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Investors in Japan Stocks Expect Turning Point After Olympics  
2021-07-09 05:14:10.613 GMT

By Gearoid Reidy and Shoko Oda

(Bloomberg) -- For investors in Japan -- which has one of the worst-performing stock gauges in the developed markets this year -- the end of the Tokyo Olympics and expected lifting of the capital's pandemic-induced emergency should prove a turning point.

The end of the Olympics on Aug. 8, plus a continued vaccination of the population -- now at 27% with one shot, but targeted by Prime Minister Suga for 40% by the end of July -- could be the catalyst for an uplift for stocks. The decline in the risks of the virus spreading from the Olympics, even without spectators, and further clarity over the economy should boost expectations, investors say.

"After the Olympics end, interest in Japan will increase," said Tomo Kinoshita, a global market strategist at Invesco Asset Management in Tokyo, who sees vaccinations bringing the relative cheapness of Japanese stocks into focus. "Markets need to be patient for another month or two."

The Nikkei 225 Stock Average is nearly flat in 2021 and has dropped more than 5% since the start of April. Buffeted by the virus, a slow-to-start vaccination campaign and underperforming large firms, the index is on the verge of a correction. Even a surge in inoculations has failed to lift spirits the way it did in the U.S. and Europe, as supply bottlenecks and the spreading delta variant loom, with inoculation rates still trailing.

The decision on Thursday to ban spectators from the Olympic Games is the latest downer on equities, with airlines and railways among stocks falling in Tokyo Friday as the Topix index dropped as much as 2.1%.

The Olympics and the success of the vaccine rollout are set to define Suga's premiership. Suga must face two polls in quick succession after the emergency ends, with his term as leader of the ruling Liberal Democratic Party expiring and a general election set to take place in October or November.

"If the vaccines continue and clear away the uncertainties surrounding the pandemic, that's advantageous for the government" in the election, Invesco's Kinoshita said.

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Event | Date

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|Olympics Opening

July 23 |Ceremony

|Olympics Closing

August 8 |Ceremony

|End of state of

August 22 |emergency

|Suga's term as LDP

September 30 |leader expires

|General election (date

October-November |not set)

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John Vail, chief global strategist at Nikko Asset

Management Co., said when the Olympics are over and vaccination

rates pick up, investors will turn positive as rebounds in

industrial production and exports become evident.

"When Japan comes out of this, it's going to surge," Vail

says of the economy. "A lot of people don't believe it until

they see it. Especially in Japan, people tend to worry first and

think about the future later."

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