

Stock market eyes Japan recovery

Japanese shares have ended the year at their highest level since 13 July amidst hopes of an economic recovery during 2005.

The Nikkei index of leading shares gained 7.6% during the year to close at 11,488.76 points. In 2005 it "will rise toward 13,000", predicted Morgan Stanley equity strategist Naoki Kamiyama. The optimism in the financial markets contrast sharply with pessimism in the Japanese business community. Earlier this month, the quarterly Tankan survey of Japanese manufacturers found that business confidence had weakened for the first time since March 2003.

Slower economic growth, rising oil prices, a stronger yen and weaker exports were blamed for the fall in confidence. Despite this, traders expect strength in the global economy to benefit Japan, which has been close to sliding into recession in recent months. Structural reform within Japan and an anticipated end to the banking sector's bad debt problems should also help, they say.