

Macro Roundup Article

Headline: [Japan's Stealth Profit Boom](#)

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Tweet: Since 2010 the largest 500 Japanese stocks have increased their EPS by 5.8x, twice the rate as their US peers. A @verdadcap analysis argues this outperformance was driven by the success of Corporate Japan's deleveraging.

Summary: Japanese companies lagged the US in revenue growth from 2000 to 2010, barely growing EPS at all. But since then, the EPS of the biggest 500 Japanese stocks has increased by 5.8x over the last 14 years, almost twice the rate of their American peers now. These results make it difficult for us to concede that Japanese companies were somehow much worse run than their S&P 500 counterparts. They seem to have improved much more and allocated capital primarily when it increased per-share earnings. But how did this happen? We believe one of the primary reasons is deleveraging balance sheets in Japan. As Japan deleveraged coming out of the non-performing loan crisis at the turn of the century, it became one of the most well capitalized corporate markets in global equities and still enjoys some of the lowest corporate borrowing rates in the world. As a result, very little of every dollar of earnings before interest and taxes (EBIT) goes to interest payments for the typical company.

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Primary Topic: Business Cycle

Topics: Business Cycle, Database, Financial Markets, GDP, Op-Ed/Blog Post

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