

Finance slp5



The stock market in Japan peaked after the 1980's when Japan gained dominance over the United States in the car marketplace and other high technological sectors. At the time one would think that good times would continue, but they did not. For over 15 years the Japanese securities marketplace has been on a downturn. In March 2004 the Nikkei stock index reached a 7909 value, which is the same value the index was in the year 1982 (International, 2008). The stock market in Japan has not done any better during the last five years with continuous struggles. The depletion of the stock market has hurt the nation's banking system. The average Japanese stock pays less than one percent in annual dividends per year (Norris, 1995). In Japan the overall sad state of the economy has gotten better during 2008. The country had endured a 15 year span of basically no economic growth and was stuck in a climate that felt like a constant recession. The stock market completely bottomed out, but finally there is light at the end of the tunnel. The fourth quarter numbers for 2007 demonstrate an economy on the rise, if the benchmark of GDP was annualized it reflects a Japanese annual economic growth of 3.7% (Hutchinson, 2008). The economy is one of the most influential factors in the behavior of a country's stock market behavior. Despite that fact last year was another bad year for Japanese stocks. The SPDR Russell / Nomura index which reflects the value of smaller companies dropped 30% altogether last year (Hutchinson, 2008). The stock market in Japan is extremely risky. If an econometric statistical analyst was performed I'm sure the Beta coefficient for the marketplace is extremely high. There is still lots of uncertainty over the long term performance of the Japanese stock market. The yen during the last year has not done well and has lost purchasing power against the dollar which is bad

sign for Japanese stocks. Investing in a marketplace with high level of risk has its advantages for sophisticated and smart investor that can find hidden gems within all the chaos. It is basic economic that with high risk come high rewards which means that in stock market such the Japanese stock market there are great short gains to be made in many stocks in the marketplace. I would personally invest in the Japanese stock market place. As stated earlier there are opportunities to find high yield stocks in such a market. The smart move is to diversify and include a portfolio of blue chip U. S. stocks when attempting to make money in high risk marketplace such as Japan's. Placing too much money in one egg can be a lethal strategy. A diversified portfolio lower the overall risk and can let an aggressive investor take changes in interesting marketplaces such as the Japan stock market. The main advantage of designing such a portfolio is that the investor can rest assure the high percentage of their overall equity is safe and can make bolder move without the worry of losing their entire investment.

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