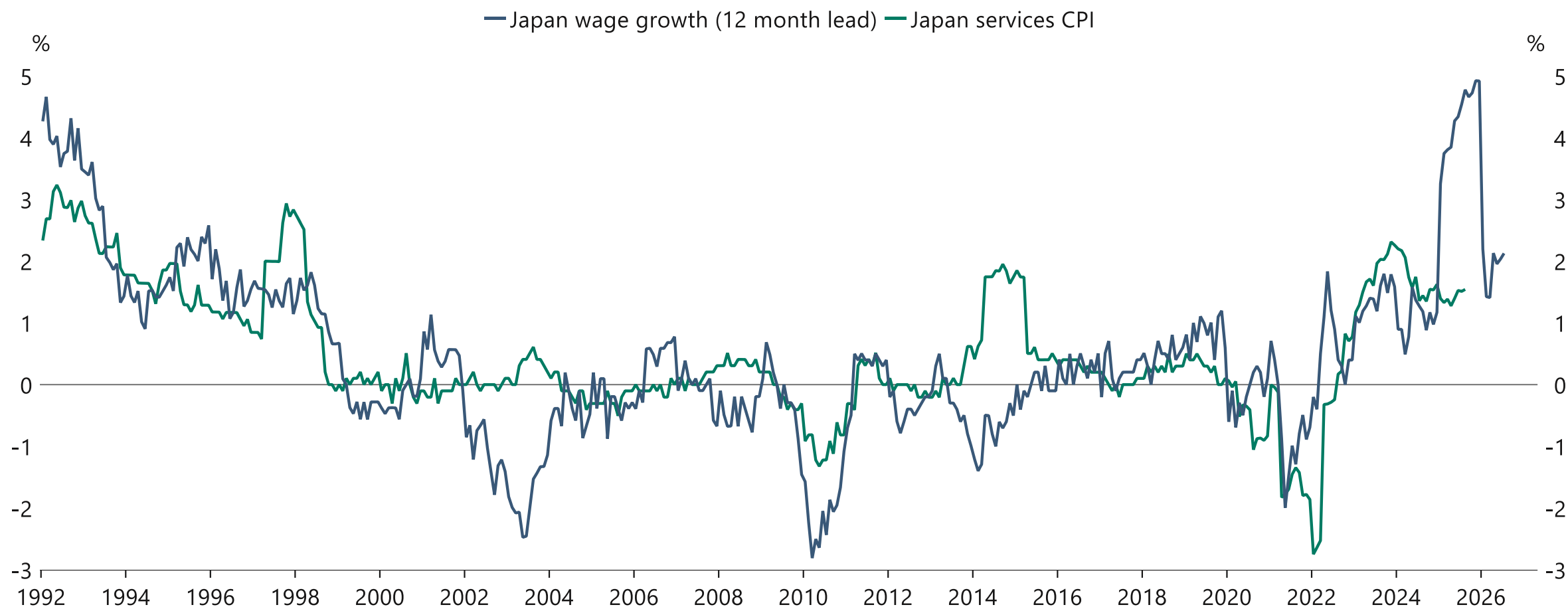
# Japan: Medium size corporate profits rising



# Japanese inflation still high

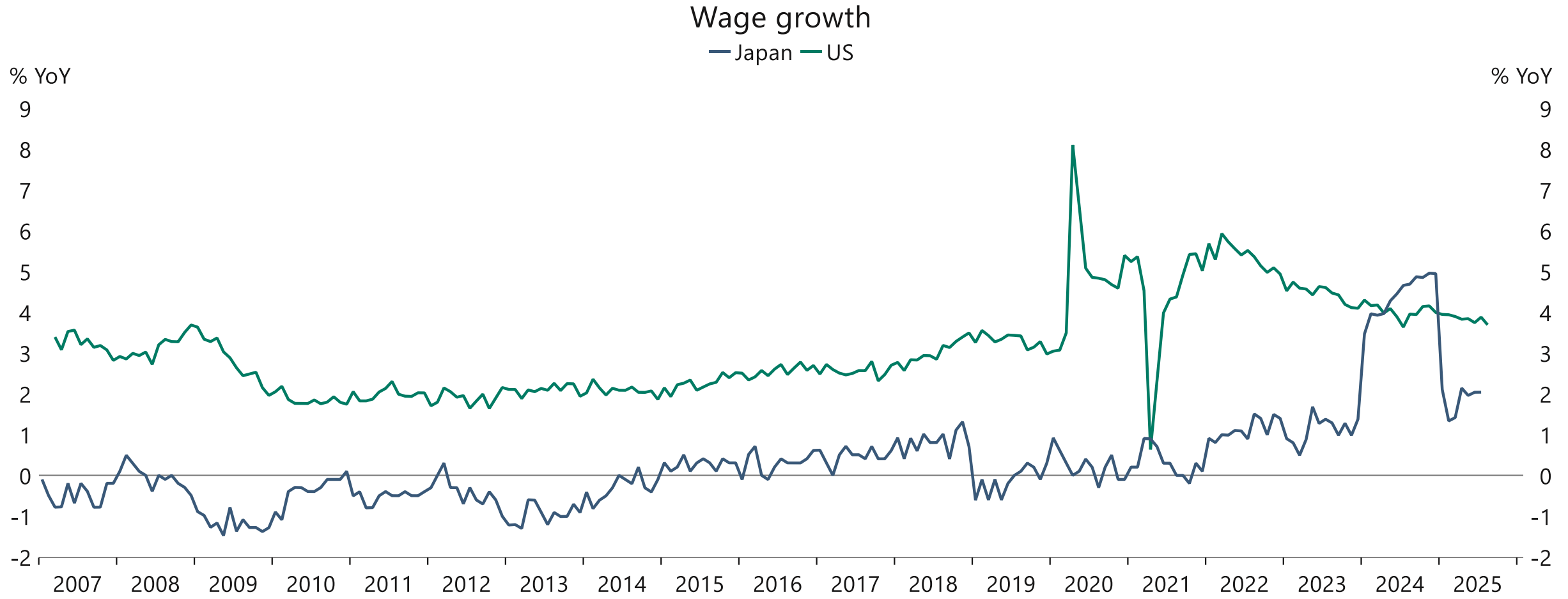


# Japan: Continued strength in services inflation



Source: Japanese Statistics Bureau, Ministry of Internal Affairs & Communications, Japanese Ministry of Health, Labour & Welfare, Macrobond, Apollo Chief Economist

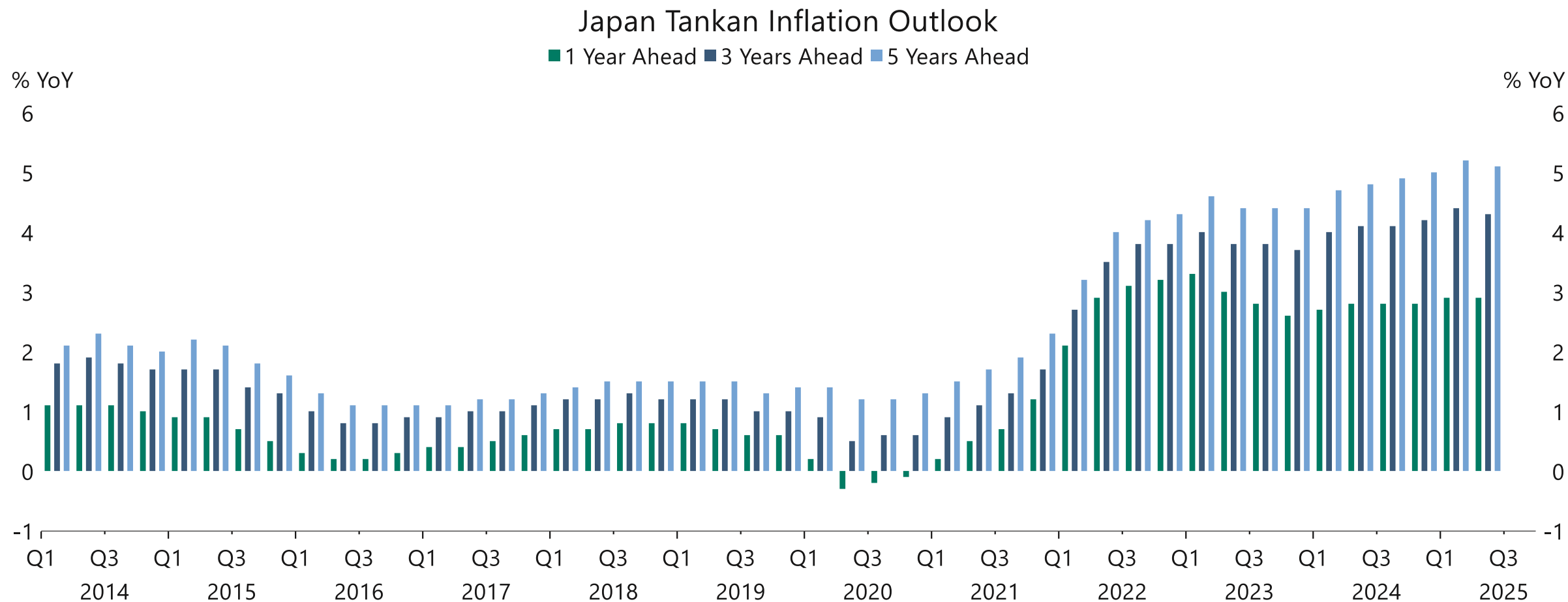
# Wage growth in Japan has been trending higher in recent years



Source: U.S. Bureau of Labor Statistics (BLS), Japanese Ministry of Health, Labour & Welfare, Macrobond, Apollo Chief Economist

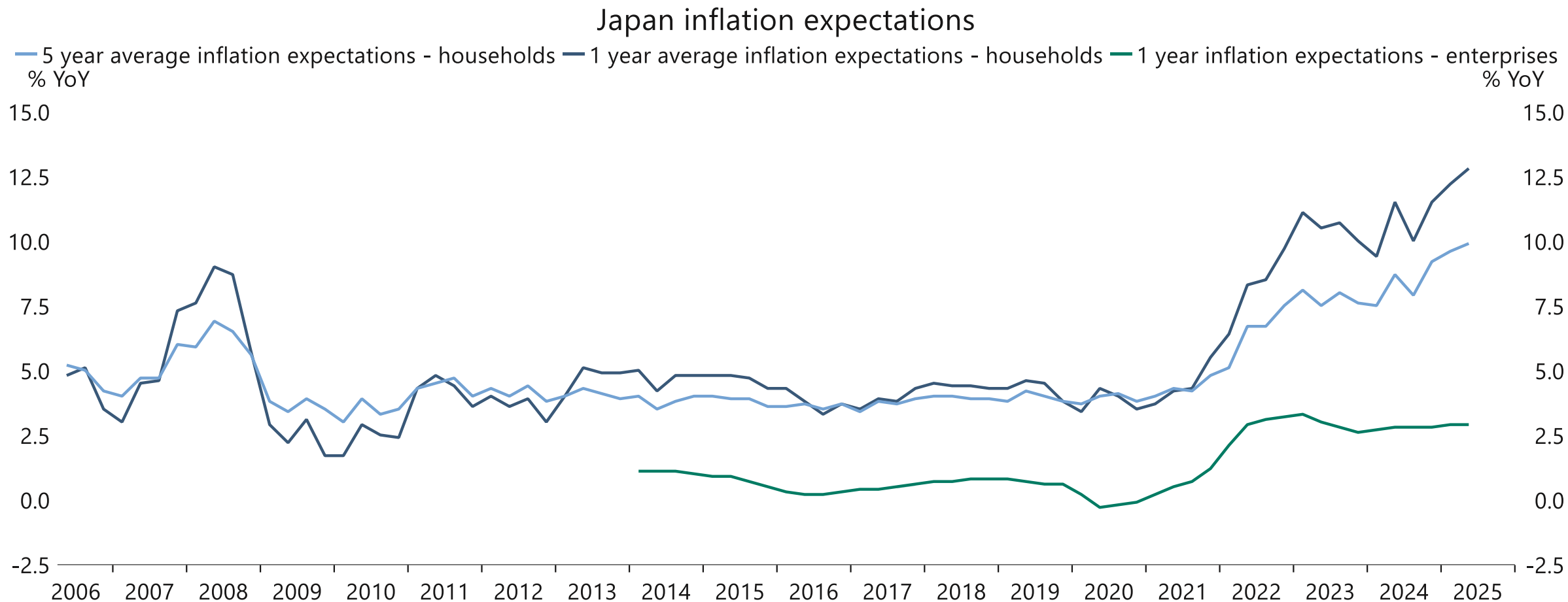


# Japan: Inflation expectations rising



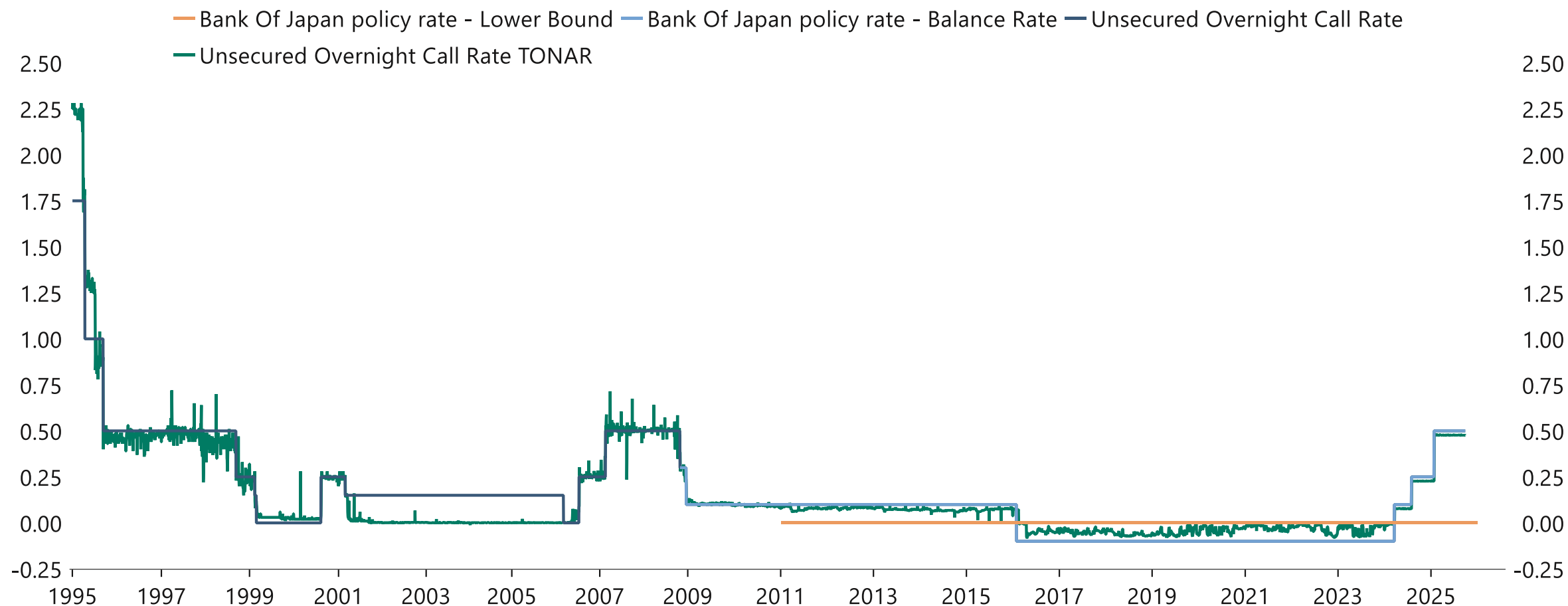
Source: Bank of Japan (BOJ), Macrobond, Apollo Chief Economist

# Japanese inflation expectations elevated and sticky

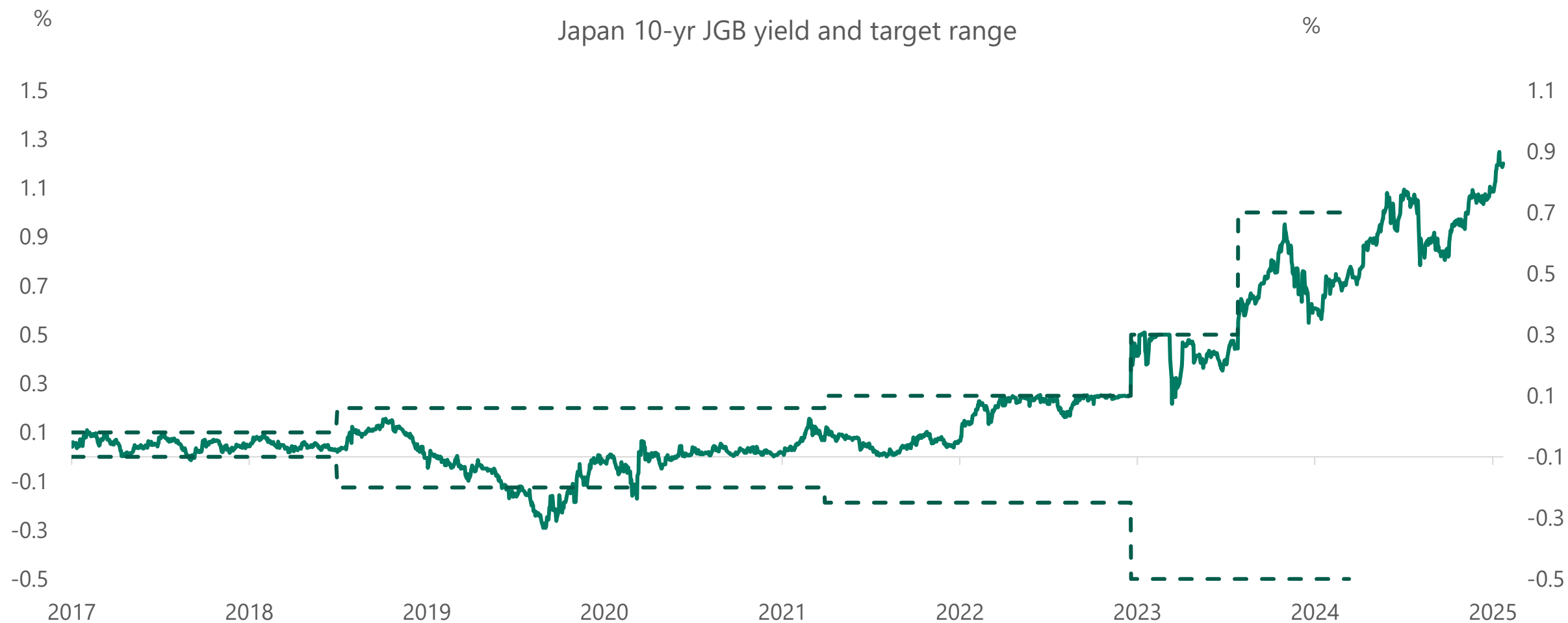


Source: Bank of Japan (BOJ), Bloomberg, Macrobond, Apollo Chief Economist

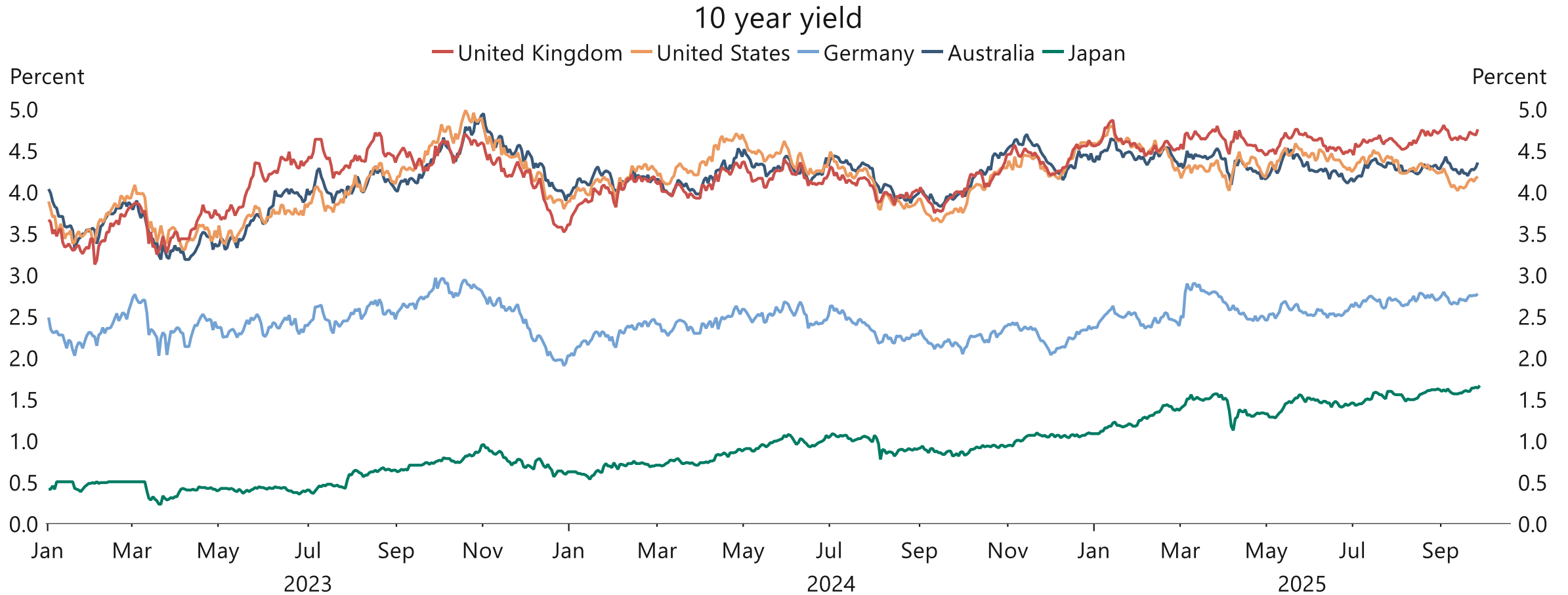
# Yield levels becoming more attractive in Japan



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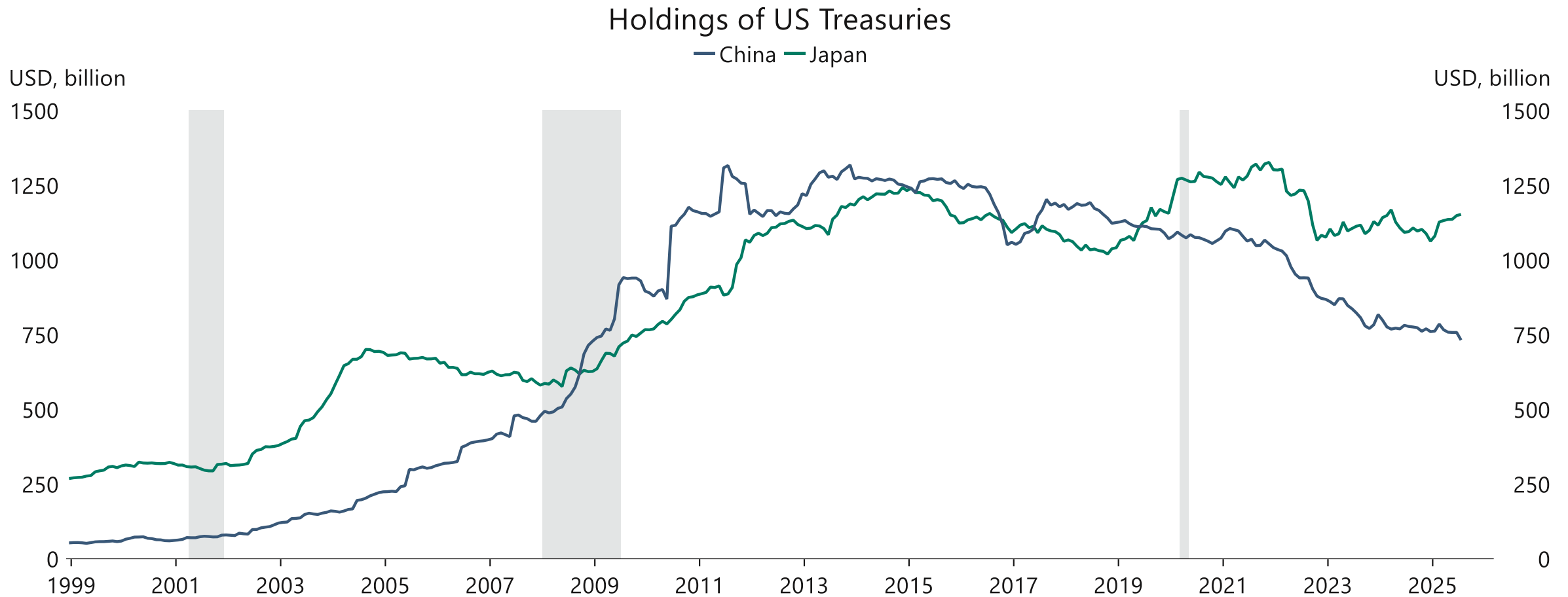
# Long-term interest rising in Japan. But still low relative to the rest of the world



Source: Macrobond Financial AB, U.S. Department of Treasury, Macrobond, Apollo Chief Economist

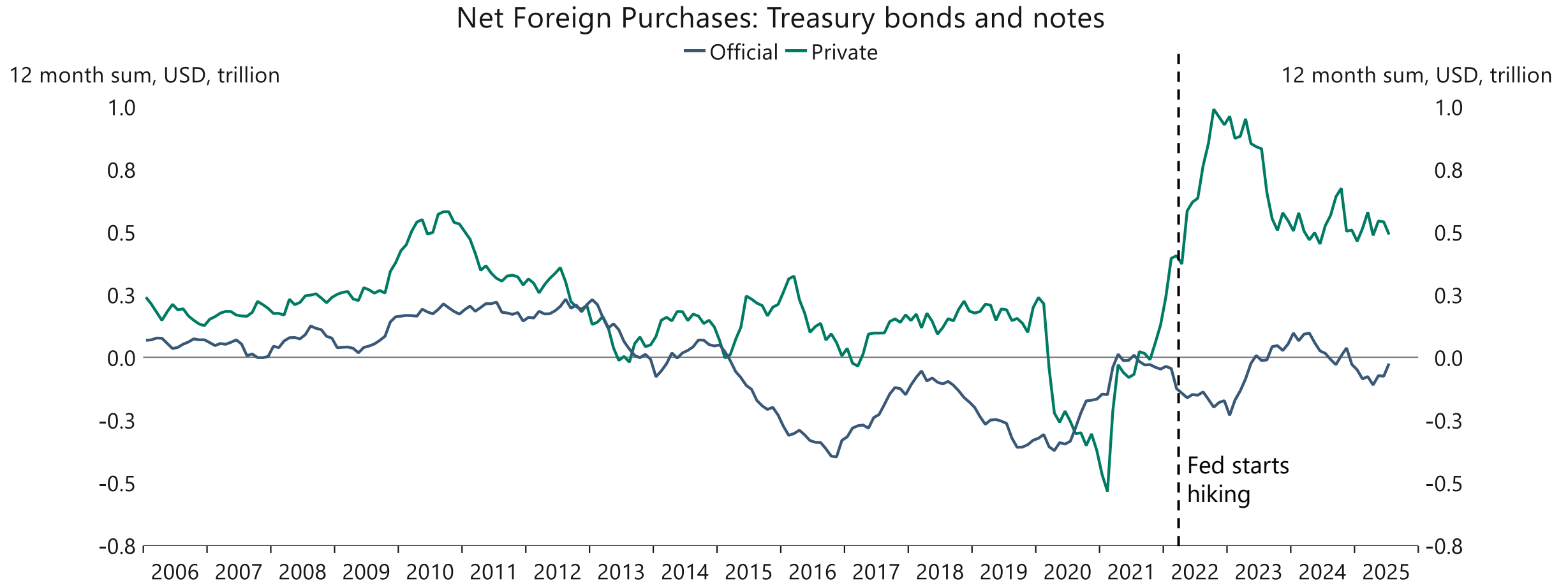
# Japanese demand for US Treasuries

Japanese holdings of US Treasuries has been constant at around \$1.2trn for the past decade



Source: U.S. Department of Treasury, Macrobond, Apollo Chief Economist

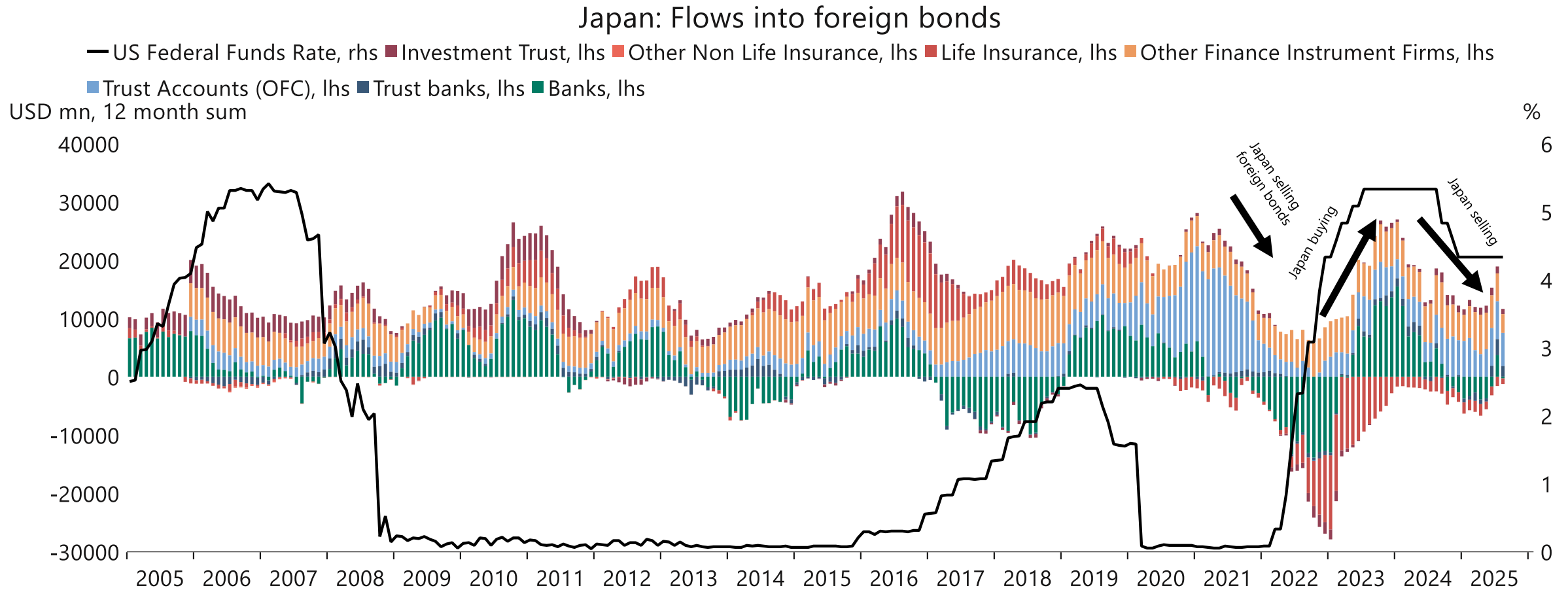
# Foreign purchases of Treasuries come mainly from the private sector



Source: U.S. Department of Treasury, Macrobond, Apollo Chief Economist

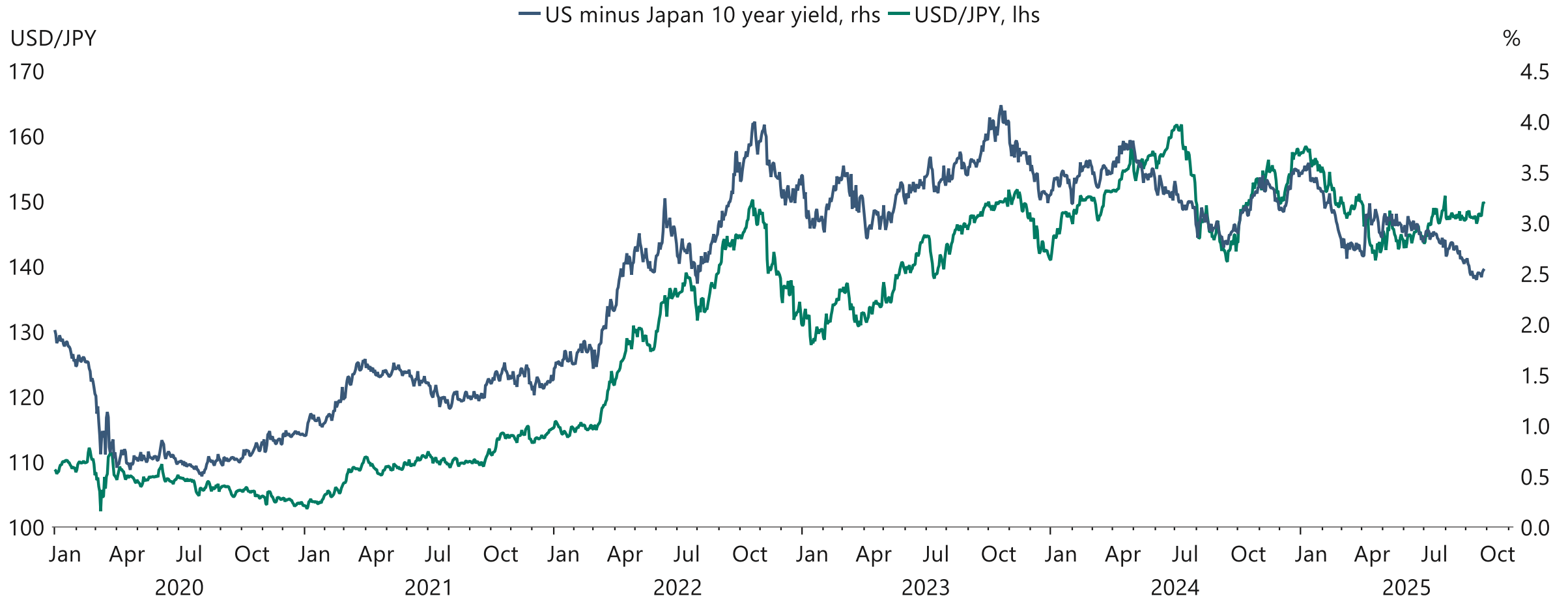


# Japan: Net flows into foreign bonds are sensitive to interest rates



Source: Bloomberg, Macrobond, Apollo Chief Economist

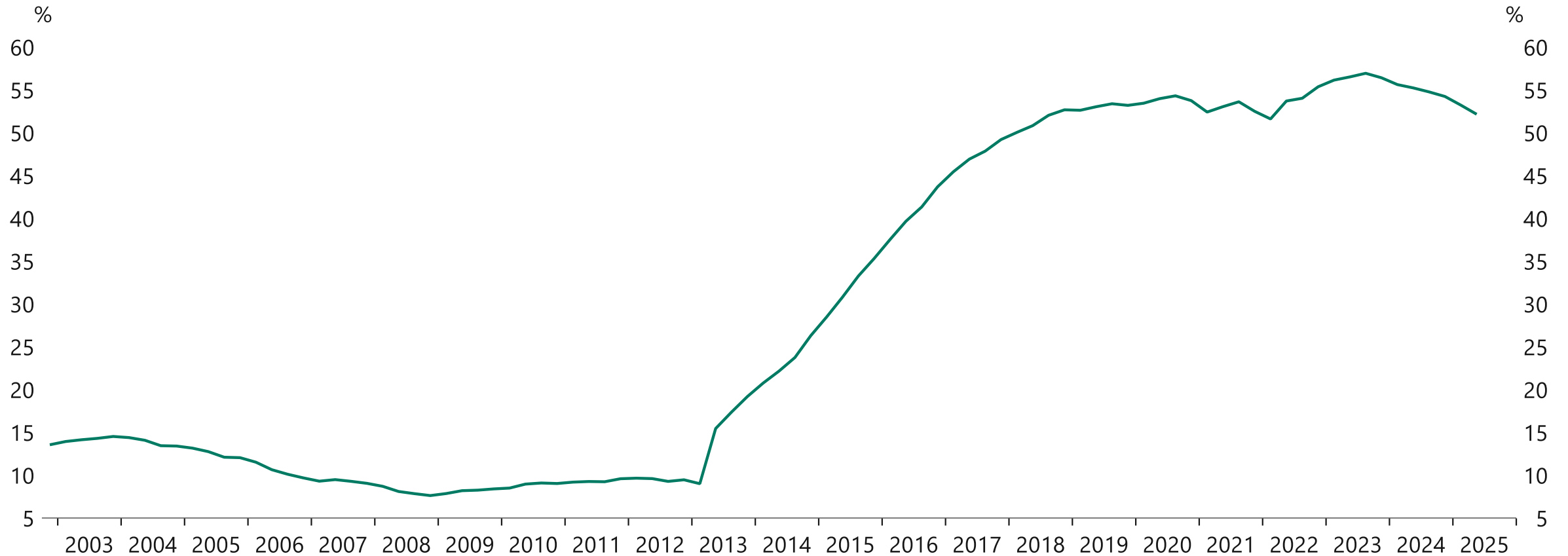
# When US 10-year interest rates move up the yen depreciates relative to the dollar



Source: Bloomberg, Macrobond, Apollo Chief Economist

# The BoJ owns 53% of Japanese government bonds outstanding

Share of JGBs outstanding held by the BoJ

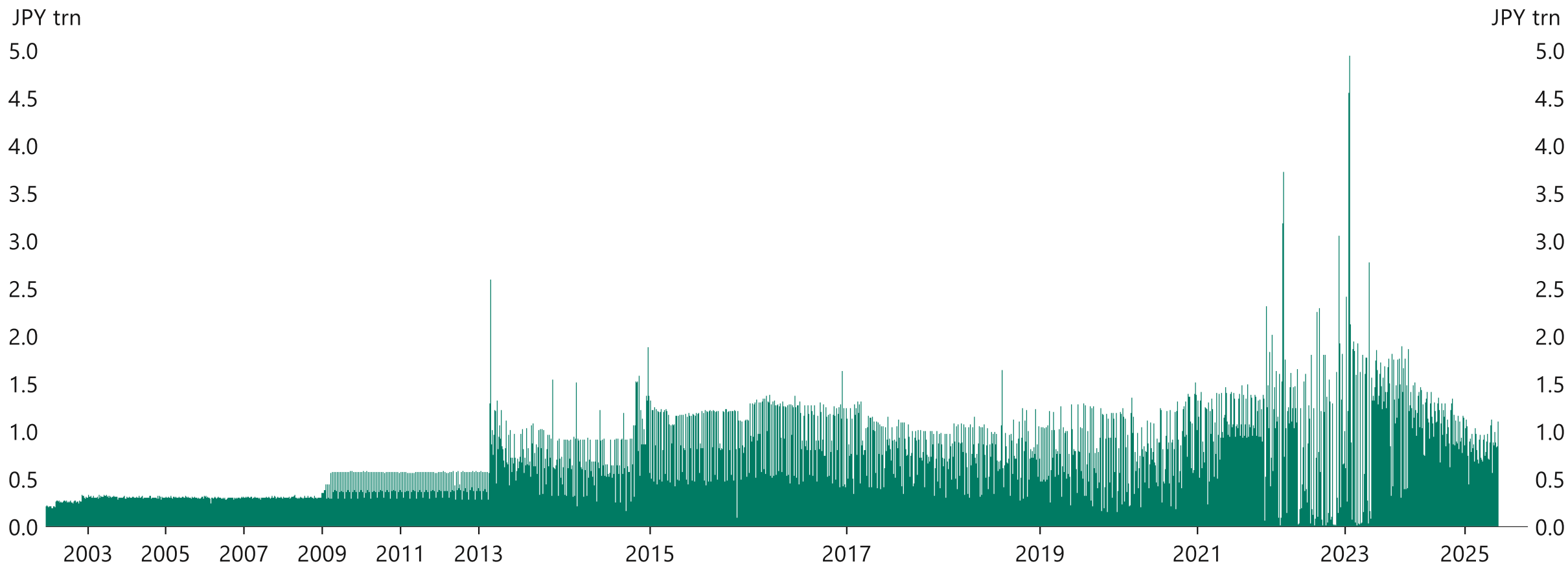


Source: BoJ, Bloomberg, Macrobond, Apollo Chief Economist

# BoJ JGB purchases and holdings

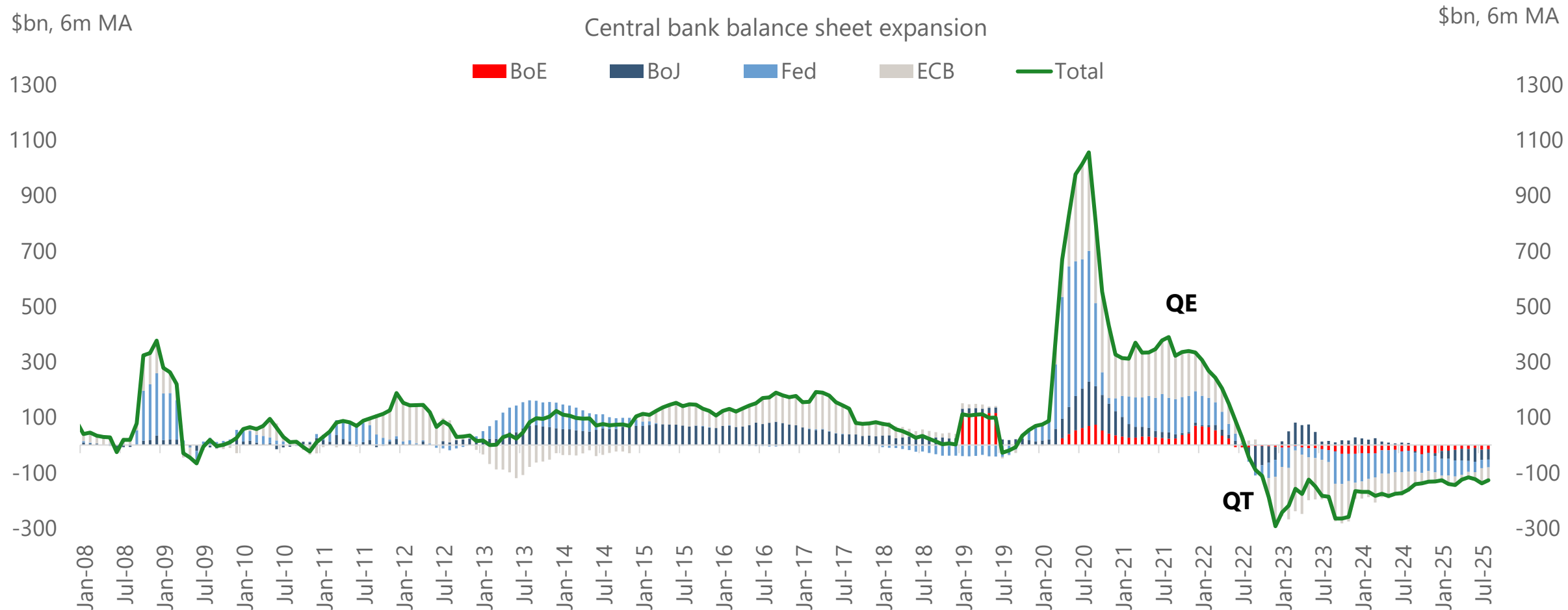
# BoJ: Steady buying of JGBs for more than a decade

Bank of Japan daily government bond purchases

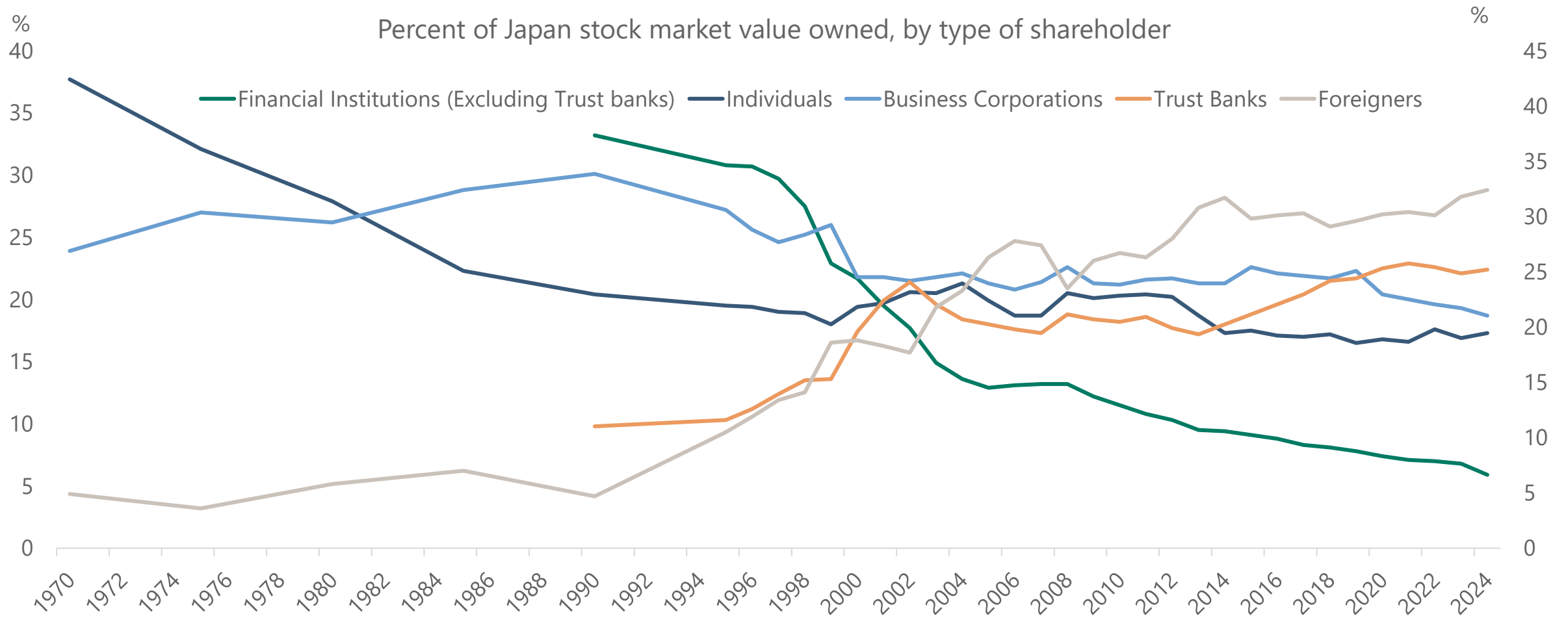


Source: Bloomberg, Macrobond, Apollo Chief Economist

# G4 central bank balance sheets



# Foreign holdings of Japanese stocks rising

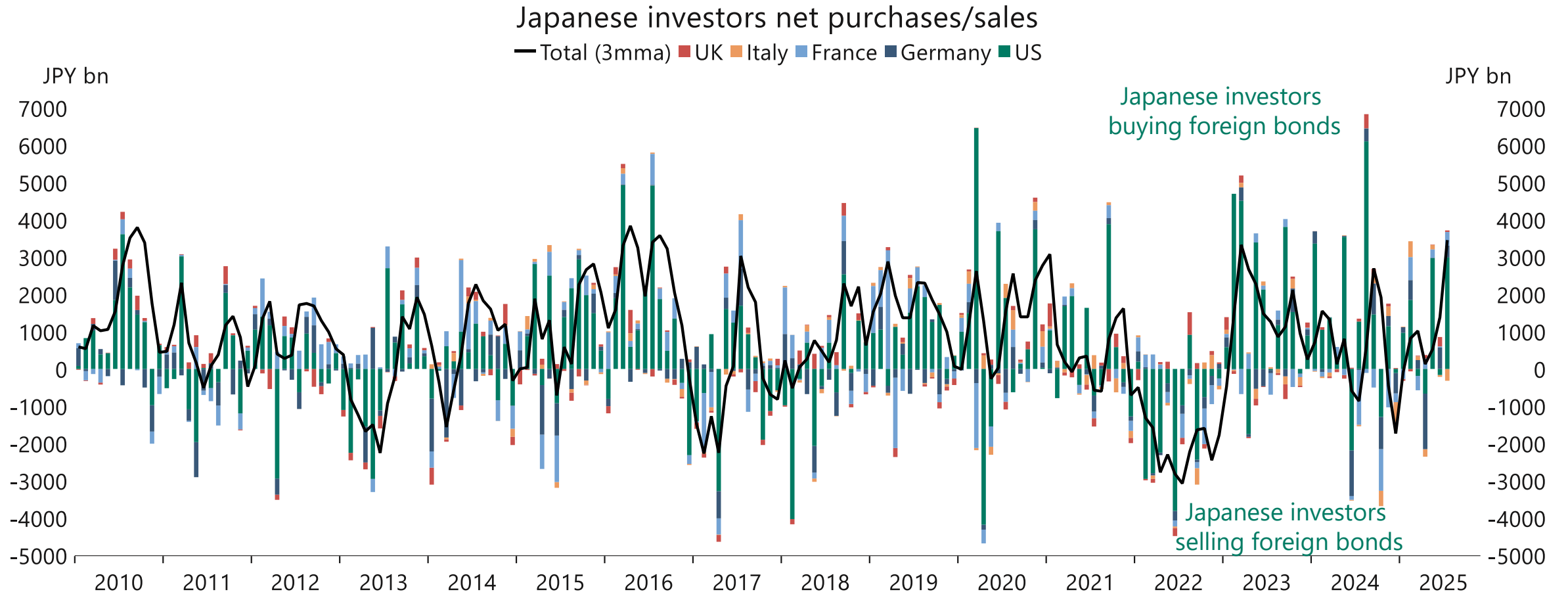


Source: Tokyo Stock Shareownership Survey, Apollo Chief Economist. Note: The number of Trust Banks are included in that of City & Regional Banks in and before 1985 Survey.

# Bond flows in and out of Japan

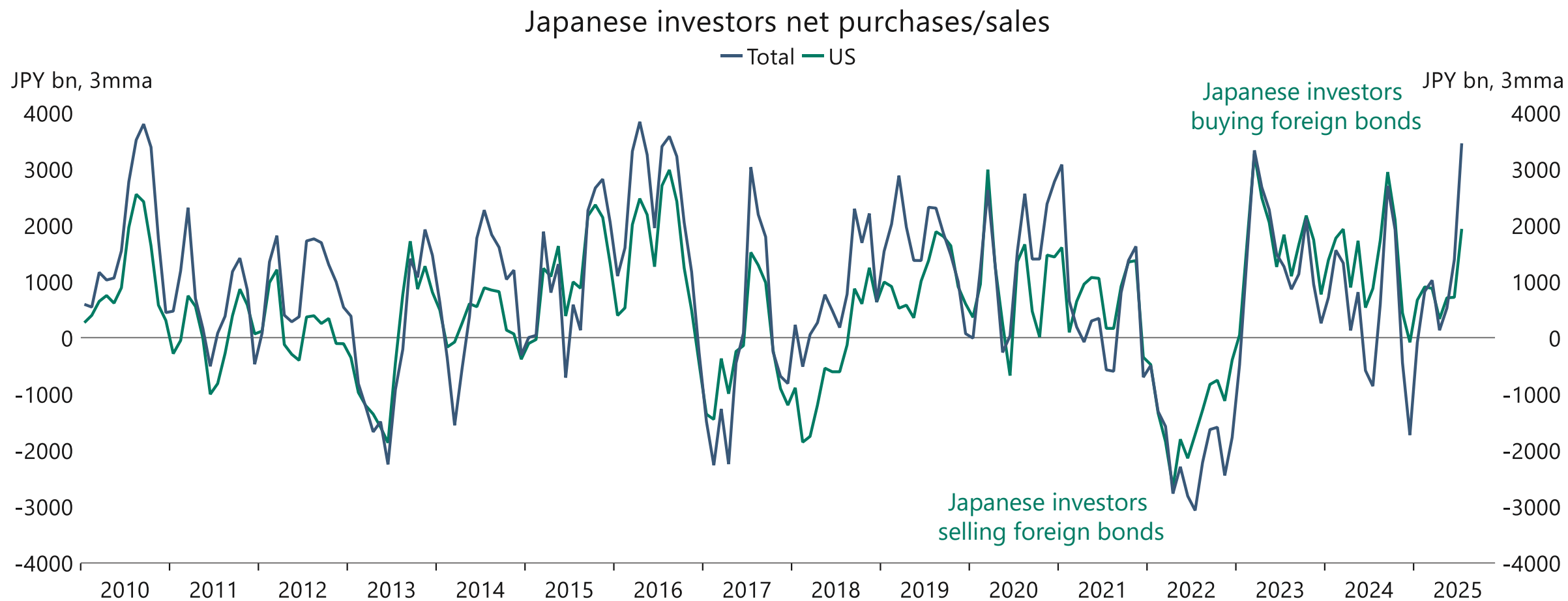


# Japanese net purchases of foreign bonds



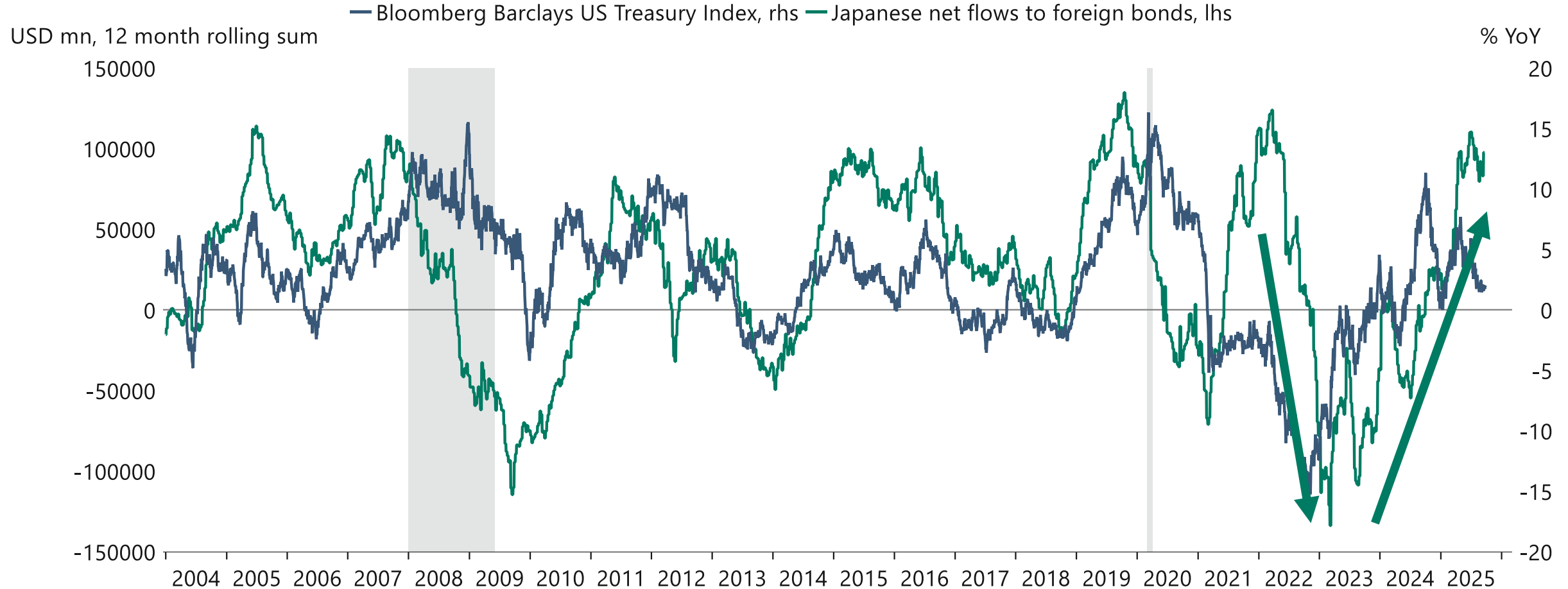
Source: Ministry of Finance Japan, Bloomberg, Macrobond, Apollo Chief Economist

# Japanese investors net purchases of US Treasuries



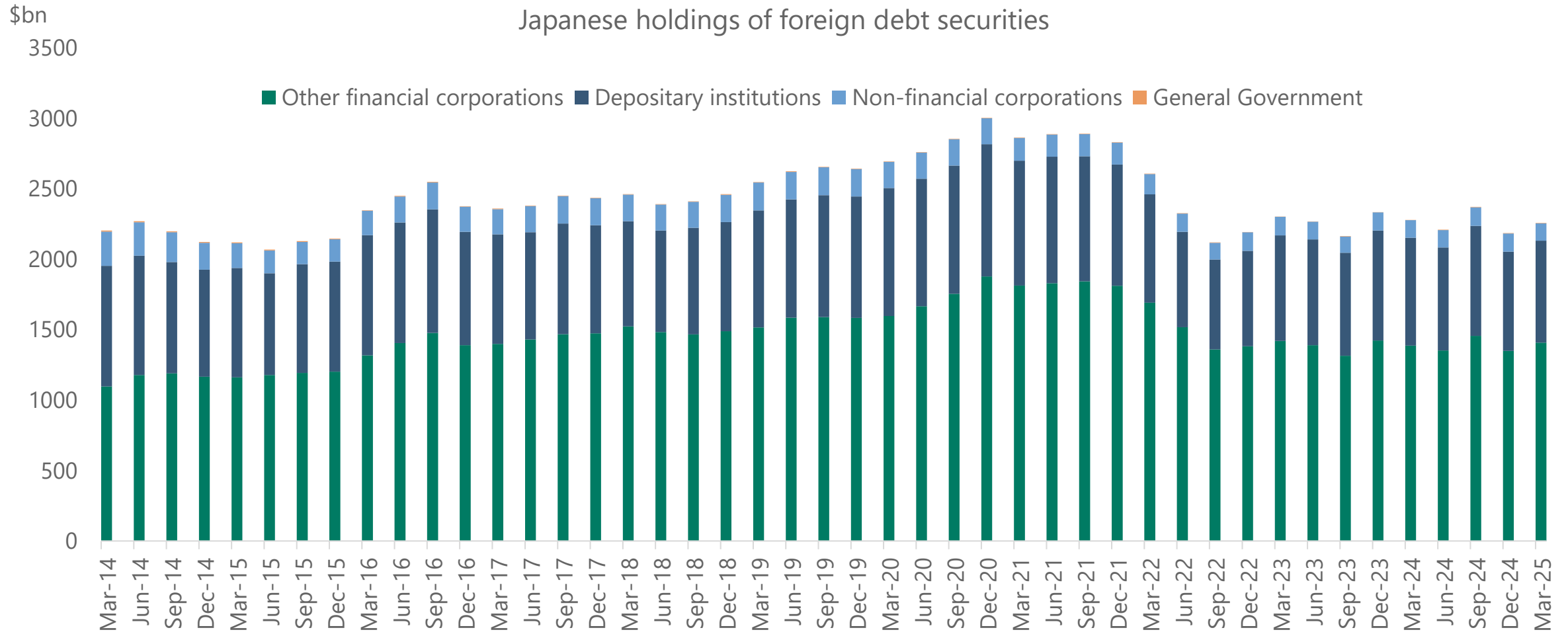
Source: Ministry of Finance Japan, Bloomberg, Macrobond, Apollo Chief Economist

Initially, when US rates went up, Japanese investors started selling foreign fixed income. But when foreign yields were higher, Japanese investors have been coming back

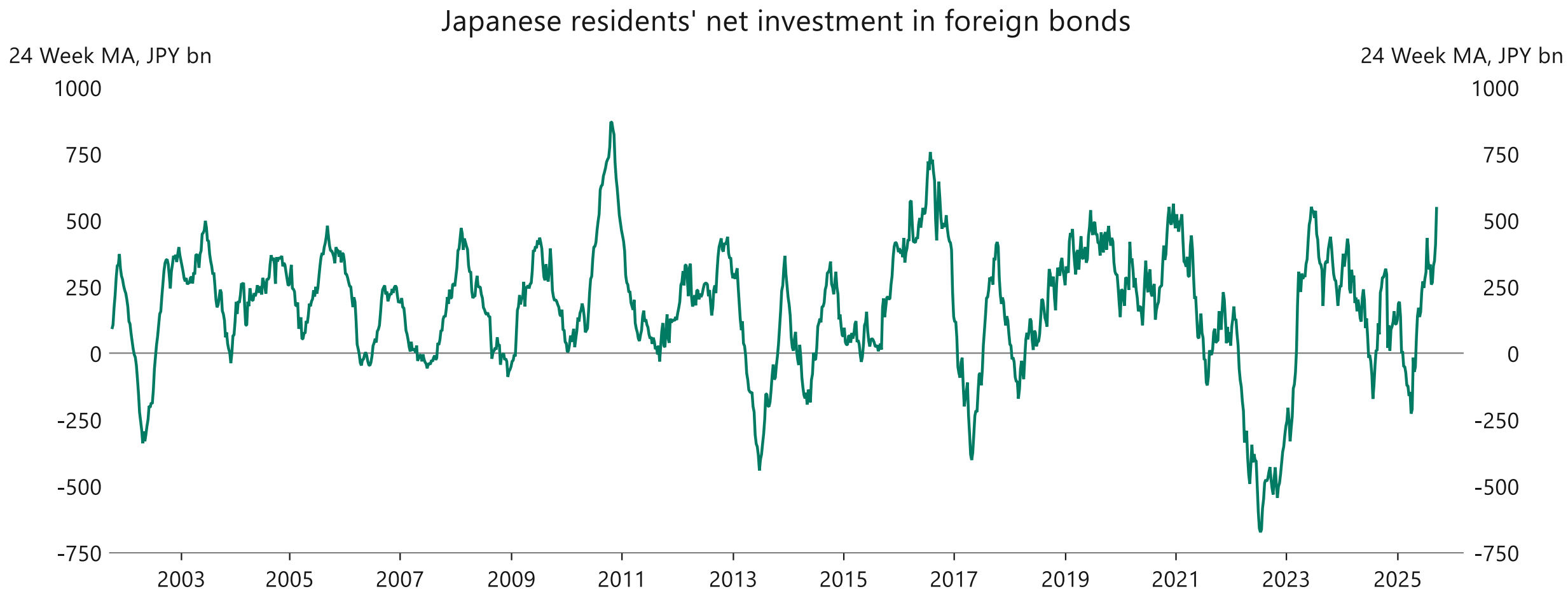


Source: Bloomberg, Macrobond, Apollo Chief Economist

# Japanese banks and real money investors are main holders of foreign debt securities



# Japan net purchases of foreign bonds

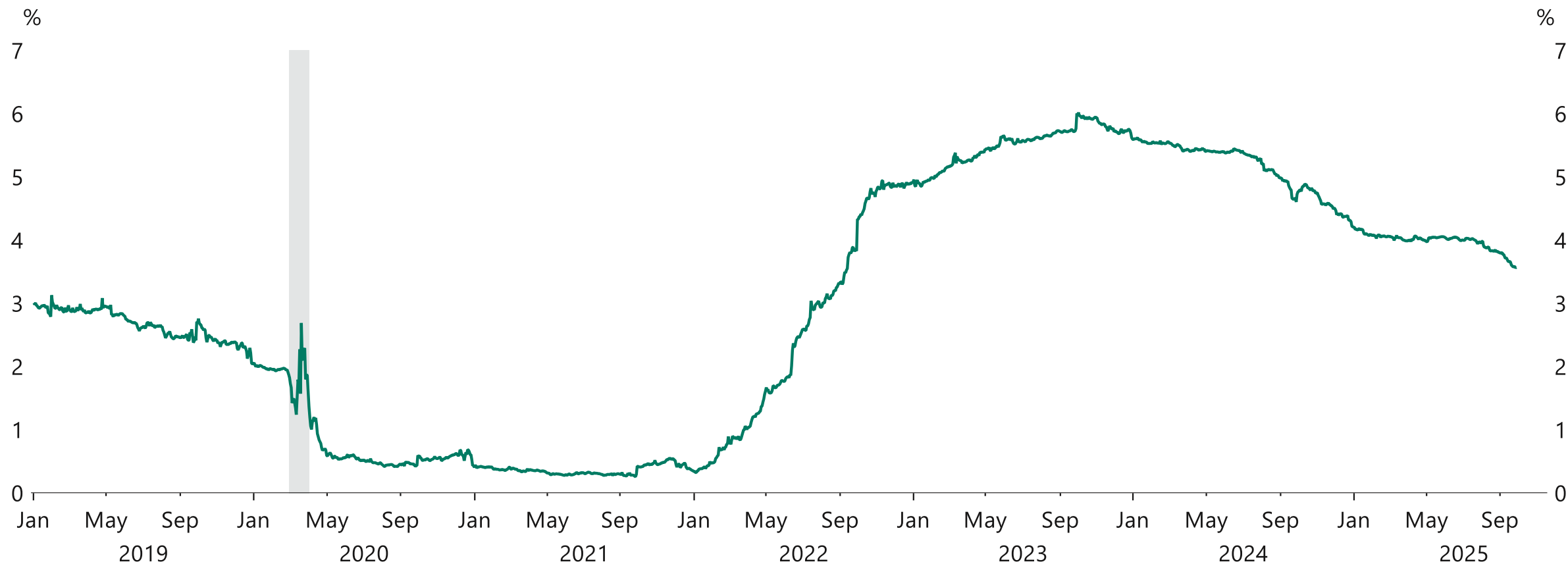


Source: Bloomberg, Macrobond, Apollo Chief Economist

# Hedging costs

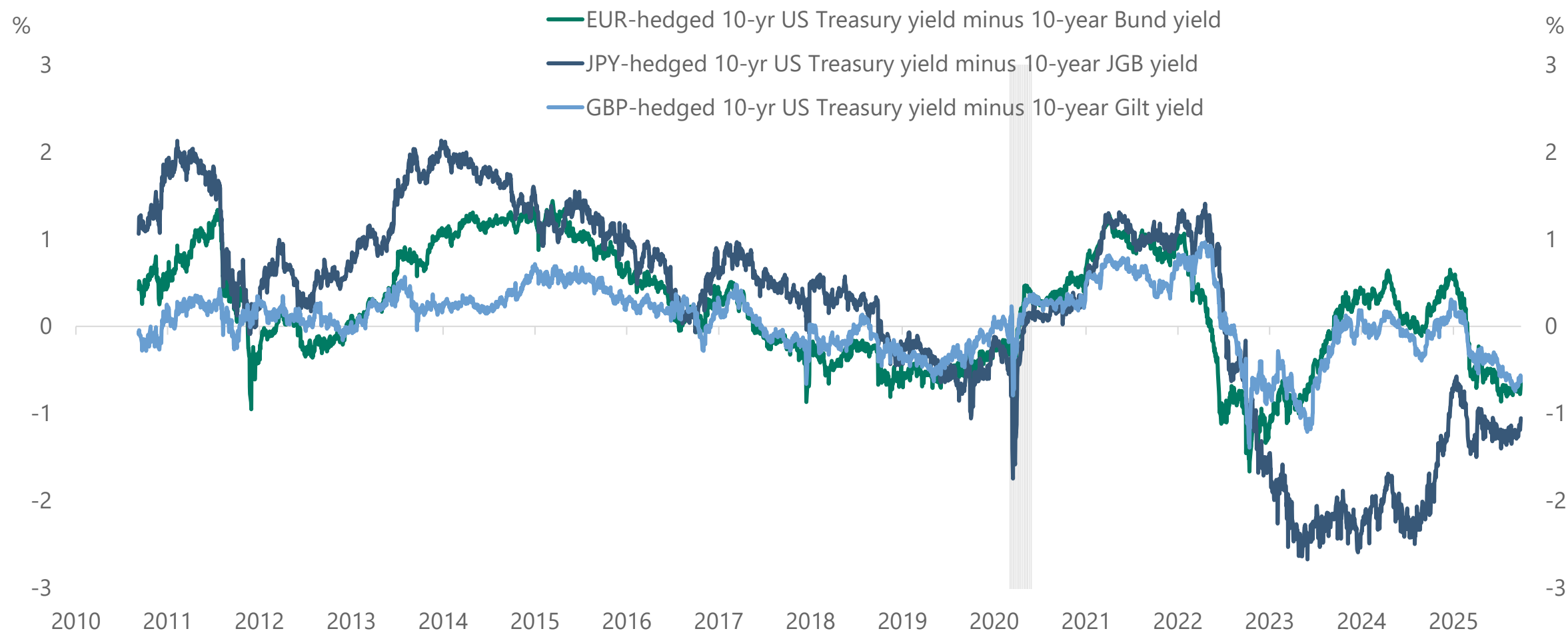
# Dollar-hedging costs are high for Japanese investors

Bloomberg USDJPY 3 Month Hedging Cost



Source: Bloomberg, Macrobond, Apollo Chief Economist

# Negative returns for Japanese investors holding JPY-hedged Treasury yields



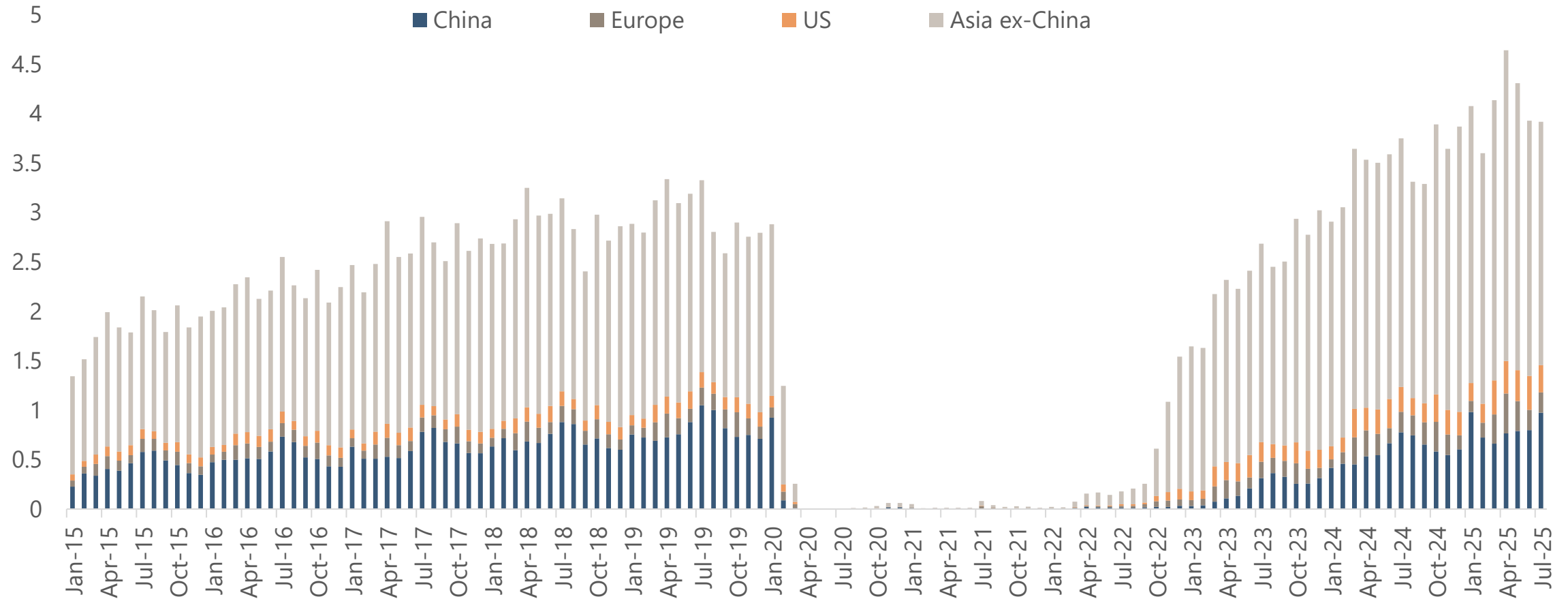


## Other indicators for Japan

# Tourism: International visitors coming back to Japan, partly driven by the weak yen

Persons (million)

Number of inbound visitors

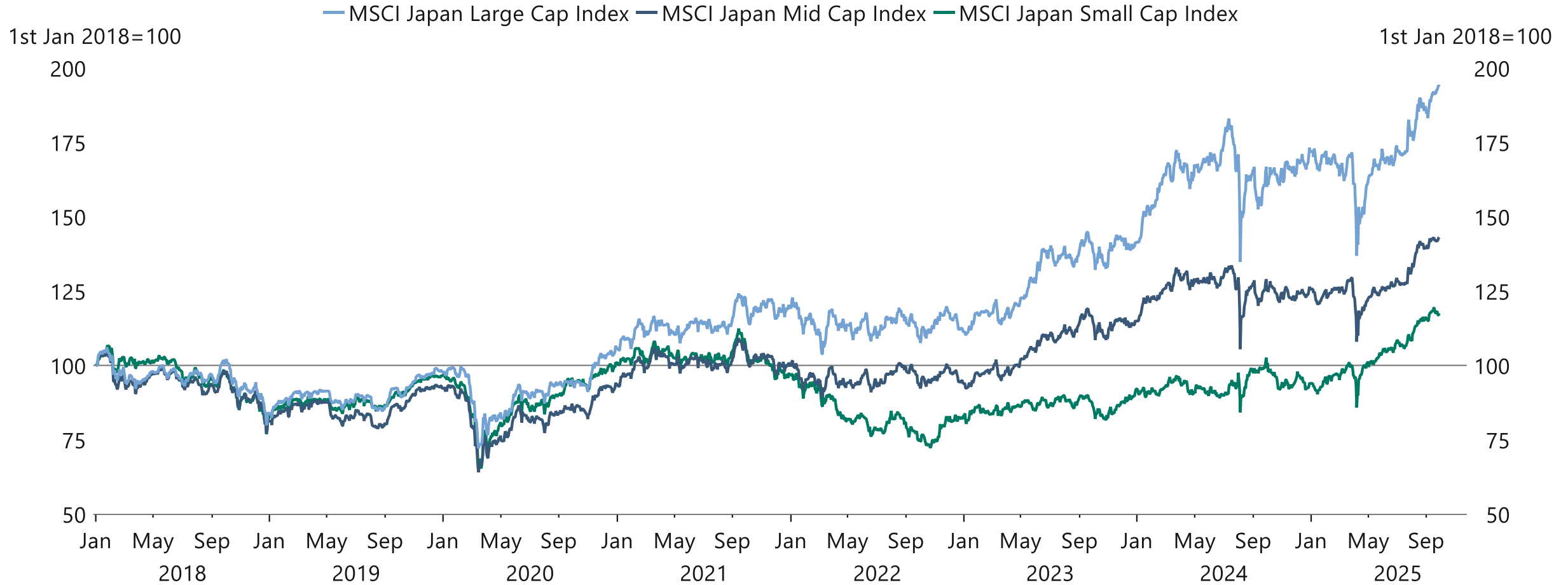


# Nikkei 225 index has increased to levels last seen in 1989



Source: Nikkei Inc., Macrobond, Apollo Chief Economist

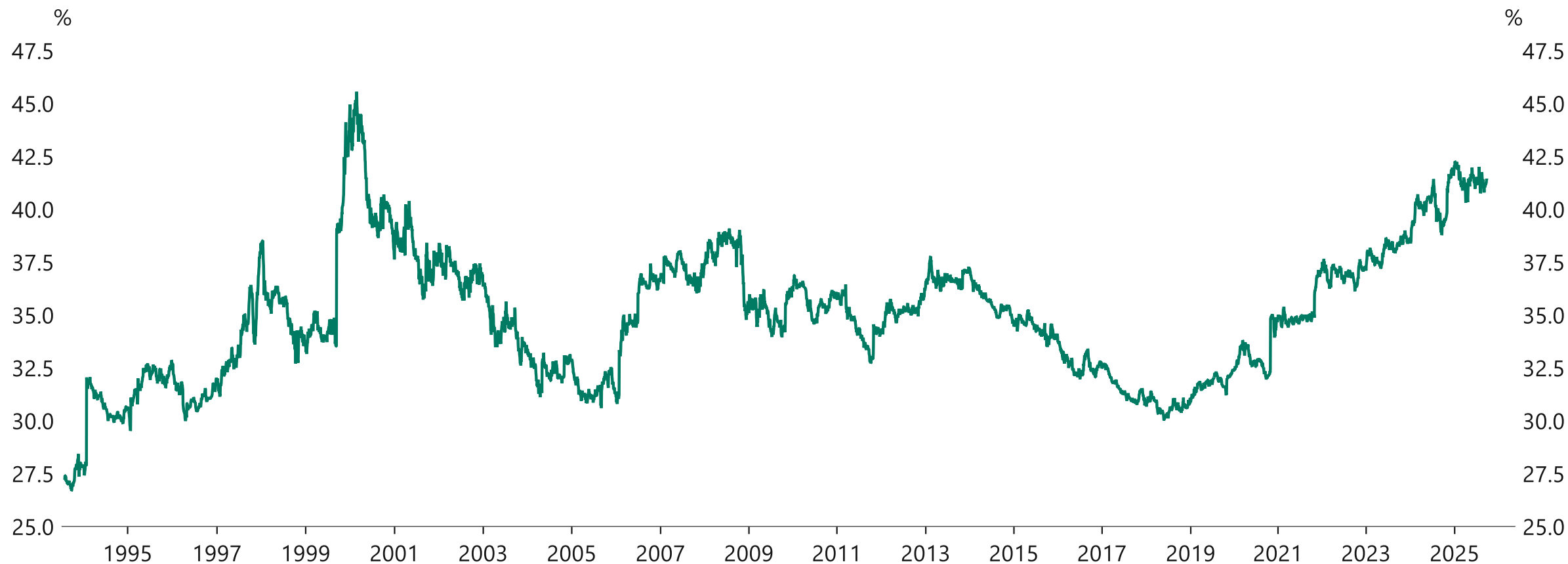
# Large cap stocks outperforming in Japan



Source: Bloomberg, Macrobond, Apollo Chief Economist

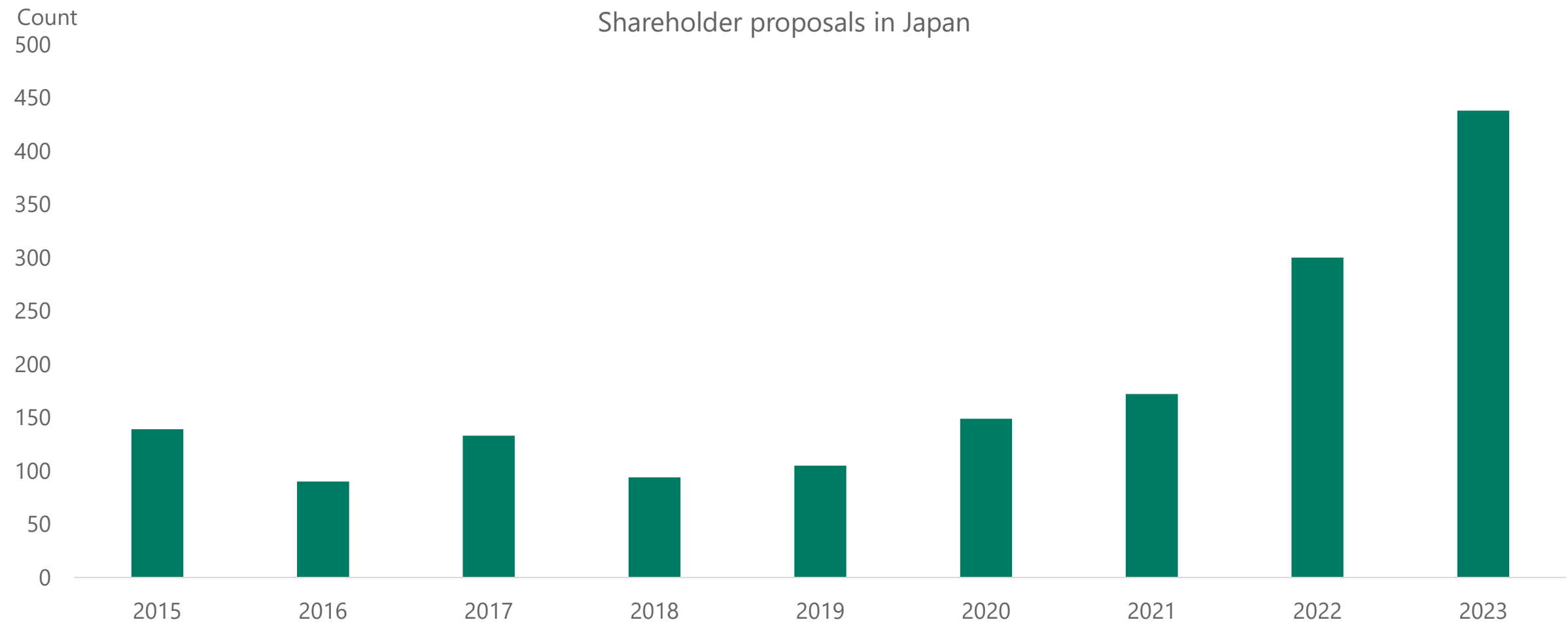
# Concentration in the Japanese stock market

TOPIX: Market cap weight of Top 30 stocks



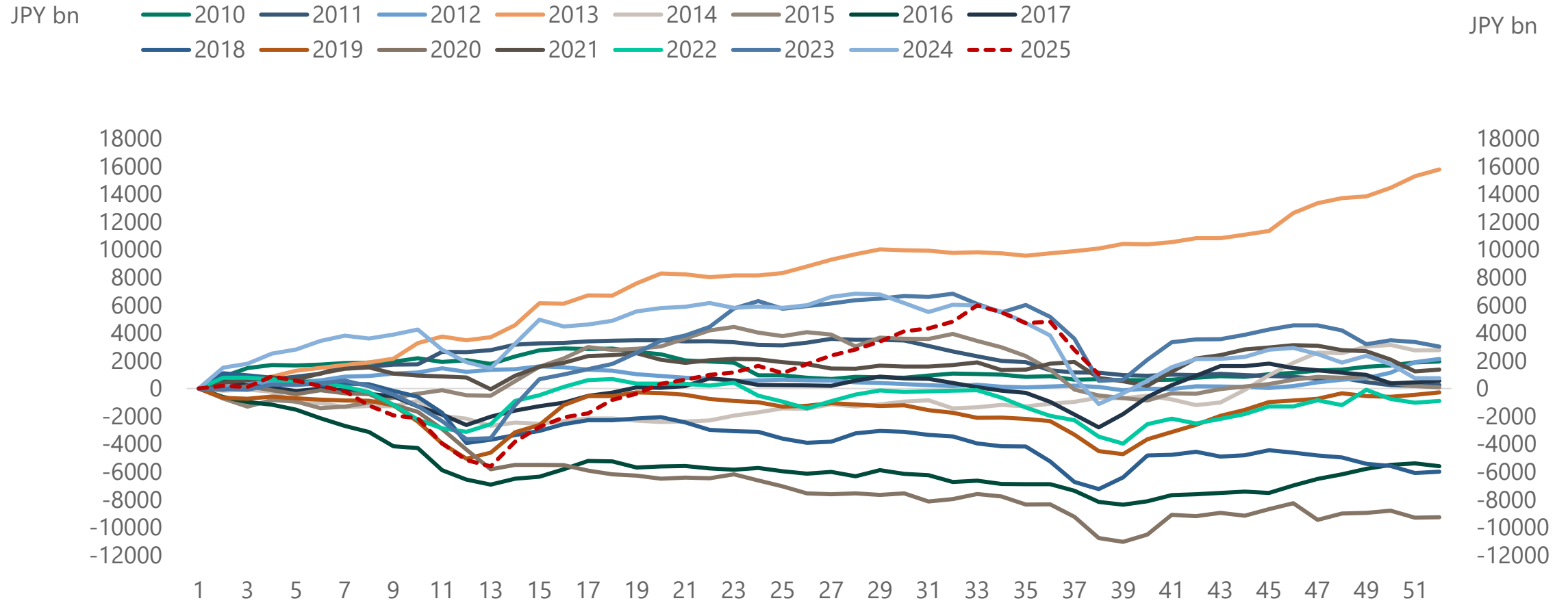
Source: Bloomberg, Macrobond, Apollo Chief Economist

# Shareholder proposals have increased in Japan



Source: Bloomberg, Apollo Chief Economist. Note: Shareholder proposals include Approve Name Change, Approve Statutory Auditor, Business Operations, Charter/Bylaw Amendment, Climate Change Risk, Decrease Authorized Stock, Director Compensation, Discharge Directors, Dividend/Profit Distribution, Elect Director, Extend Poison Pill (Shareholder Rights Plan), Methane/Greenhouse Gas Emissions, Other Auditor Related, Other Board Related, Other Capital Structure, Other Compensation, Other Governance, Remove Director, Remove Poison Pill (Shareholder Rights Plan), Share Repurchase Related proposals

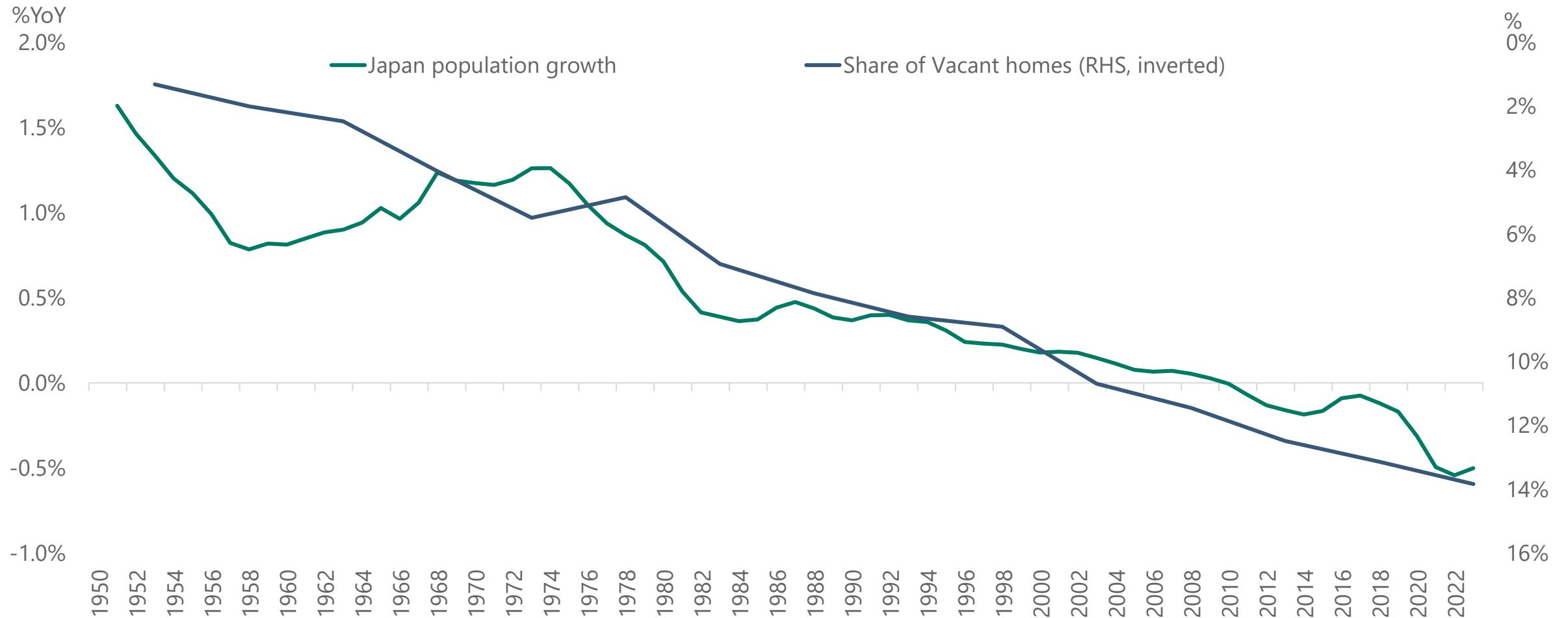
# Cumulative net purchases of Japanese stocks by foreigners



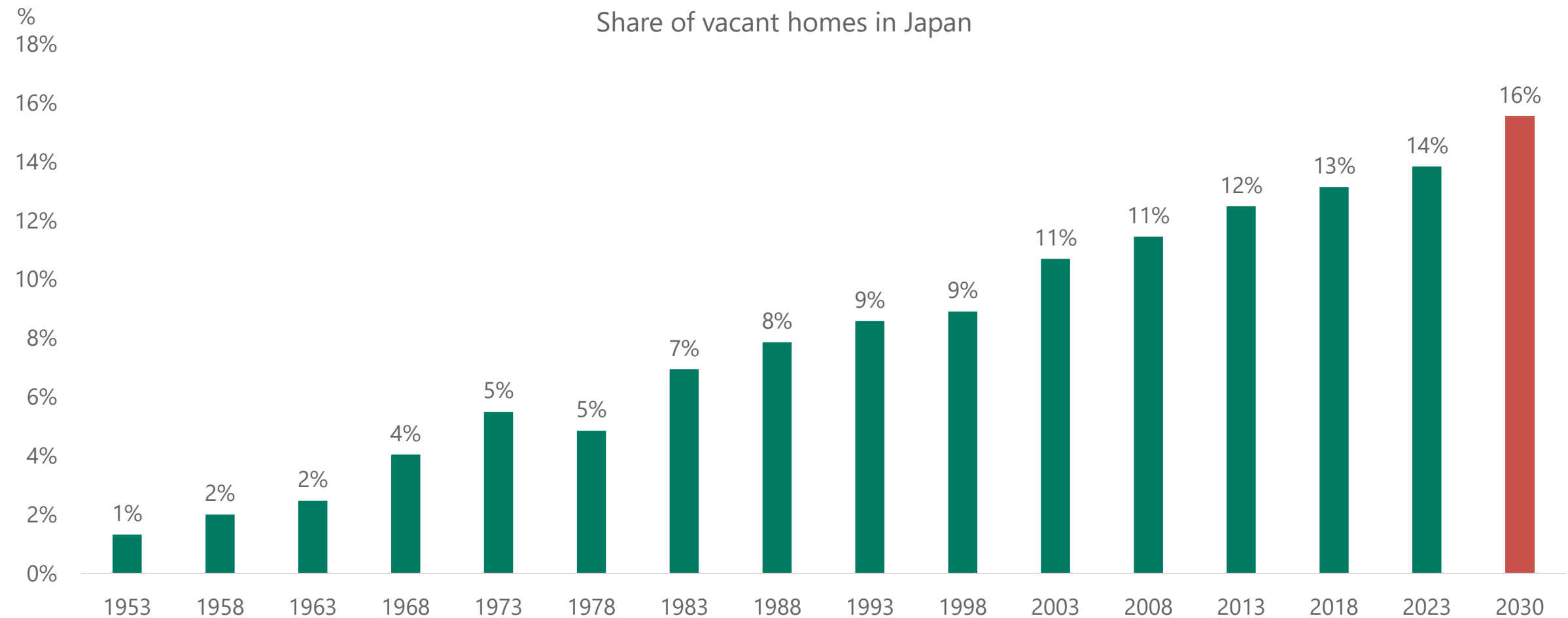




# Declining population growth leading to a rise in share of vacant homes in Japan



# Share of vacant homes rising in Japan



Source: Japanese Ministry of Health, Labour & Welfare, United Nations Department of Economic & Social Affairs (UNDESA), Macrobond, Apollo Chief Economist. Note: 2030 forecast based on UN population growth estimates



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## Chief Economist

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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.