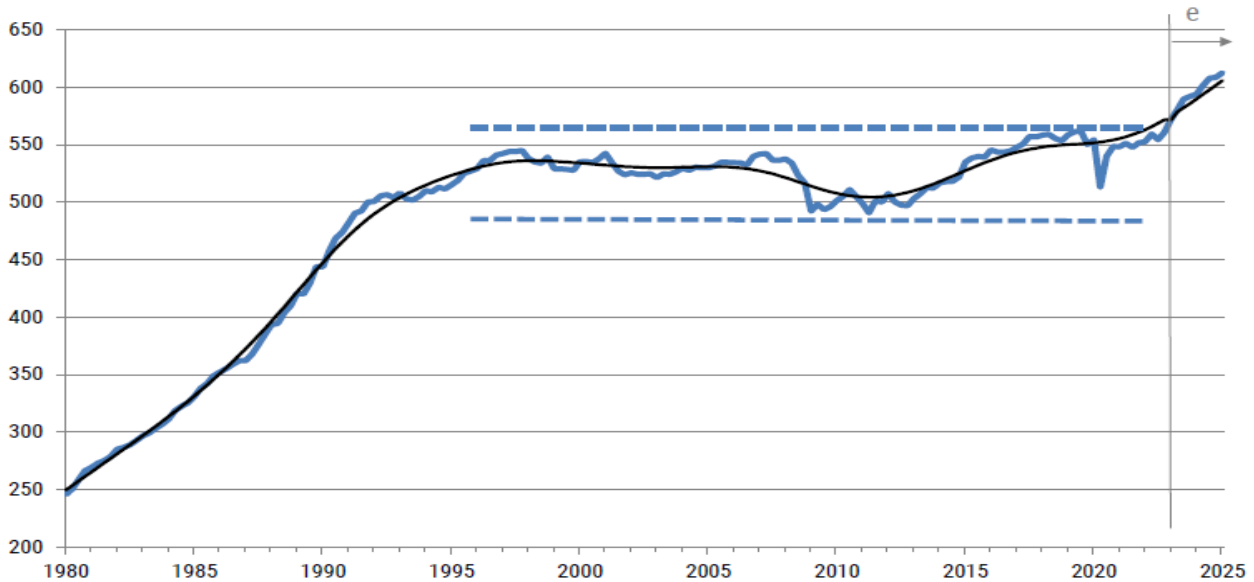


## Japan's Other Breakout

Japan Nominal GDP (trillion yen)



Source: Cabinet Office and Morgan Stanley Research as of 6/11/2023  
e = Morgan Stanley Research estimates

- Last week we began a series of Charts of Interest focused on Japan and a major breakout in the Nikkei. The term breakout is usually reserved for stock charts, but we are highlighting above a chart from Morgan Stanley showing a macro-driven breakout that may be more consequential.
- **The Japanese economy is breaking out of a 30 year long stagnant, deflationary trend.** The post-pandemic wave of inflation that rolled across the globe has certainly lifted the nominal series above, however structural changes have been at work since Shinzo Abe became Japan's Prime Minister in 2012.
- Abenomics were built on "three arrows": Monetary stimulus, Fiscal stimulus and Structural reforms. While critics may rightly point to debt accumulation through his tenure, the profile of the broader Japanese market has undoubtedly improved. The Nikkei is certainly voicing its opinion after breaking out to new all-time highs in late February.
- Our International Intrinsic Value strategy is now overweight Japan for the first time in the product's 18 year history as businesses are increasingly focusing on profitability and shareholder returns. Our discipline has picked up on this breakout, and we continue to look for opportunities in this market.

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