

Tokyo stocks likely to feel pressure next week, say analysts
Malaysian Insider
May 9, 2014

Japanese stocks will likely come under pressure next week with no major positive incentives expected, while geopolitical concerns will weaken the dollar, analysts said today.

Slowing Chinese inflation, which fell sharply to 1.8% in April – the lowest point in 18 months – will also have a negative impact on Japanese stocks, they said.

Today, Tokyo shares rose 0.25% as bargain-hunting offset early selling triggered by a strong yen.

The Nikkei gained 35.81 points on the day to close at 14,199.59, nowhere near enough to make up the loss over the week, ending down 1.78%.

The broader Topix index of all first-section shares climbed 0.47%, or 5.50 points, to 1,165.51. It lost 1.44% over the week.

"We will have the January-March economic growth rate to be announced Thursday next week, with the reading expected to be somewhat positive due to the effect of last-minute buying before the April tax hike," said Daisuke Uno, chief market strategist at Sumitomo Mitsui Banking Corp.

"But investors have already digested the impact. We expect no other incentives next week," he said, adding share prices could suffer from this lack of direction.

He also said geopolitical concerns about Ukraine and the maritime tensions in the South China Sea – where China and Vietnam are involved in scuffles over disputed waters – are also expected to keep the greenback weak.

"The Chinese consumer price index was weak and Shanghai stocks lost some of their shine, which is not good news for Japanese stocks over the next week," Uno said.

Today, Tokyo stocks were slightly up at the close after opening lower as the yen gained ground against the dollar in early trading.

A strong yen is negative for Japanese exporters, making them less competitive overseas and eroding repatriated profits.

"But investors bought on dips, which sent the Nikkei index back into positive territory by noon," said Kenzaburo Suwa, strategist at Okasan Securities.

"A rise in Toyota shares also made investors feel relieved in general," Suwa said.

Toyota was up 0.59% to 5,561 yen a share after the automaker booked a record US\$17.9 billion (RM58 billion) annual net profit, but warned that earnings growth would stall this year.

The dollar, which dropped to 101.54 yen early Friday, recovered to 101.70 yen in afternoon trading, compared with 101.66 yen in New York Thursday afternoon.

The euro edged down after European Central Bank (ECB) chief Mario Draghi said the bank was prepared to further ease monetary conditions next month if the economy needed it.

The euro fetched US\$1.3833 and 140.68 yen against US\$1.3840 and 140.69 yen in US trade.

As expected, the ECB decided Thursday to hold off on any action for the moment, despite facing a very low rate of inflation and what many say is an overvalued euro.

But in a surprise departure from the bank's previous policy of never pre-committing on interest rate moves, Draghi said monetary policy makers were now sufficiently concerned to take more action.

US stocks finished mixed Thursday as the Dow Jones Industrial Average ended up 0.20% at 16,570.97, while the broad-based S&P 500 slipped 0.14% to 1,875.63.

In Tokyo trade, Sony fell 0.11% to 1,764 yen after the firm said it was to shutter its ebook Reader Store in Europe and Australia following a similar pullout in North America.

Panasonic rose 0.47% to 1,061 yen, while Sharp fell 0.38% to 259 yen. Panasonic released rosy earnings figures last month, while Sharp is expected to give positive news when it reveals its full-year figures next week. – AFP, May 9, 2014.

Hakcipta © 2013 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/business/article/tokyo-stocks-likely-to-feel-pressure-next-week-say-analysts>