

# The Plunge in Japanese Stocks on September 4

## Stock Price Rebound Comes to a Halt Uncertainty Grows for Semiconductor and AI-Related Stocks

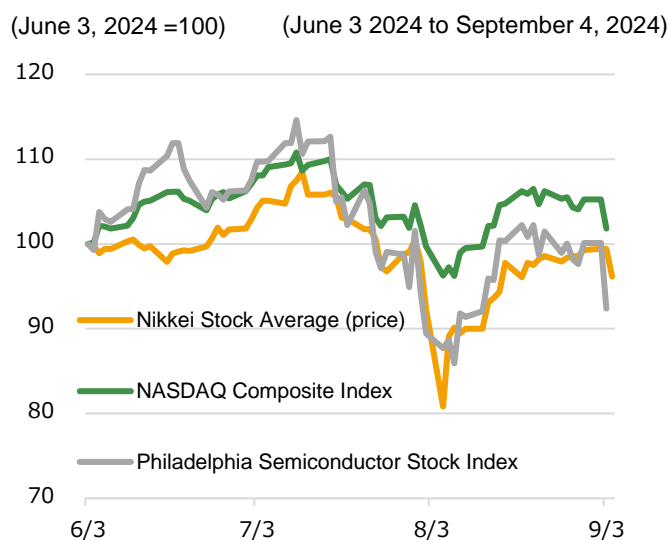
September 4, 2024

### Deterioration in the US ISM Manufacturing Index and a sharp decline in US NVIDIA stock were negative

On September 4, the Nikkei Stock Average was down -1,639 yen (-4.2%) and TOPIX was down -99.8 points (-3.7%), reflecting the weaker-than-expected August ISM Manufacturing Index, which was released on September 3. This increased uncertainty about the US economic outlook, and the weaker US stock market and the strong Yen against the US dollar were also negative factors. Also, shares of NVIDIA, a major AI semiconductor manufacturer, plunged -9.5% on the US stock market on September 3, as its earnings announcement on August 28 failed to exceed market expectations. The fact that the company was ordered by the US Department of Justice to submit documents regarding antitrust violations after the close of trading on September 3 is also likely to be a source of concern. Semiconductor-related stocks also led the downside in the Tokyo market.

Looking ahead, we expect the US and global economic trends to be both positive and negative. Although the manufacturing sector has been weak due to sluggish demand in China and other factors, business confidence in the service sector has remained resilient as cost-push inflation has subsided worldwide due to falling resource prices and the elimination of supply constraints. The US employment report for July, which contributed to the historic plunge in early August, was largely due to temporary factors such as the hurricane that hit the southern part of the country. If the August data, which will be released at the end of this week, shows an improving trend, we expect to see a sense of relief in the market. Japanese stocks have been on a steady upward trend after a sharp decline in early August, making it easy for profit-taking to occur. However, the favorable supply and demand environment, such as record-high levels of share buybacks, remains unchanged, and overall, we expect stock prices to remain firm.

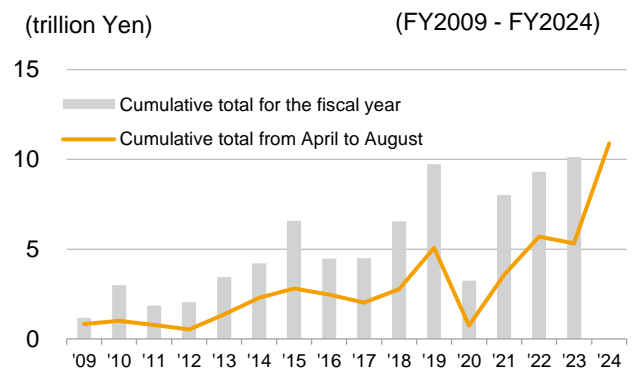
#### ■ Nikkei Stock Average and US Stock Indices



※Local currency basis, except Nikkei Stock Average, until September 3, 2024

Source: Bloomberg; Compiled by Daiwa Asset Management

#### ■ Amount Set for Share Repurchase Program



※ Fiscal year cumulative values are up to 2023. The cumulative values for April to August 2024 are as of August 16

Source: Daiwa Securities Co.; Compiled by Daiwa Asset Management

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