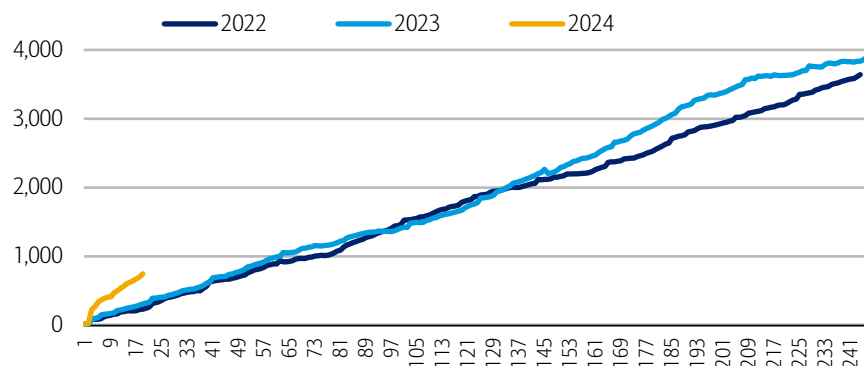


FX Watch

Japan Toshin: Outward Toshin investment in Jan more than doubled YoY

Exhibit 1: Cumulative net flow into largest Japanese investment trusts (Toshin) invested in foreign equities (incl. REIT, fund of funds) by calendar year* (¥bn, number of business days, our estimate)

Net flow into Japan's foreign equity investment trusts more than doubled YoY in Jan



Source: BofA Global Research estimates, Bloomberg

*We screen 100 largest investment trusts by assets under management (AUM) available in Japan and invested in foreign assets with price and AUM history since 2022 by Bloomberg's screening function (excluding bond and commodity funds, balance funds which also invest in domestic assets; including real estate investment trusts (REITs), fund of funds)

We estimate net daily flow as AUM change not explained by price change

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Structural yen-selling, USD buying, intraday move

After new Nippon Individual Savings Account (NISA) became effective on Jan 1, Japanese retail investors' outward investment through Toshin (investment trusts) has risen (to learn about NISA, see: [Liquid Insight: Q&A on NISA and Japan's retail rebalancing 15 November 2023](#)). We track top 100 investment trusts by AUM to see the trend. While we need to confirm macro data on investment trust flow to be published by the Ministry of Finance (MoF) and Japan's Investment Trusts Association in coming weeks, our estimate could give the magnitude of increase in outward flow. Below are key takeaways from Jan data:

- In Jan 2024, the funds attracted ¥747bn net inflow by our estimate, 142% higher than for Jan 2023 (Exhibit 1).
- It implies ¥9.0tn net annual inflow into the funds if we simply multiply by 12, which may be overestimating or underestimating¹ (Exhibit 2). In 2023, these funds attracted ¥3.9tn net inflow by our estimate (slightly below the amount of outward investment trust flow in the MoF/Investment Trusts Association data). A ¥5tn increase in annual outflow may not be the primary driver of JPY, but it would be negative for JPY over time.

¹ This may be an overestimate if investors reallocated from old NISA accounts to new NISA accounts and because of survivorship bias or an underestimate as volume in Jan was less than 1/12 of the annual flow for 2022 and 2023, as more people may start NISA in coming months, and as it does not cover funds with recent inception dates. Feb data will be important to determine the trend.

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G10 FX Strategy
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NISA: Nippon Individual Savings
Account

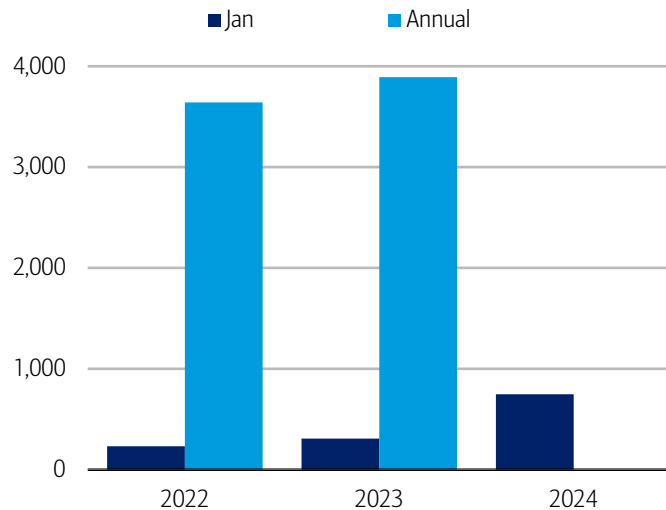
MoF: Ministry of Finance

Toshin: Investment trusts

- Two funds accounted for 74% of net aggregate inflow into the funds in Jan by our estimate (Exhibit 3) – MUKAM eMAXIS Slim World Equity Fund (46%) and MUKAM eMAXIS Slim US Equity S&P 500 Fund (28%). It suggests USD as the biggest beneficiary of Japanese retail flow.
- In Jan 2024, 27% of net inflow into the funds occurred on Jan 9 (Exhibit 4). This appears attributable to brokers/banks' investment programs for their clients (i.e. Rakuten Securities' account holder can buy investment trusts with credit card payment on 8th of each month as the transaction date – note Jan 8 was national holiday). Note brokers/banks have different transaction dates for investment by credit cards (e.g., 1st of each month for SBI Securities). These Toshin/NISA programs at financial institutions may lead to uneven intramonth distribution of NISA related flow.
- From Jan 1 to Jan 26, Japanese investors bought ¥1.0tn in foreign equities, according to the MoF's weekly cross border investment statistics (Exhibit 5).

Exhibit 2: Net flow to largest foreign equity funds (see Exhibit 1): Jan vs annual (¥bn)

2024 on track for ¥9.0tn inflow to the funds

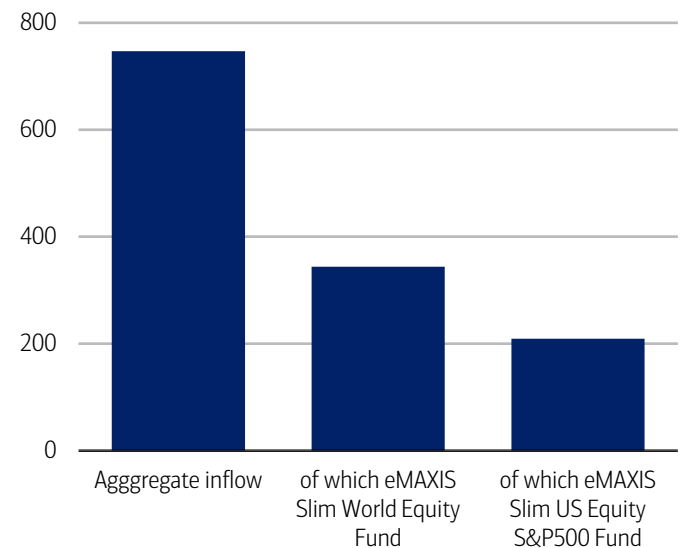


Source: BofA Global Research, Bloomberg

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Exhibit 3: Net flow to largest foreign equity funds (see Exhibit 1) in Jan 2024: aggregate vs two funds with largest net flow (¥bn)

Two funds accounted for 74% of total inflow

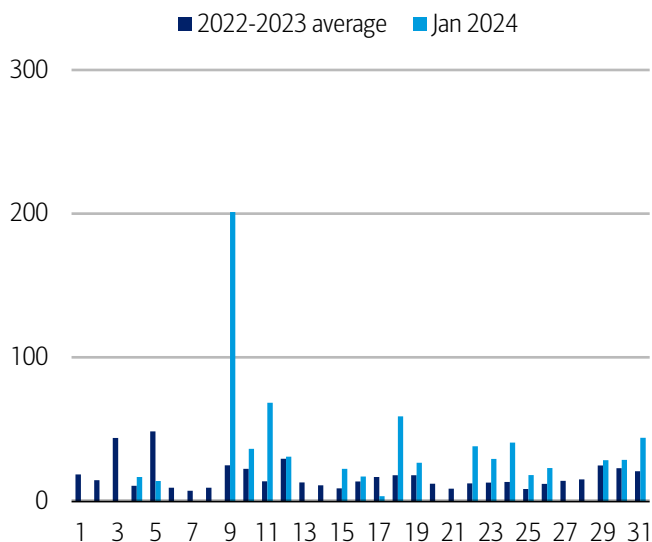


Source: BofA Global Research, Bloomberg

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Exhibit 4: Daily flow into largest foreign equity funds (see Exhibit 1) in Jan (¥bn)

Jan 9 accounted for 28% of total inflow

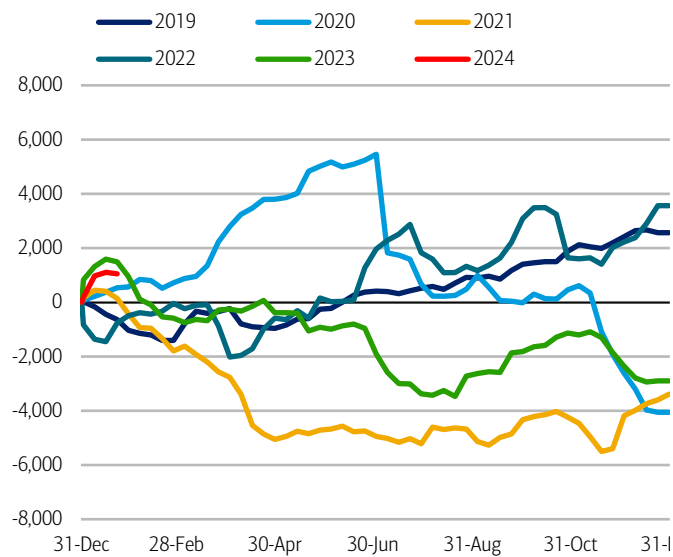


Source: BofA Global Research, Bloomberg

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Exhibit 5: Cumulative weekly outward equity investment by Japanese investors by calendar year (as of Jan 26 for 2024, ¥bn)

Japanese investors have bought ¥1.0tn in foreign equities YTD



Source: BofA Global Research, Bloomberg

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