Markets

Japan's Stocks Tumble Most Since 2020 as Exporters Fall on Yen

By Aya Wagatsuma

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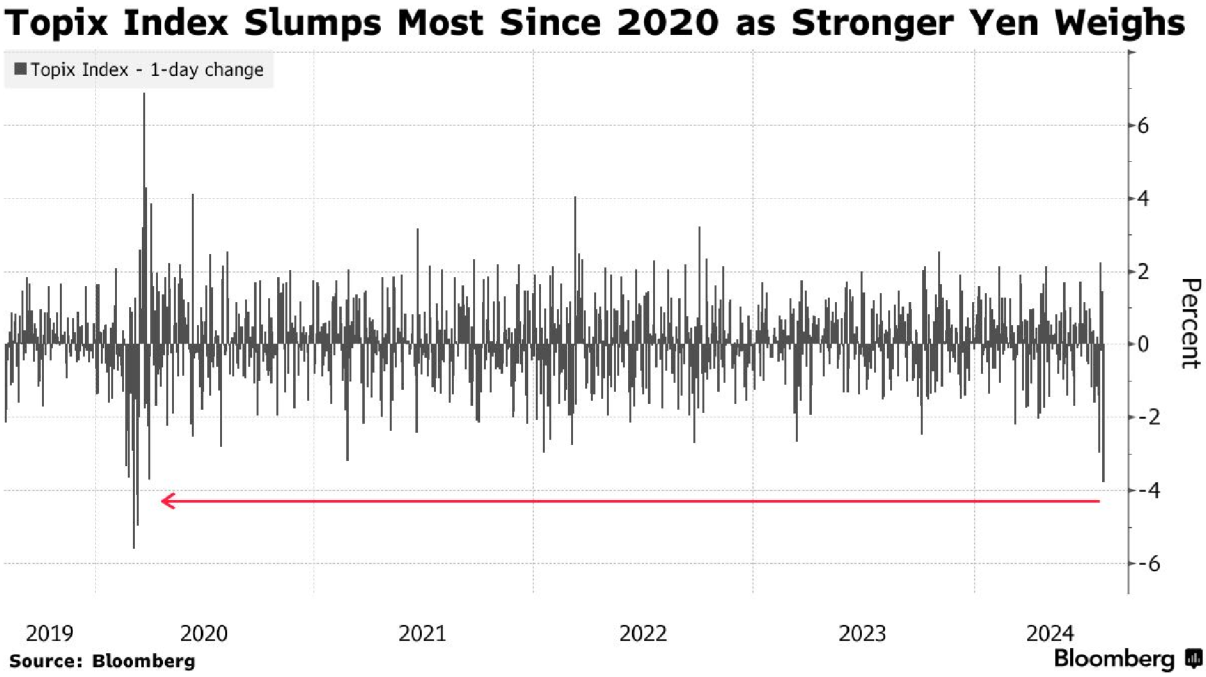
Japanese stocks slid, with the Topix index falling the most since April 2020 in a broad selloff, as the yen's sharp rally weighed on exporters and the central bank's interest rate hike dragged down real estate shares.

The Topix fell 3.2%, with all sectors declining. A measure of property stocks led losses in the index plunging 7.3% while automakers slumped 6.6%. Department stores, which had been benefiting from booming tourist spending on the back of a weaker yen, also fell. The Nikkei 225 Stock Average, which entered a technical correction last week, lost 2.5%.

The yen gained to the strongest since March versus the dollar after the Bank of Japan raised interest rates on Wednesday and Federal Reserve Chair Jerome Powell said the central bank could cut rates "as soon as" September.

"The BOJ's rate hike raises two concerns – one on the yen, which is a headwind for exporters that had been benefiting, and the other is on whether the economy will hold up," said Tetsuo Seshimo, portfolio manager at Saison Asset Management Co. "There are still many unknown factors."



Individual corporate earnings also weighed on equities as the country ramped up its quarterly earnings announcements. Japan's most valuable company, Toyota Motor Corp. contributed the most to the Topix's decline, decreasing 8.5% after the yen strengthened and the company's first-quarter operating income missed estimates.

The BOJ hiked its policy rate to around 0.25% from a range of 0 to 0.1% on Wednesday, prompting the nation's largest lender Mitsubishi UFJ Financial Group Inc. to increase its short-term prime rate, which is seen as a benchmark for floating-rate mortgages and other loans.

Comments by BOJ Governor Kazuo Ueda at his press briefing after the stock market close on Wednesday solidified the view that rates would continue rising.

"BOJ Governor Ueda seemed like a different person yesterday at the press conference and was hawkish," said Tomoichiro Kubota, a senior market analyst at Matsui Securities Co. "The previous assumption about Japanese stocks that 'interest rates will not rise and the yen will not appreciate' has changed."

The rout comes after both the Nikkei 225 and the Topix reached record highs earlier this year on the back of a weak yen and a global tech rally. Those gains have since reversed, as an AI-driven advance in tech shares faltered and concern grew over the BOJ's policy path.

– With assistance from Toshiro Hasegawa