

Japanese Stocks Slide Sharply, Breaking Below Recent Lows Nikkei 225 Breaks the March 9 Intraday Low, Downside Being Tested

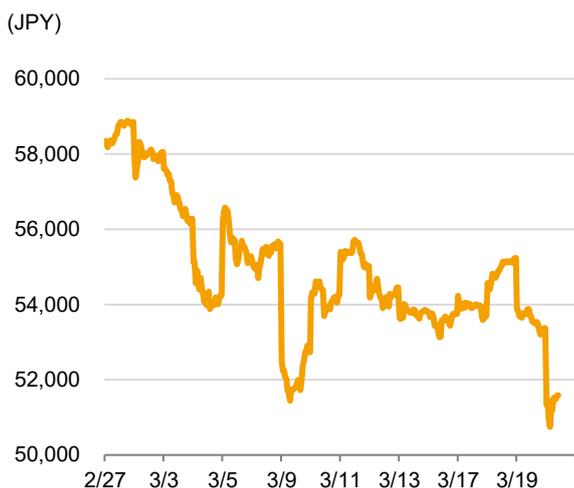
March 23, 2026

Prolonged Conflict Risks Heighten Concerns Over the Economy and Corporate Earnings

Amid the deteriorating situation in the Middle East, Japanese stocks continue to experience volatile trading. The Nikkei 225, which had hit a record high at the end of February, plummeted to 51,407 Yen during trading on March 9 before rebounding and recovering to the 55,000-Yen level on the 18th. However, following a 3.4% drop on the 19th ahead of the holiday, it fell sharply by another 3.4% in the morning session on the 23rd. During the holiday period, US President Trump warned that he would destroy Iran's power plants if Iran did not open the Strait of Hormuz, while Iran stated that it would completely block the Strait of Hormuz if its power plants were attacked. With the possibility of the US military launching a limited ground operation also emerging, concerns are growing that the conflict could become a quagmire and that high prices for crude oil could persist for an extended period.

Last week saw a succession of monetary policy meetings by major central banks, including the US Federal Reserve, the ECB (European Central Bank), the Bank of England, and the BOJ (Bank of Japan). While all kept their policy rates unchanged, market expectations have shifted toward a more hawkish stance amid concerns that high crude oil prices are weighing on the economy, creating headwinds for risk assets. Reflecting these concerns, the Nikkei 225 hit a low of 50,688 Yen in the morning session on the 23rd, following the long holiday weekend, falling below the low set on the 9th and extending its downward trend. While the Nikkei 225 has shown increasing signs of a correction since the start of this month, its valuation levels remain high, leaving room for further declines should the situation deteriorate further. On the other hand, there are reports that the US administration may have begun behind-the-scenes efforts toward a ceasefire. Short-term risks remain in both directions, and volatile price movements driven by the situation in the Middle East are expected to continue.

Nikkei 225



※ Last updated: March 23, 2026, 11:30 a.m.

Source: Bloomberg; compiled by Daiwa Asset Management

Brent Crude Oil



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