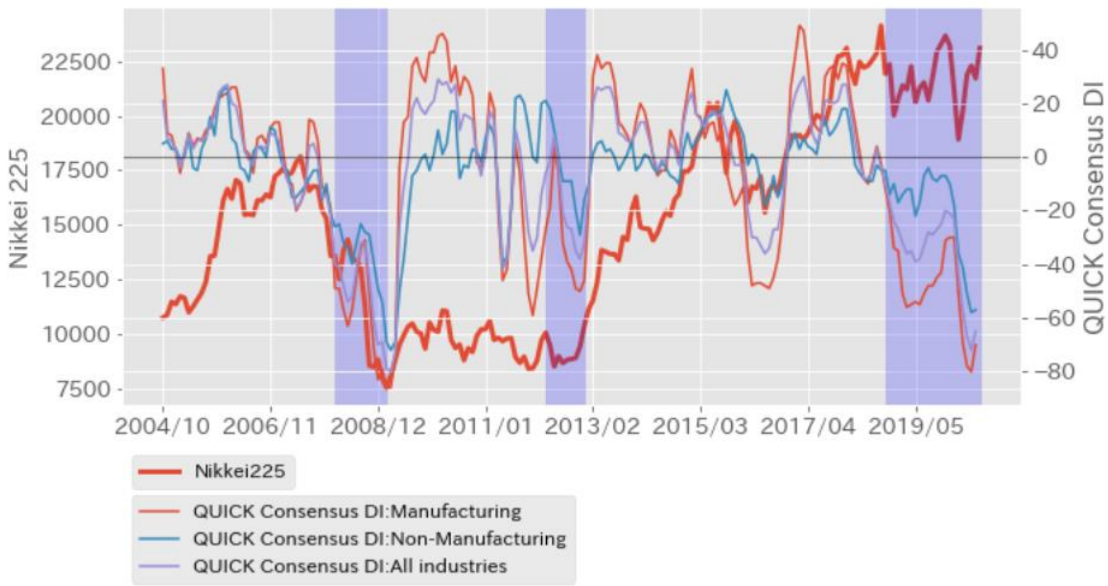
QUICK Consensus DI (Diffusion Index)

for Economic Forecast

The QUICK Consensus DI is a proprietary macro indicator that calculates from the number of companies that have made an upward or downward revision to their analyst's forecasts and indicates the trend of a company's earnings forecast. With the COVID-19 infection risk on a rise, the consensus DI has remained low (as of September 2020) after it bottomed out because of Lehman Shock.

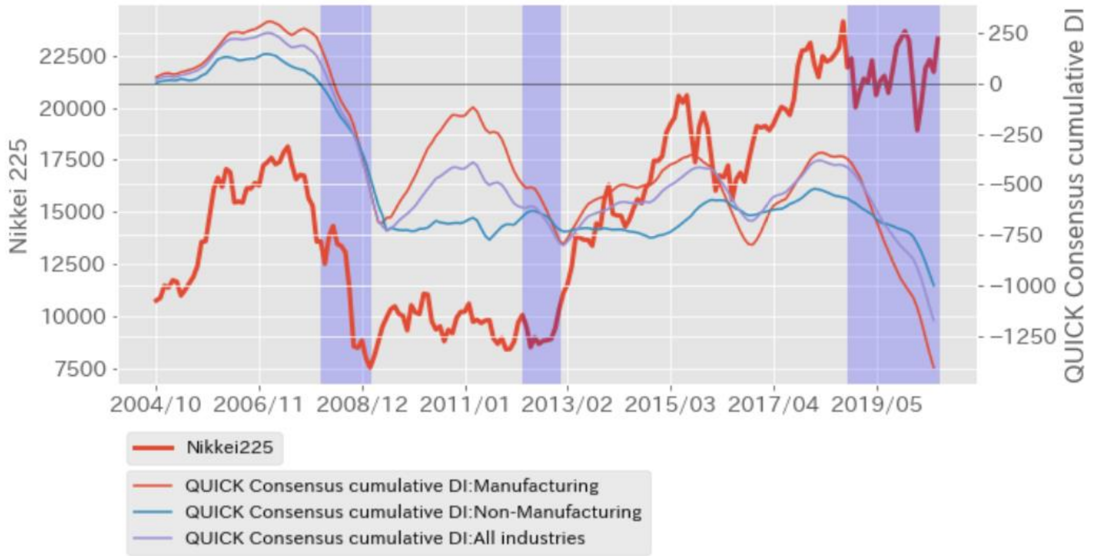
The following chart compares the Nikkei 225 and the QUICK Consensus DI. The last three recessionary periods (blue boxes) indicated by the data prepared by the Cabinet Office show that the DI has remained in negative. Because the DI calculates by subtracting the ratio from upward revision to downward one, a minus value of DI indicates that the downward revised stocks are more than the upward revised ones.

*Chart of Nikkei 225 and QUICK Consensus DI (blue box indicates recession period)



To express the transition more clearly, the QUICK Consensus DI also calculates the "Cumulative DI", which is the DI accumulated from the time of the calculation in October 2004. It is possible to know the "Peaks" and "Troughs" in the index, and grasp the level of analysts' earnings forecasts and the trend of strength or weakness at the same time.

*Consensus cumulative DI provides an understanding of the level and direction of the company's business performance



At the time of the economic recession following the Lehman shock of 2008, the forecasts of business performance by analysts constantly dropped resulting in lowered Consensus DI. The stock prices dropped too. The stock prices, however, have not fallen as much as the DI in the recession since October 2018. Behind the diminishing link between earnings and stock prices may be the impact of monetary easing by the Bank of Japan and other central banks. Thus, the balance of the Bank of Japan's fund in provision (monetary base) has also been added on the chart.

*Large-scale monetary easing underpins the market