Daiwa Securities

Daiwa's View

Follow-up: Update on new NISA-induced yen selling

- New NISA increased investment in cumulative investments by about Y300bn
- Investments made via growth investment quota have not increased substantially

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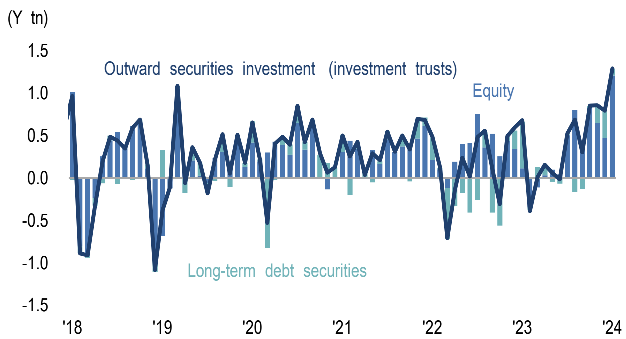
Two months have already passed since the start of the new Nippon Individual Savings Account (new NISA) system. With the start of the new NISA, the funds of individuals have flowed into overseas stocks. Focusing solely on that inflow, it can be said that depreciation pressure on the yen has intensified more than before. We provided an update on new NISA-induced yen selling when trends had become apparent at the beginning of February, and we would like to summarize the situation once more by confirming the data in early March.

First, we look at the International Transactions in Securities for January (based on reports from designated major investors). This was announced on 8 February by the MOF after our previous update report was released. Outward securities investment via investment trust management companies attracted attention, recording the largest net buying since the start of data compilation. Outward investment in investment trusts came in at Y1,293.6bn, almost all of which consisted of equity and investment funds worth Y1,210.4bn (Chart 1). Official statistics confirmed that individuals actively increased investment in overseas stocks due to the start of the new NISA.

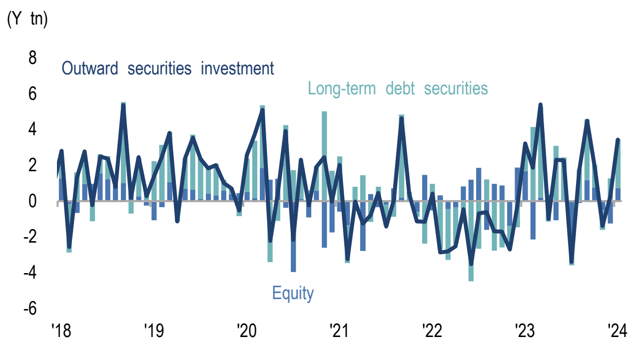
Looking at the total for outward securities investments in all sectors, January logged Y3,422.6bn in net buying. However, this is not a historically high level (Chart 2). Looking at the breakdown, while a driver was long-term debt securities (Y2,712.3bn), the amount accounted for by equity and investment funds was limited at Y733.7bn. Trust accounts remained a net seller (-Y805.1bn) probably due to rebalancing, which partially offset purchases by investment trusts. Confirming the data in February on a weekly basis, the portion accounted for by equity and investment funds logged net selling in the first week, but continued to post net buying from the second week through to the fourth week.

Chart 1: Outward Securities Investment (investment trusts)



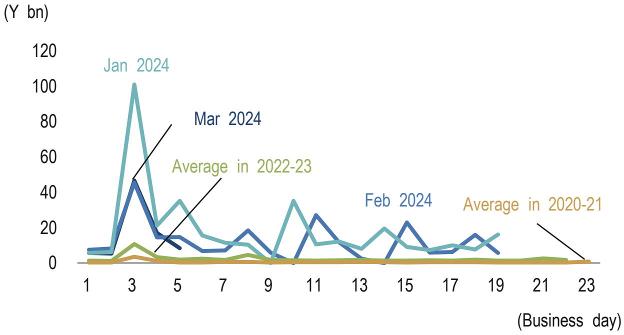
Source: MOF; compiled by Daiwa.

Chart 2: Outward Securities Investment



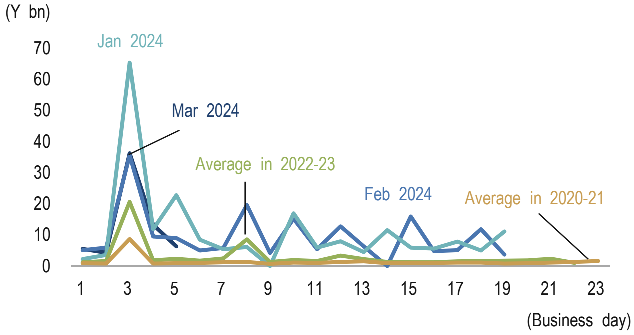
Source: MOF; compiled by Daiwa.

Chart 3: Amount of Funds Flowing into eMAXIS Slim All-country Stocks



Source: Mitsubishi UFJ Asset Management; compiled by Daiwa.
Note: Amount of inflow of funds estimated by Daiwa.

Chart 4: Amount of Funds Flowing into eMAXIS Slim US Stocks



Source: Mitsubishi UFJ Asset Management; compiled by Daiwa.
Note: Amount of inflow of funds estimated by Daiwa.

Below, we look at the situation up to early March using data from index funds, which account for an overwhelming share of the inflow of funds since the beginning of the year. Confirming the inflow of funds on the third business day of the month, when purchases at the beginning of the month are reflected, we found that the inflow of funds to the product linked with the all-country stock price index, which has the top share, came in at Y46.7bn. This was almost the same as the Y45.5bn in February (Chart 3). The inflow to the second-ranked product linked with the US stock price index stood at Y36.2bn, which was also almost unchanged from the figure in the previous month (Y35.5bn, Chart 4).

It can be said that the results support the view that fund inflows in January clearly reflect investors using up the growth investment quota with the new NISA. It has also become clear that inflows from lump-sum investments at the beginning of the year very likely accounted for a large portion of the inflow to the product linked with the all-country stock price index. Monthly fund inflows to the product linked with the all-country stock price index were confirmed to be Y108.7bn in December, Y342.8bn in January, and Y227.2bn in February. On the other hand, fund inflows to the product linked with the US stock price index came in at Y77.6bn in December, Y207.9bn in January, and Y180.4bn in February. As such, the product linked with the all-country stock price index posted a sharper drop from January to February.

A certain inflow of funds is anticipated every month via purchases made within the *Tsumitate* (cumulative investment) quota. The difference between January and February appears to include a large inflow outside the cumulative investment quota. Assuming the difference between December and February was caused by inflows within the cumulative investment quota, it is calculated that the product linked with the all-country stock price index and the product linked with the US stock price index increased by Y118.5bn and Y102.8bn, respectively. Assuming that the two funds account for about 50%, monthly cumulative investment would total Y400bn, which is not far off from what was projected around the end of last year. With monthly purchases made within the cumulative investment quota with the former NISA having been about Y100bn, it is estimated that, with the new NISA, purchases have increased by around Y300bn.

As mentioned above, fund inflows in early February and early March were almost the same. Therefore, under the current circumstances, it is very likely that we will see yen selling by individuals at about the same pace as that seen in February. With the news reporting that people have continued to open new NISA accounts since the beginning of the year, the flow via these accounts is likely to increase going forward. However, as people investing this amount of money have been familiar with the new NISA and other products from the start, they have probably already invested their money. If this hypothesis is correct, we will not see drastic changes in data trends.

According to a fact-finding survey based on interviews by the Nikkei, purchases in January via new NISA accounts at five online securities firms and five major securities firms amounted to Y1,843.1bn. If we assume that purchases made within the cumulative investment quota amounted to Y400bn, purchases made within the growth investment quota would amount to around Y1.4tn. With the former NISA, purchases during Jan-Mar came to about Y1.6tn, and those during other quarters came to about Y500bn/quarter. If we assume that the Y1.1tn difference between Jan-Mar and the other quarters was from lump-sum investments at the beginning of the new year, investments made via the growth investment quota with the new NISA do not appear to have increased substantially.

In the previous update report, we projected that the new NISA would increase the amount of yen selling by Y3-4tn annually compared to before. While it is necessary to take into consideration factors such as how much is being transferred from regular securities accounts in order to gain an accurate idea of the scale, our projection for the increase in yen selling appears to be basically reasonable.

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