

Japan Quant Strategy

The risk of 'SaaS Shock' spreading - Pay attention to global credit trends, but Japanese stocks facing an overreaction in some sectors

Today (February 5) there have been numerous inquiries from domestic and overseas investors regarding the momentum shock triggered by the previous day's sharp decline in US-based software-related stocks ('SaaS Shock'). In the US, software stock prices continued to fall, and this has finally led to a reverse rotation of the momentum factor. However, **at this time we, the QDS team, believe that the impact from the 'SaaS Shock' on Japanese equities will remain localized over the near term.** In Japan, sell-offs in software and gaming stocks tend not to lead directly to a market-wide momentum crash. Rather, risk capital often moves toward cyclical/value buying in response to selling in these sectors, which reinforces existing momentum effects (discussed later). Momentum buying performance has shown greater resilience in Japan than in the US (Figure 2). In addition, from the perspective of economic impact, it is difficult to imagine that a slump in the domestic software-related sector, which is narrow in terms of employment and capital investment compared to export-oriented sectors, would spread widely as a common macroeconomic shock. The fact that on the same day cyclical/value stocks also had a comparative advantage in the US suggests to us that the primary reason behind the risk-off sentiment has more to do with valuation and position adjustments than concerns of an economic downturn.

In this sense, the 'SaaS Shock' would be classified as a specific/distributable shock, namely a short-term ϵ -shock. The correlation between stocks is currently low, and signs of a broad sell-off appear limited (Figures 3 and 4). **However, from a medium-term perspective, we cannot completely ignore the risk of the induction of a momentum shock in Japan, even indirectly, and we should also be on the lookout for technical triggers.** The first is the risk of global credit disruption. While spreads in the global high-yield bond market remain tight overall, tech-related spreads have rapidly widened. (Figure 5). If the perception of increased debt risk spreads across the entire high-yield bond market, the volatility of equity, which is subordinate to debt in the capital structure, is also likely to increase. The second would be a change in sentiment among cash equity momentum investors. Positions in global equity (cash equity) momentum funds have reached record highs. Should the 'SaaS Shock' narrative unnecessarily spread to other sectors, even if only localized, this could trigger a chain reaction of precautionary profit-taking. Market liquidity could drop, potentially triggering a self-fulfilling unwinding. It is not possible to predict at this time whether this case conflicts with these triggers. However, we, the QDS team, expect that through some catalyst, momentum fund holdings will begin to lighten in the form of either a soft or hard landing during February or March (January 30: [JPN](#), [ENG](#)).

As of 9:30 am today (February 5), the Tokyo market saw the TOPIX index extend its gains, driven primarily by value buying, partially supporting the short-term assessment that we outlined above. On the other hand, the momentum factor

Global Quantitative and Derivatives Strategy

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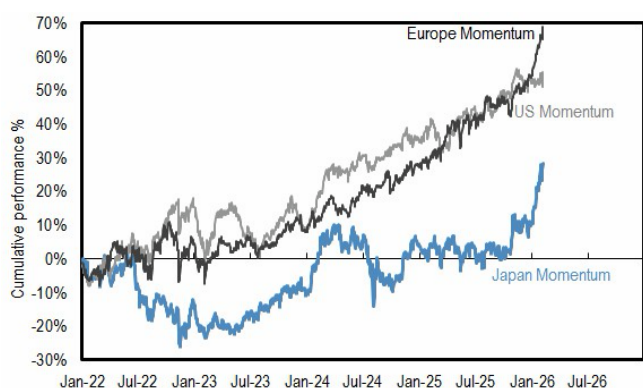
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appears to be losing steam, and we are also observing some supply-demand disruptions. Over the past week (as of February 4), the four sectors that have underperformed the most are: Software-related (-9.2% compared to the previous week), Media & Entertainment (-8.1%), Commercial & Services (-4.8%), and Semiconductor-related (-2.4%). In terms of factor loading, these four sectors share a common trait: Value is negative and Quality is positive (Figure 7). Selling in this group of stocks tends to manifest as a Value advantage and a Quality disadvantage, consistent with current conditions. On the other hand, the contribution to Momentum is not uniform. If selling in the Semiconductor sector and the Software sector is strong, this tends to have a negative effect. If selling in the Media & Entertainment sector and Commercial & Services sector is strong, the effect tends to be in a positive direction. Today's slowdown in Momentum was primarily driven by the first factor, and this was compounded by the drag from AI-related stocks falling in tandem.

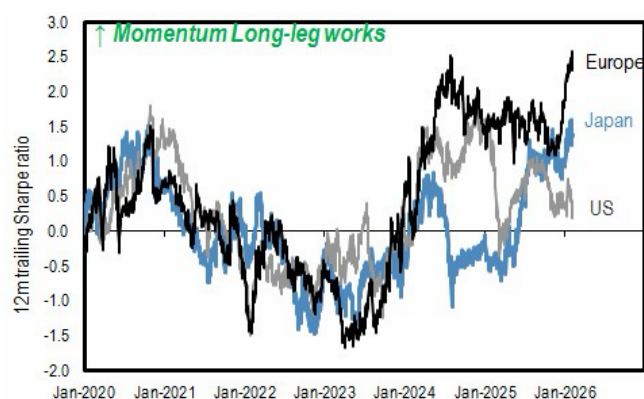
Overlaying momentum investor positions (QDS team estimates) further reveals sector/stock-specific characteristics. When measuring fundamentals/momentum using the cyclical component of NTM profit margin, we determine that the Software-related sector and the Media & Entertainment sector (with significant contribution from gaming stocks) have entered a deceleration phase in their cycle, with momentum positions also being unwound (or at least showing a selling bias). Therefore, stocks with deeper unrealized losses (Pain) tend to face stronger downward pressure. Meanwhile, the Semiconductor-related and Commercial & Service sectors are positioned in an expansionary phase of their profit margin cycle. We expect names with long bias and unrealized gains to be more resilient to sell-off pressure or offer attractive opportunities for buying on dips over the near term. Furthermore, as the long bias in the Commercial & Services sector progresses, momentum loading also tends to shift toward the positive direction. Therefore, **unless trigger events, such as turmoil in global credit markets or a simultaneous global unwinding of momentum positions are confirmed, as a short-term trading stance we would consider buying on dips long-bias stocks in global semiconductor-related and commercial & service-related sectors that have been seemingly oversold due to an overreaction as a way to gauge the extent of correction in the associative turmoil accompanying the 'SaaS Shock'.**

Figure 1: Key regions Momentum factor (Long/Short) performance (cumulative return)



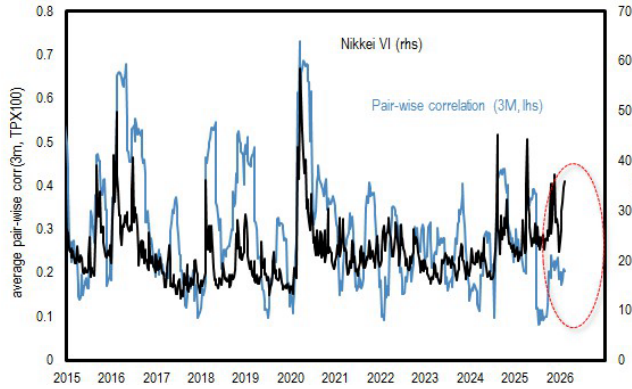
Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 2: Key regions Momentum Long-leg (excess return basis) performance (12-month Sharpe ratio)



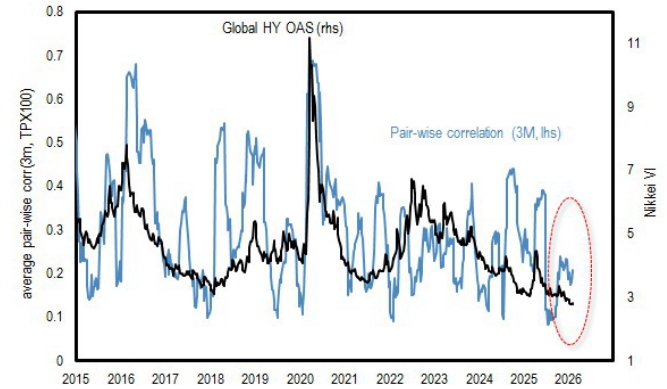
Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 3: Average pairwise correlation between Japanese stocks (TPX500 constituents, 3 months) and Nikkei VI



Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 4: Average pairwise correlation between Japanese stocks (TPX500 constituents, 3 months) and global high-yield bond spread



Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 5: Global high-yield bonds (Corporate, OAS) – Note that spreads in the global tech sector have widened significantly



Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 6: Factor loading by sector (GICS Level 2 classification, sectors listed alphabetically)

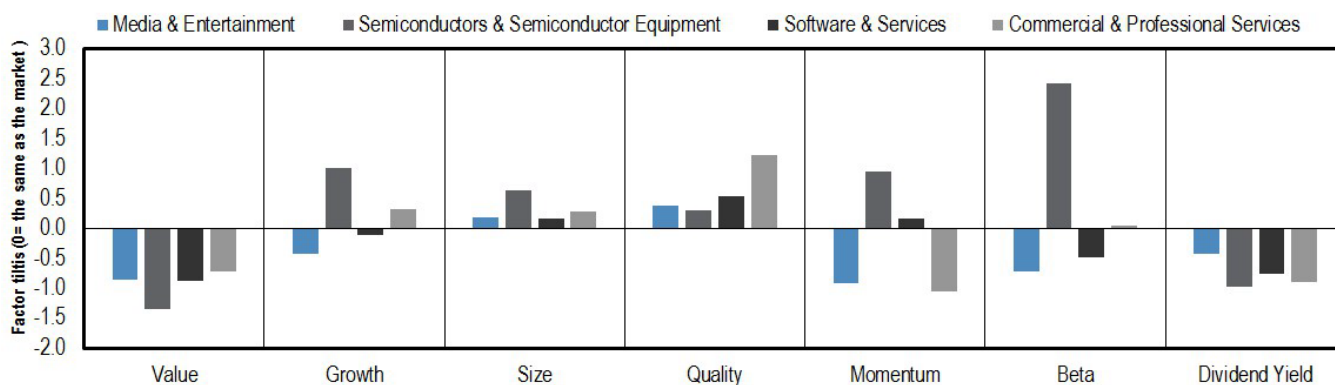
1. Universe is TOPIX 500 constituents. 2. As of the most recent rebalancing at end-January

(Factor tilt : 0 = the same as the market)	Value	Growth	Size	Quality	Momentum	Beta	Dividend Yield
Automobiles & Components	1.0	0.1	0.5	-0.3	-0.1	0.2	0.6
Banks	0.1	0.0	0.7	-0.5	0.2	0.8	0.4
Capital Goods	-0.4	-0.2	0.4	0.1	0.6	0.5	-0.3
Commercial & Professional Services	-0.7	0.3	0.3	1.2	-1.1	0.1	-0.9
Consumer Discretionary Distribution & Retail	-0.8	0.5	0.0	0.4	-0.6	-0.5	-0.7
Consumer Durables & Apparel	0.0	0.0	0.4	0.5	-0.8	0.3	-0.5
Consumer Services	-1.0	1.2	-0.6	-0.7	-0.8	-1.2	-1.1
Consumer Staples Distribution & Retail	-0.3	0.5	0.0	-0.8	0.0	-1.8	-0.5
Energy	1.4	-0.7	-0.2	-1.4	0.5	-0.1	0.5
Financial Services	0.7	-0.1	-0.2	-0.6	0.2	0.3	1.0
Food, Beverage & Tobacco	-0.2	-0.4	-0.3	0.2	-0.4	-1.8	0.5
Health Care Equipment & Services	-0.8	0.1	0.0	1.1	-0.6	-0.3	-0.6
Household & Personal Products	-0.5	-0.7	-0.7	0.2	-1.4	-1.6	0.1
Insurance	1.2	-0.1	0.5	0.8	-0.4	-0.1	1.0
Materials	0.5	-0.6	-0.5	-0.3	-0.1	0.2	0.3
Media & Entertainment	-0.9	-0.4	0.2	0.4	-0.9	-0.7	-0.4
Pharmaceuticals, Biotechnology & Life Sciences	-0.1	0.1	0.3	0.5	-0.5	-1.4	0.5
Real Estate Management & Development	0.0	-0.4	-0.1	-0.7	0.2	-0.8	0.1
Semiconductors & Semiconductor Equipment	-1.3	1.0	0.6	0.3	1.0	2.4	-1.0
Software & Services	-0.9	-0.1	0.2	0.5	0.2	-0.5	-0.8
Technology Hardware & Equipment	-0.4	-0.2	0.1	0.8	-0.6	0.3	-0.2
Telecommunication Services	0.4	0.4	1.0	-0.6	0.1	0.0	0.1
Transportation	1.2	0.0	-0.7	-1.3	-0.5	-1.4	0.3
Utilities	1.8	-0.3	-0.7	-1.2	0.3	-1.2	0.2

Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 7: Sector-specific factor loading (4 sectors with notable recent sell-offs) – As sell-offs progress in software and gaming stocks, Value & High Dividend tend to outperform and Quality tends to underperform. Momentum signs remain uncertain

1.Universe is TOPIX 500 constituents. 2. As of the most recent rebalancing at end-January



Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Software Sector

Figure 8: Trend-Followers' position (Software sector stocks, GICS Level 2): As of February 4

1. Based on directional investors' position in TOPIX 500 names. 2. Shows "unrealized gains" (Gain) or "unrealized losses" (Pain) based on a comparison of the position break-even point (3-month cumulative basis) and the latest share price

Code	Name	Sector (TSE3)	Rank -3M→-1M→-1w→Now	Directional position score	Posi. Score (+/long - short)	5Y Ytd%	Mkt Cap (bn JPY)	Price (JPY)	Pain/Gain Monitor(3M window)			Abs. return %			Rel. return % (vs TPX)			Fundamentals					
									Gain/P	Breakeven level (JPY)	Distance to B/E %	1wk %	1M %	3M %	1wk %	1M %	3M %	Beta	60d rVol	PIE (12m)	P/E (LTM)	ROE (LTM)	DY% (LTM)
6702	FUJITSU LTD (6702)	Electric Appliances	13→11→25→29	1.6	93%	8,417	4,064	Gain	4,004	1.0%	0.5%	-6.4%	1.6%	-2.9%	-9.7%	-9.2%	1.0	38.8	22.2	3.6	25.8	1.2	29%
9719	SCSK CORP (9719)	Information & Communication	53→50→22→33	1.5	97%	1,775	5,670	Gain	5,632	0.7%	0.0%	0.2%	-0.1%	-3.4%	-3.1%	-10.9%	0.7	2.1	27.7	5.6	20.8	0.8	0%
6701	NEC CORP (6701)	Electric Appliances	1→13→13→34	1.5	67%	6,442	4,722	Pain	5,146	-8.2%	-16.9%	-17.0%	-13.9%	-20.3%	-20.3%	-24.7%	1.3	42.9	22.0	3.0	12.1	0.7	21%
9449	GMO INTERNET GRO (9449)	Information & Communication	225→100→155→149	0.9	91%	396	3,654	Pain	3,860	-5.3%	-5.1%	-9.7%	7.8%	-8.5%	-13.0%	-3.0%	0.9	36.8	15.5	3.8	18.4	1.2	0%
3626	TIS INC (3626)	Information & Communication	43→51→119→195	0.8	75%	879	3,723	Pain	5,075	-26.6%	-19.4%	-29.0%	-22.4%	-22.8%	-32.3%	-33.3%	0.5	44.2	15.1	2.5	16.3	2.0	0%
4307	NOMURA RESEARCH (4307)	Information & Communication	110→100→140→246	0.6	66%	2,492	4,287	Pain	6,115	-29.9%	-25.8%	-30.7%	-28.6%	-29.2%	-34.0%	-39.4%	0.7	49.7	20.7	4.9	22.8	1.7	15%
2327	NS SOLUTIONS COR (2327)	Information & Communication	368→323→300→326	0.3	52%	725	3,962	Pain	4,313	-8.1%	-10.7%	-10.3%	6.9%	-14.1%	-13.6%	-3.9%	0.5	34.4	22.9	2.7	10.6	2.0	-
4733	OBIC BUSINESS (4733)	Information & Communication	103→253→323→351	0.2	39%	440	5,830	Pain	8,714	-33.1%	-23.6%	-31.4%	-33.4%	-27.0%	-34.7%	-44.2%	0.6	33.9	21.8	2.6	10.6	1.9	0%
8056	BIPROGY INC (8056)	Information & Communication	124→359→368→371	0.2	38%	470	4,669	Pain	5,728	-18.5%	-10.1%	-15.1%	-17.8%	-13.5%	-18.4%	-28.6%	0.8	28.6	14.2	2.6	19.2	2.6	0%
9759	NSD CO LTD (9759)	Information & Communication	332→383→389→399	0.0	0%	270	3,137	Pain	3,537	-11.3%	-5.3%	-8.8%	-8.4%	-8.7%	-12.1%	-19.2%	0.5	20.8	17.6	3.5	19.2	3.0	-
3923	RAKUS CO LTD (3923)	Information & Communication	201→352→394→419	0.0	39%	267	741	Gain	851	-12.9%	-19.5%	-28.5%	-38.5%	-22.9%	-31.8%	-48.3%	0.8	41.0	17.6	10.9	51.9	0.5	0%
4604	OBIC CO LTD (4604)	Information & Communication	357→421→449→435	-0.1	19%	1,880	3,775	Gain	4,830	-21.8%	-16.6%	-23.1%	-23.7%	-20.0%	-26.5%	-34.5%	0.3	30.1	21.3	3.4	16.0	2.2	0%
4768	OTSUKA CORP (4768)	Information & Communication	427→426→448→448	-0.2	29%	1,123	2,957	Gain	3,109	-4.9%	-5.5%	-7.4%	-2.1%	-8.9%	-10.7%	-12.9%	0.4	22.7	18.1	2.8	16.8	3.2	0%
3994	MONEY FORWARD IN (3994)	Information & Communication	456→396→455→459	-0.3	15%	186	3,347	Gain	4,293	-22.0%	-19.2%	-27.2%	-21.6%	-22.6%	-30.5%	-32.4%	0.7	54.4	N/A	4.2	3.9	N/A	0%
3697	SHIFT INC (3697)	Information & Communication	430→468→495→488	-0.6	7%	181	678	Gain	946	-28.4%	-16.9%	-31.1%	-33.8%	-20.3%	-34.5%	-44.6%	0.8	48.3	13.3	4.2	22.5	N/A	0%
4716	ORACLE CORP JPN (4716)	Information & Communication	400→485→489→493	-0.8	1%	1,236	9,631	Gain	12,784	-24.7%	-10.4%	-23.7%	-31.2%	-13.8%	-27.1%	-42.0%	0.3	29.1	N/A	7.2	39.9	N/A	0%
4704	TREND MICRO INC (4704)	Information & Communication	429→454→497→498	-1.0	0%	796	5,649	Gain	6,763	-16.5%	-7.1%	-12.7%	-27.6%	-10.5%	-16.0%	-38.4%	0.7	31.6	19.2	5.9	30.0	N/A	69%

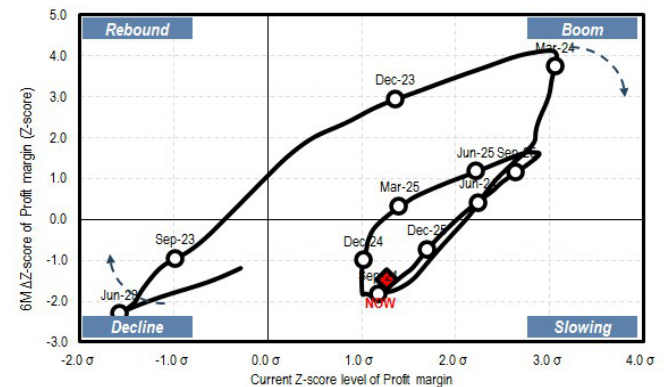
Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 9: Software-related (GICS Level 2 classification, sum of applicable TPX500 constituents): Cash equity Trend-Followers' total positions and NTM Profit Margin (2-year Z-score equivalent)



Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 10: Software-related profit margin cycle chart (x-axis: Z-score of NTM profit margin, y-axis: 6-month difference) - Currently in the Slowing phase



Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Media & Entertainment Sector

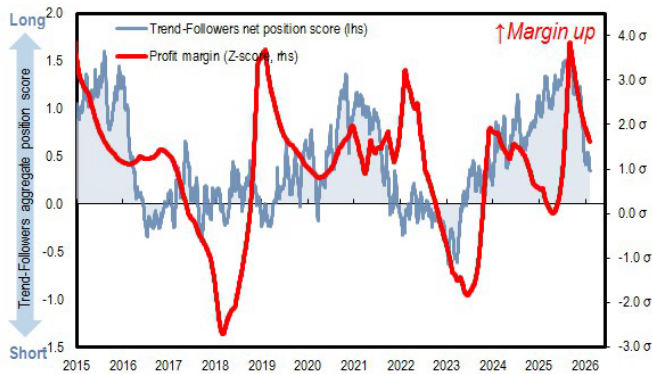
Figure 11: Trend-Followers' position (Media & Entertainment sector stocks, GICS Level 2): As of February 4

1. Based on directional investors' position in TOPIX 500 names. 2. Shows "unrealized gains" (Gain) or "unrealized losses" (Pain) based on a comparison of the position break-even point (3-month cumulative basis) and the latest share price.

Code	Name	Sector (TSE33)	Rank -3M→-1M→ -1W→Now	Directional position score Posi. Score (5Y %ile) (+long, -short)	Mkt Cap (bn JPY)	Price (JPY)	Pain/Gain Monitor(3M window)			Abs. return %			Rel. return % (vs TPX)			Fundamentals							
							GIPT?	Breakeven level (JPY)	Distance to level B/E %	1wk %	1M %	3M %	1wk %	1M %	3M %	Beta	60D HVol	PIE (12m)	P/B (LTM)	ROE (LTM)	DY% (LTM)	Foreign sales %	
9401	TBS HOLDINGS INC (9401)	Information & Communication	94→94→64→71	1.3	956	6,015	Gain	5,832	3.1%	-0.1%	1.4%	11.9%	-3.5%	-1.9%	1.1%	1.0	27.7	19.4	0.9	5.5	1.2	0%	
4676	FUJI MEDIA HOLD (4676)	Information & Communication	171→94→79→88	1	916	8,839	Gain	3,714	3.4%	1.4%	-3.3%	13.4%	-2.0%	-6.6%	2.6%	0.8	33.9	18.6	1.0	-2.4	3.3	0%	
9404	NIPPON TV HDS (9404)	Information & Communication	33→55→87→103	0	64%	950	3,635	Pain	3,840	-5.3%	-1.8%	-6.2%	-4.3%	-5.2%	-9.5%	-15.2%	0.8	26.5	15.1	0.9	5.8	1.1	0%
3659	NEXON CO LTD (3659)	Information & Communication	178→83→92→130	9	96%	2,955	3,572	Pain	3,679	-2.9%	-16.1%	-10.9%	9.9%	-19.5%	-14.2%	-0.9%	0.9	38.9	22.6	2.7	11.1	1.3	96%
9766	KONAMI GROUP COR (9766)	Information & Communication	12→36→135→180	0.8	63%	2,781	19,380	Pain	22,909	-15.4%	-9.5%	-10.4%	-20.7%	-12.9%	-13.8%	-31.5%	0.8	37.0	23.9	4.9	17.0	1.0	29%
9602	TOHO CO LTD (9602)	Information & Communication	24→199→281→302	0.4	51%	1,359	7,724	Pain	9,246	-16.5%	-4.3%	-3.3%	-17.4%	-7.7%	-6.6%	-28.2%	0.5	26.5	24.8	2.5	11.5	1.4	10%
4751	CYBERAGENT INC (4751)	Services	170→304→315→331	0.3	69%	639	1,261	Pain	1,439	-12.4%	-10.0%	-9.4%	-16.2%	-13.4%	-12.7%	-27.0%	0.8	36.5	17.1	3.5	18.5	1.5	0%
7974	NINTENDO CO LTD (7974)	Other Products	79→335→369→386	0.1	38%	11,653	8,973	Pain	12,340	-27.3%	-11.7%	-17.3%	-35.5%	-15.1%	-20.6%	-46.3%	1.0	39.0	22.2	3.5	14.1	2.0	74%
2432	DENA CO LTD (2432)	Information & Communication	259→350→377→392	0.1	68%	311	2,547	Gain	2,533	0.6%	1.3%	-2.6%	-3.8%	-2.1%	-5.9%	-14.6%	0.8	25.7	11.9	1.0	18.4	N/A	-
9684	SQUARE ENIX HD (9684)	Information & Communication	208→390→392→396	0.1	49%	928	2,525	Pain	3,067	-17.7%	-6.3%	-13.0%	-21.5%	-9.7%	-16.3%	-32.3%	0.5	30.9	26.8	2.7	6.9	1.7	33%
9697	CAPCOM CO LTD (9697)	Information & Communication	131→328→391→397	0.1	22%	1,700	3,190	Pain	3,888	-18.0%	-18.3%	-14.6%	-21.6%	-21.7%	-17.9%	-32.5%	1.0	46.2	22.1	5.3	28.4	1.3	60%
2433	HAKUHODO DY HOLD (2433)	Services	424→425→416→424	-0.1	70%	434	1,114	Gain	1,141	-2.4%	-2.4%	-5.8%	-2.2%	-5.8%	-9.1%	-13.1%	0.6	24.2	16.3	1.1	4.2	2.9	27%
7458	DAIICHIKIOSHO CO (7458)	Wholesale Trade	483→430→434→437	-0.1	65%	176	1,697	Pain	1,615	5.0%	3.1%	0.1%	7.0%	-0.3%	-3.2%	-3.8%	0.6	15.7	12.2	1.5	12.8	3.4	-
9468	KADOKAWA CORP (9468)	Information & Communication	379→444→446→440	-0.2	8%	466	3,128	Gain	3,240	-3.5%	-3.8%	-2.3%	2.9%	-7.2%	-5.6%	-8.0%	0.7	33.9	34.8	1.8	2.6	1.0	22%
2371	KAKAKU.COM INC (2371)	Services	161→376→440→446	-0.2	44%	371	1,674	Gain	2,171	-13.7%	-13.4%	-18.8%	-24.0%	-16.8%	-22.1%	-34.8%	0.9	34.4	15.9	6.1	32.9	2.7	0%
3635	KOEI TECMO HOLD (3635)	Information & Communication	286→414→454→461	-0.3	34%	521	1,551	Gain	1,820	-14.8%	-10.5%	-18.7%	-25.6%	-13.9%	-22.0%	-36.4%	0.6	27.7	15.0	2.0	16.0	2.8	41%
4334	DENTSU GROUP INC (4334)	Services	488→476→475→467	-0.4	21%	739	2,781	Gain	3,173	-12.4%	-7.3%	-19.5%	-11.0%	-10.7%	-22.8%	-21.8%	0.7	38.3	9.0	1.2	-35.6	N/A	59%
4689	LY CORP (4689)	Information & Communication	402→453→487→491	-0.7	12%	2,603	378	Gain	416	-9.0%	-4.5%	-10.6%	-11.1%	-7.9%	-13.9%	-21.9%	0.6	19.3	15.1	0.9	7.0	1.9	0%

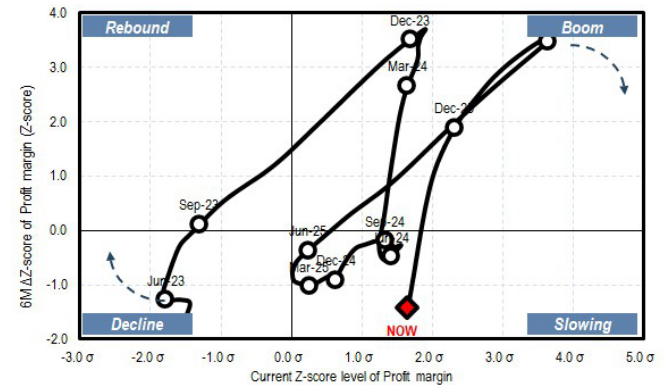
Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 12: Media & Entertainment-related (GICS Level 2 classification, sum of applicable TPX500 constituents): Cash equity Trend-Followers' total position and NTM profit margin (2y Z-score equivalent)



Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 13: Media & Entertainment-related profit margin cycle chart (x-axis: Z-score of NTM profit margin, y-axis: 6-month difference) - Currently in the Slowing phase



Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Commercial & Services Sector

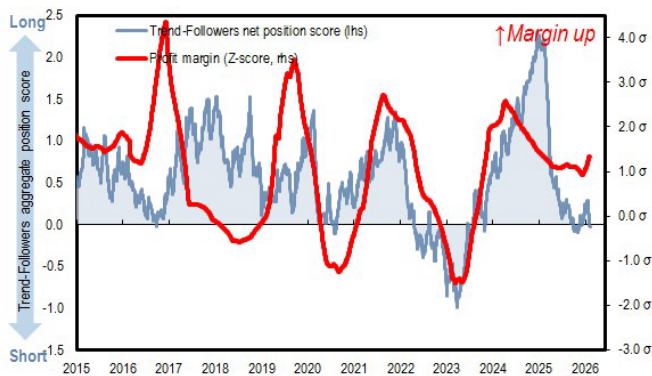
Figure 14: Trend-Followers' position (Commercial & Professional Services sector stocks, GICS Level 2): As of February 4

1. Based on directional investors' position in TOPIX 500 names. 2. Shows "unrealized gains" (Gain) or "unrealized losses" (Pain) based on a comparison of the position break-even point (3-month cumulative basis) and the latest share price.

Code	Name	Sector	Rank -3M→-1M→ -1W→Now	Directional position score Posi. Score (+long, -short)	Price Mkt Cap (bn JPY)	Price (JPY)	Pain/Gain Monitor(3M window)			Abs. return %			Rel. return % (vs TPX)			Fundamentals							
							GP?	Breakeven	Distance to level (JPY)	1wk %	1M %	3M %	1wk %	1M %	3M %	Beta	60d HVol	P/E (12m)	P/B (LTM)	ROE (LTM)	DY% (LTM)	Foreign sales %	
7912	DAI NIPPON PRINT (7912)	Other Products	250→256→177→165	0.8	66%	1,526	2,909	Gain	2,714	7.2%	5.0%	5.7%	11.8%	1.6%	2.4%	1.0%	0.8	27.6	13.7	1.1	7.0	1.4	24%
7846	PILOT CORP (7846)	Other Products	320→262→244→234	0.7	80%	203	4,962	Gain	4,825	2.8%	2.5%	4.6%	6.3%	-0.9%	1.3%	-4.5%	0.5	15.8	12.0	1.3	9.9	2.4	71%
7984	KOKUYO (7984)	Other Products	141→255→249→242	0.6	58%	408	925	Gain	907	2.0%	3.7%	5.0%	3.8%	0.3%	1.7%	-7.0%	0.6	16.4	17.5	1.6	8.7	2.5	13%
9744	MEITEC GROUP HOL (9744)	Services	237→174→225→260	0.6	58%	273	3,500	Gain	3,362	4.1%	-0.1%	-2.2%	9.0%	-3.5%	-5.5%	-1.8%	0.5	13.9	18.6	6.1	31.3	5.2	-
4665	DUSKIN CO LTD (4665)	Services	342→249→272→274	0.5	53%	206	4,285	Gain	4,101	4.5%	1.3%	-0.2%	13.1%	-2.1%	-3.5%	2.3%	0.2	21.9	21.8	1.3	6.3	2.7	0%
9736	SECOM CO LTD (9736)	Services	378→332→264→284	0.5	83%	2,685	5,755	Gain	5,587	3.0%	0.5%	2.4%	9.9%	-2.9%	-0.9%	-0.9%	0.5	18.2	20.6	1.9	8.6	1.7	6%
2331	ALSOK CO LTD (2331)	Services	319→241→295→292	0.5	60%	584	1,145	Pain	1,177	-2.8%	-5.9%	-3.3%	0.9%	-9.3%	-11.6%	-9.9%	0.3	22.5	15.6	1.6	9.8	2.6	0%
2181	PERSOL HOLDINGS (2181)	Services	287→210→308→310	0.3	62%	612	268	Pain	280	-4.2%	-1.5%	-8.5%	4.1%	-4.9%	-11.8%	-6.7%	0.7	22.5	13.1	2.9	19.6	4.1	33%
7911	TOPPAN HOLDINGS (7911)	Other Products	444→394→380→312	0.3	40%	1,378	4,676	Pain	4,775	-2.1%	1.1%	0.1%	24.4%	-2.3%	-3.2%	13.6%	1.0	50.5	17.3	1.0	6.8	1.2	37%
6544	JAPAN ELEVATOR S (6544)	Services	106→300→347→335	0.3	37%	293	1,638	Pain	1,836	-10.8%	-2.6%	-8.1%	-10.6%	-6.0%	-11.4%	-21.4%	0.6	32.5	34.5	14.2	33.7	1.2	0%
4666	PARK24 CO LTD (4666)	Real Estate	326→342→321→347	0.2	75%	366	2,139	Gain	2,037	5.0%	-1.7%	3.1%	21.6%	-5.1%	-0.3%	10.8%	0.7	30.8	14.9	3.7	18.1	3.0	21%
4194	VISIONAL INC (4194)	Information & Communication	272→373→408→415	0.0	23%	332	8,277	Gain	8,671	-4.5%	-6.0%	-10.0%	-18.2%	-9.4%	-21.4%	-29.0%	0.6	34.6	17.9	4.6	27.1	N/A	0%
6098	RECRUIT HOLDINGS (6098)	Services	403→397→419→433	-0.1	30%	11,721	7,501	Gain	7,816	-4.0%	-11.3%	-16.7%	-11.6%	-14.7%	-20.0%	-22.4%	1.2	51.5	20.6	7.2	27.9	0.3	53%
6532	BAYCURRENT INC (6532)	Services	155→380→433→450	-0.2	10%	787	5,063	Gain	5,779	-12.4%	-19.8%	-23.3%	-26.0%	-23.2%	-26.7%	-36.8%	0.7	49.2	16.8	7.3	N/A	2.0	0%

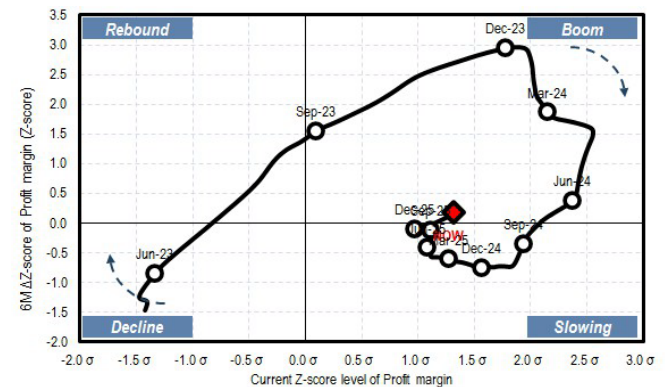
Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 15: Commercial & Services-related (GICS Level 2 classification, sum of applicable TPX500 constituents): Cash equity Trend-Followers' total position and NTM profit margin (2y Z-score equivalent)



Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 16: Commercial & service-related profit margin cycle chart (x-axis: Z-score of NTM profit margin, y-axis: 6-month difference) - Currently in the Boom phase



Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

■ Semiconductor-related Sector

Figure 17: Trend-Followers' position (Semiconductors & SPE sector stocks, GICS Level 2): As of February 4

1. Based on directional investors' position in TOPIX 500 names. 2. Shows "unrealized gains" (Gain) or "unrealized losses" (Pain) based on a comparison of the position break-even point (3-month cumulative basis) and the latest share price.

Code	Name	Sector (TSE33)	Rank -3M→-1M→ -1W→Now	Directional position score Posi. Score (+long, -short)	(5Y %ile)	Mkt Cap (Bt JPY)	Price (JPY)	Pain/Gain Monitor(3M window)			Abs. return %			Rel. return % (vs TPX)			Fundamentals						
								G/P/P	Breakeven level (JPY)	Distance to B/E %	1wk %	1M %	3M %	1wk %	1M %	3M %	Beta	60D HVol	P/E (12m)	PIB (LTM)	ROE (LTM)	DY% (LTM)	Foreign sales %
6857	ADVANTEST CORP (6857)	Electric Appliances	58→93→89→61	1.3	96%	19,517	25,475	Gain	19,979	27.5%	-0.3%	18.2%	27.6%	-3.7%	14.9%	16.8%	1.6	66.6	45.9	27.4	49.3	0.2	98%
285A	KIOXIA HOLDINGS (285A)	Electric Appliances	84→103→66→75	1.2	98%	11,379	20,900	Gain	12,005	74.1%	10.3%	80.2%	73.6%	6.9%	76.9%	62.8%	2.0	115.1	14.2	15.3	45.9	N/A	82%
7729	TOKYO SEIMITSU (7729)	Precision Instruments	261→225→199→162	0.8	86%	592	13,965	Gain	11,571	20.9%	0.4%	19.6%	29.8%	-3.0%	16.3%	18.9%	1.3	42.9	21.9	3.2	12.5	1.6	75%
7735	SCREEN HOLDINGS (7735)	Electric Appliances	276→193→219→182	0.8	86%	2,000	20,965	Gain	15,532	35.0%	2.4%	30.5%	69.8%	-1.0%	27.1%	58.9%	1.4	51.9	19.8	4.5	19.8	1.3	86%
6525	KOKUSAI ELECTRIC (6525)	Electric Appliances	183→173→163→202	0.7	85%	1,514	6,359	Gain	5,272	20.6%	-9.2%	9.4%	9.6%	-12.6%	6.1%	-1.2%	1.6	85.6	34.7	7.1	17.1	0.6	92%
6963	ROHM CO LTD (6963)	Electric Appliances	197→237→222→204	0.7	100%	1,104	2,735	Gain	2,356	16.1%	-0.5%	18.1%	33.3%	-3.9%	14.8%	22.5%	0.9	43.7	36.2	1.1	-3.8	1.8	71%
6728	ULVAC INC (6728)	Electric Appliances	222→334→277→222	0.7	84%	421	8,525	Gain	7,355	15.9%	2.0%	14.0%	26.1%	-1.4%	10.6%	15.3%	1.3	35.3	18.8	1.9	6.8	1.9	69%
8035	TOKYO ELECTRON (8035)	Electric Appliances	293→292→236→238	0.6	81%	19,195	40,700	Gain	34,296	18.7%	-7.1%	9.0%	24.1%	-10.5%	5.7%	13.3%	1.6	52.5	31.7	9.3	28.5	1.3	92%
6920	LASERTEC CORP (6920)	Electric Appliances	345→274→175→245	0.6	82%	2,810	29,805	Gain	29,599	0.7%	-24.0%	-9.0%	2.4%	-27.4%	-12.3%	-8.4%	1.5	67.4	32.5	11.8	43.0	1.1	92%
6146	DISCO CORP (6146)	Machinery	226→311→276→255	0.6	64%	7,390	68,140	Gain	53,926	26.4%	-3.3%	25.7%	40.4%	-6.7%	22.4%	29.6%	1.5	62.7	47.8	13.6	26.4	0.6	89%
6323	RORZE CORP (6323)	Machinery	314→245→239→275	0.5	78%	568	3,218	Gain	2,508	28.3%	-12.8%	29.2%	49.7%	-16.2%	25.9%	38.9%	1.7	67.8	20.7	4.5	18.4	0.5	90%
6707	SANKEN ELECTRIC (6707)	Electric Appliances	288→388→345→299	0.4	80%	161	7,674	Gain	6,863	11.8%	12.8%	25.8%	15.0%	9.4%	22.5%	4.2%	1.1	48.2	N/A	1.2	1.1	N/A	71%
6723	RENESAS ELECTRON (6723)	Electric Appliances	419→378→353→316	0.3	61%	4,815	2,574	Gain	2,248	14.5%	-0.6%	11.9%	40.2%	-4.0%	8.6%	29.4%	1.6	51.9	12.6	2.1	-2.3	1.1	79%
3436	SUMCO CORP (3436)	Metal Products	303→340→339→327	0.3	82%	567	1,620	Gain	1,538	5.3%	7.3%	5.4%	12.1%	3.9%	2.1%	1.3%	1.4	69.8	N/A	1.0	0.5	1.2	79%
6526	SOCIONEXT INC (6526)	Electric Appliances	353→431→456→466	-0.3	10%	372	2,067	Gain	2,196	-5.9%	-0.5%	-10.2%	-13.0%	-3.9%	-13.5%	-23.8%	1.7	39.2	19.1	2.8	6.0	2.4	53%

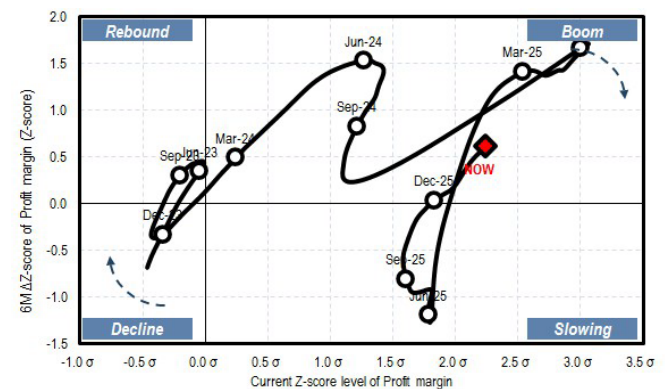
Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 18: Semiconductor-related (GICS Level 2 classification, sum of applicable TPX500 constituents): Cash equity Trend-Followers' total position and NTM profit margin (2y Z-score equivalent)



Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

Figure 19: Semiconductor-related profit margin cycle chart (x-axis: Z-score of NTM profit margin, y-axis: 6-month difference) - Currently in the Boom phase



Source: Bloomberg Finance L.P., J.P. Morgan Global Markets Strategy

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