

Contrarian Individual Investors Are Alive and Well: MRF Balances Are Linked to the Nikkei Stock Average PBR

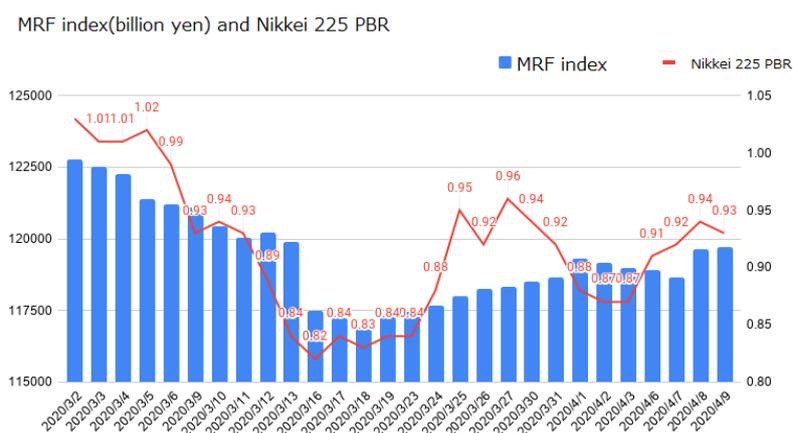
■ Utilization of MRF balances as a leading indicator of individual investor trends

We tend to think that individual investors are laying low under the burden of unrealized losses amid the market turmoil caused by the COVID-19 pandemic. However, when QUICK examined the net assets of MRFs (Money Reserve Funds), which serve as the reserve funds for individual investors, a correlation of decreasing MRF Balances at the time of the falling market became apparent. Individual investors had been trying to gauge the right time to buy in a volatile stock market.

QUICK focused on money movement by aggregating the daily changes in total net assets of the 12 major domestic MRFs and preparing its own index.

On Friday, March 13, 2020, the Nikkei Stock Average took the year's biggest plunge by dropping \1,128 (6%) from the previous day. On this day, an amendment to the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response was enacted, paving the way for the declaration of a state of emergency. On the same day, US stocks demonstrated a sharp rise which gave rise to the sentiment that any excessive sense of caution on the part of investors would be alleviated.

By combining the daily MRF balances with the Nikkei Stock Average PBR, we can see that on the day the Nikkei Stock Average PBR recorded its lowest 0.82, the MRF balance also plunged.



The plunge in stock prices attracted new investors. SBI SECURITIES Co., Ltd., the leading online securities company announced on February 26 that the number of its accounts topped 5 million. Matsui Securities Co., Ltd. reported a 19% month-over-month increase in the number of new accounts opened in March, indicating the inflow of new funds from individuals who previously did not have securities accounts into the market via online securities trading, amid conditions that have become increasingly difficult for face-to-face securities sales.

Additionally, combined with the trading trend data by investment, the trends of spot/futures trading of individual investors and MRF balances can be confirmed. It becomes apparent that a week after the substantial boost in individual spot/futures trading, the balance of MRF starts to decline. Given that

net buying exceeded the decline in the MRF balance, a major money movement can be confirmed assuming an influx of new money via net securities and other channels.

