NIKKEI80 (DR)

Globlex Securities Co., Ltd.
17 July 2026

Priced to Perfection, Chop Before Conviction

- HOLD: Japan's valuation cushion is gone – earnings must now carry the index.
- BOJ normalization collides with Takaichi's fiscal expansion, spiking JGB yields while the yen trades near 40-year lows.
- AI-sentiment unwind, not policy, is July's swing factor – CAPEX and governance bull case still intact.

The Cushion is Gone: Valuations have Priced in the Easy Part

The Nikkei's June 22 record of 72,832 now sits over 10% above spot, with the sell-off extending into a second session, shedding a further ~4% to below 65,000 on renewed chip selling. TOPIX-level valuations — 17x forward P/E (92nd percentile), 2.0x P/B (99th) — show the re-rating phase is largely done, with foreign positioning now near-neutral rather than structurally underweight. The takeaway: Japan needs earnings and capex conversion from here, not further multiple expansion.

Two Masters, One Bank: BOJ's Normalization Meets Fiscal Expansion

BOJ hiked to 1.00% June 16 (7-1, highest since 1995); July 30-31 should hold, but the Outlook Report is the event. 10Y JGBs hit a 30-year high of 2.90% on July 9 on fiscal-versus-independence fears tied to Takaichi's "Basic Policy," before retracing to ~2.70% after Katayama floated GPIF reallocation toward domestic assets — verbal support that's already worked once. USD/JPY near 162, 40-year lows; renewed Iran-US strikes since July 6 (Brent ~$85) add a second inflation channel. Persistent inflation would pressure tech valuations and exporters' FX gains.

Cracks in the Chip Trade: Sentiment Cools, CAPEX Doesn't (Yet)

Kioxia is down over 50% from its June high; today alone saw Kioxia -14.0% after a $229m Viasat verdict, while SoftBank -8.8% and Tokyo Electron -9.0% echoed the broader AI-compute-demand doubts. The June Tankan's headline All-Industry capex jumped to 11.5% (from 3.3%, beating 10.5% consensus) — but May machinery orders, the closer real-time proxy, fell more than expected the same week, so the intentions-versus-orders gap is genuinely unresolved. SK Hynix's $26.5bn Nasdaq listing adds a new valuation comp reshaping how the memory complex prices. Nikkei's price-weighting means this handful of names drives the index far more than TOPIX.

Structural Support, with Limits

Berkshire holds >10% stakes in all five 'sōgō shōsha' as of this month; buybacks track a record pace; labor scarcity keeps automation capex (Fanuc, Yaskawa, Mitsubishi Electric) structurally supported independent of the AI-sentiment cycle. Weak yen cuts both ways here — it flatters exporter/hardware earnings translation now, but a BOJ-forced reversal would hit that same channel just as the index needs earnings to carry it. Auto-tariff relief is a live but unconfirmed catalyst — we're watching how Section 122 interacts with Japan's existing auto rate before sizing the impact.

Recommend a HOLD with TP of THB13.50

We maintain a HOLD view into month-end, expecting consolidation rather than a clear trend. The AI-sentiment unwind is the main swing factor, while the July BOJ meeting should deliver an expected hold. The investment case hinges on two confirmations: first, that the September Tankan shows firms maintaining the 11.5% capex plan despite rising costs; and second, that Q1 FY27 order intake, backlog and earnings at Tokyo Electron, Advantest and Kioxia confirm capex is translating into demand. Until then, structural capex and governance support should limit downside, while elevated valuations and concentrated AI leadership cap upside—supporting a HOLD stance.

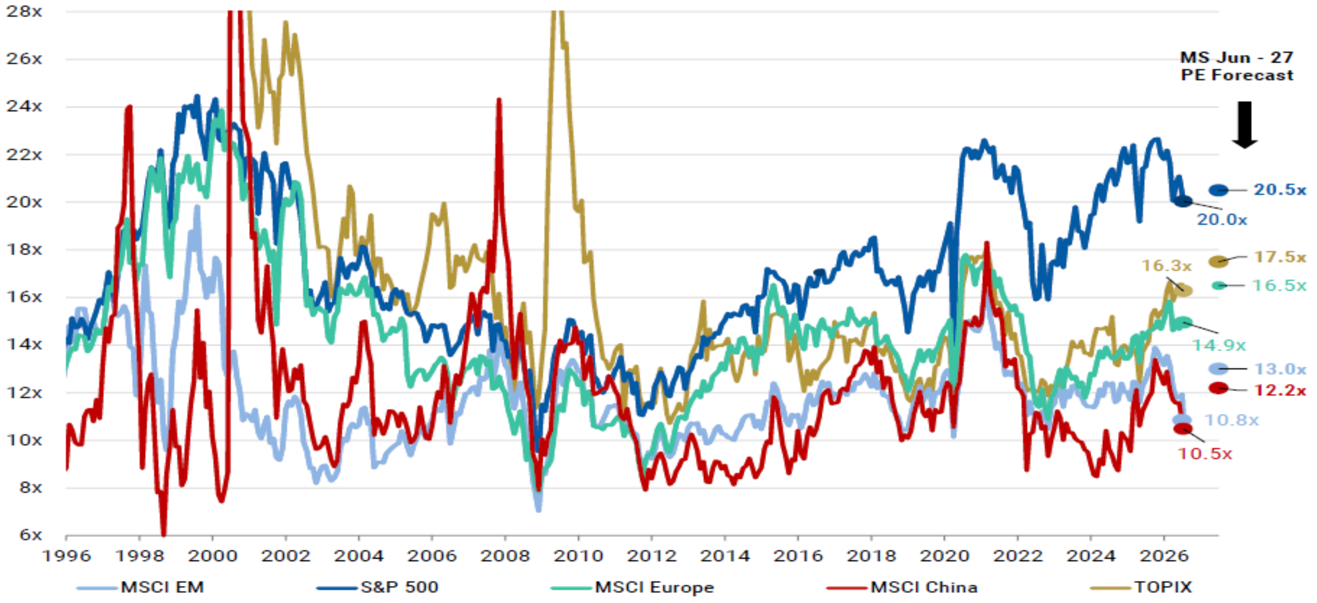
Analyst

Suwat Sinsadok, CFA, FRM, ERP
suwat.s@globlex.co.th,
+662 687 7026

Assistant Analyst

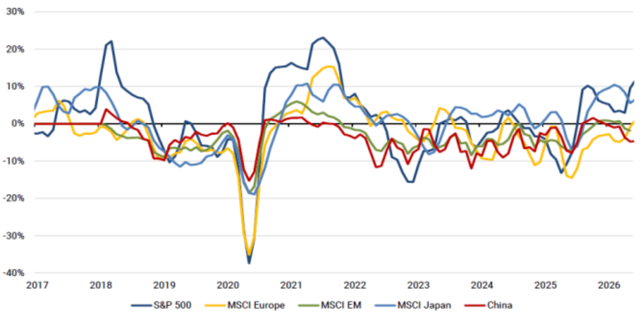
Peerayu Sirivorawong

Exhibit 1: Consensus Regional 12-month Forward P/E with Morgan Stanley June-27 Targets



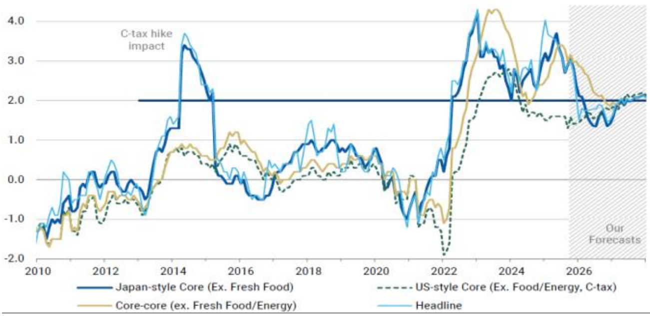
Sources: IBES, MSCI, FactSet, Morgan Stanley Research

Exhibit 2: Japan Earnings Revision Breadth Positive



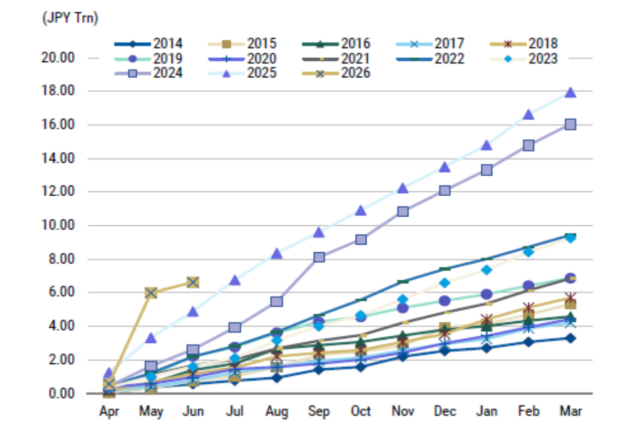
Sources: FactSet, IBES consensus, Morgan Stanley Research

Exhibit 3: Japan Inflation Forecast



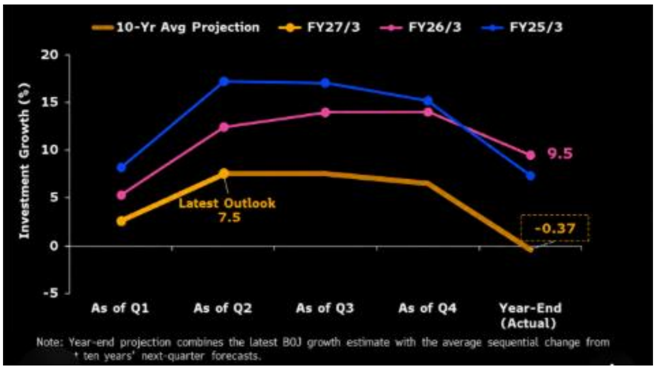
Sources: MIC, Morgan Stanley Research

Exhibit 4: Total Buybacks Executed in Japan



Sources: Bloomberg, FactSet, QUICK Workstation, INDB

Exhibit 5: BOJ Capex Outlook – Manufacturers



Sources: BOJ, Bloomberg Intelligence

GENERAL DISCLAIMER

Analyst Certification

Suwat Sinsadok, Register No. 020799, Globlex Securities Public Company Limited

The opinions and information presented in this report are those of the Globlex Securities Co. Ltd. Research Department. No representation or warranty in any form regarding the accuracy, completeness, correctness or fairness of opinions and information of this report is offered by Globlex Securities Co. Ltd. Globlex Securities Co. Ltd. Accepts no liability whatsoever for any loss arising from the use of this report or its contents. This report (in whole or in part) may not be reproduced or published without the express permission of Globlex Securities Co. Ltd.

RECOMMENDATION STRUCTURE

Stock Recommendations

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY: Expected return of 10% or more over the next 12 months.
HOLD: Expected return between -10% and 10% over the next 12 months.
REDUCE: Expected return of -10% or worse over the next 12 months.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.
* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Sector Recommendations

Overweight:	The industry is expected to outperform the relevant primary market index over the next 12 months.
Neutral:	The industry is expected to perform in line with the relevant primary market index over the next 12 months.
Underweight:	The industry is expected to underperform the relevant primary market index over the next 12 months.

Country (Strategy) Recommendations

Overweight: Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral: Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight: Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.