

Index Futures

# NIKKEI 225 INDEX



# What is Nikkei 225?

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Nikkei 225 is a stock market index in Japan and is also known as the Nikkei Stock Average.

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A Japan's leading stock index measuring the performance of 225 highly capitalized and liquid companies.

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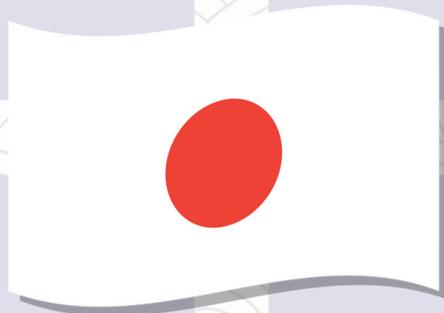
A globally used index as it reflects Japan's corporate health and is essential for global finance.

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It is price-weighted, the index is an average of the share prices of all the companies listed.

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# History of Nikkei 225

**1950**

The Nikkei 225 began to be calculated.

It was then introduced at various global exchanges.

**1986**

Singapore Exchange (SGX)

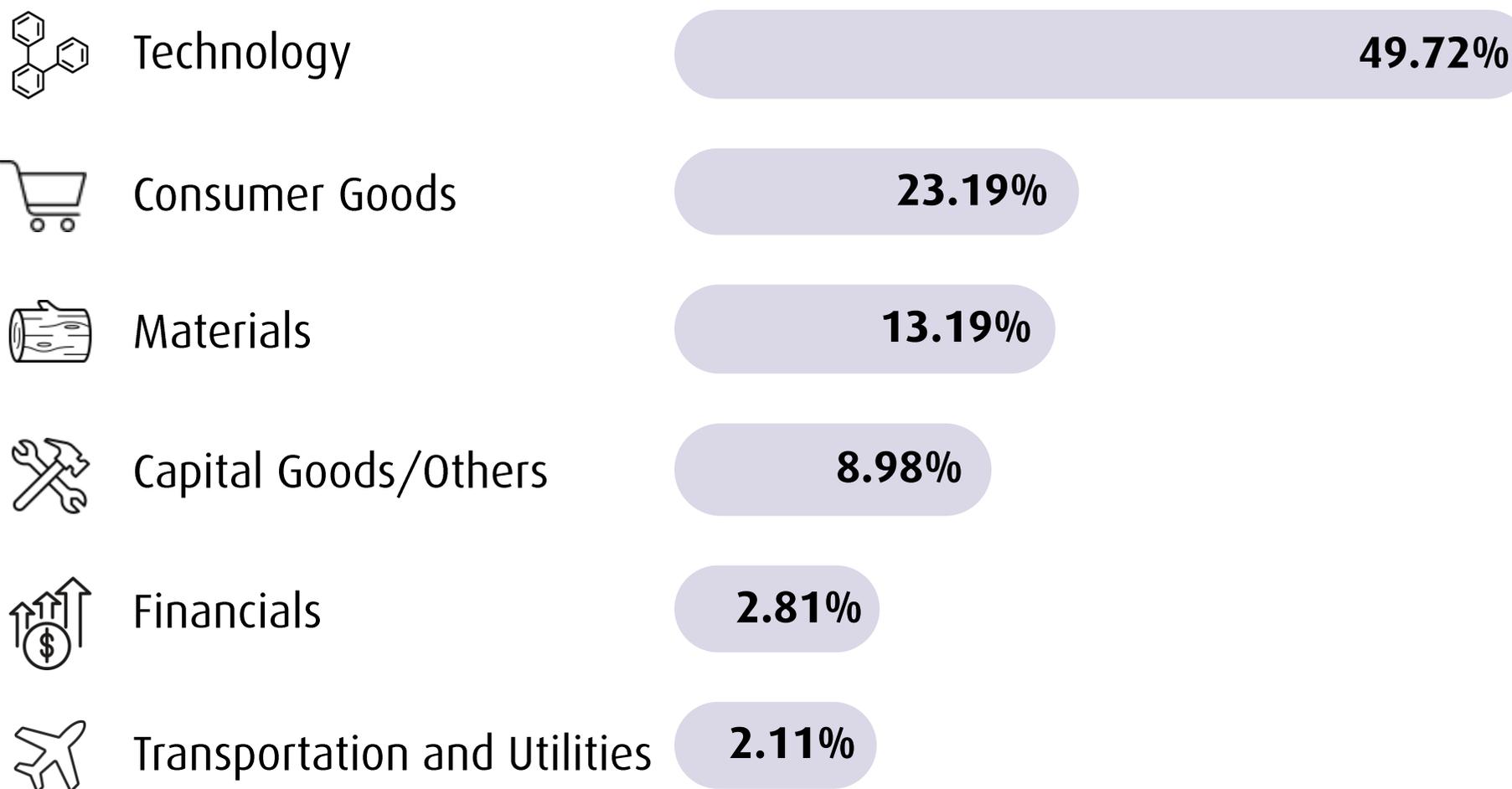
**1988**

Osaka Securities Exchange (OSE)

**1990**

Chicago Mercantile Exchange (CME)

# Industries in Nikkei 225\*



\*As of 30 April 2024

# Top 10 Companies in Nikkei 225

<u>Company</u>	<u>Weight (%)</u>
 <b>Fast Retailing</b> Consumer Goods	10.25
 <b>Tokyo Electron</b> Technology	8.57
 <b>Softbank Group</b> Technology	4.61
 <b>Advantest</b> Technology	3.61
 <b>Shin-Etsu Chemical</b> Materials	2.49
 <b>KDDI</b> Technology	2.21
 <b>FANUC</b> Technology	2.03
 <b>Daikin Industries</b> Capital Goods/Others	2.00
 <b>Terumo</b> Technology	1.95
 <b>TDK</b> Technology	1.87

\*As of 30 April 2024

# What is Nikkei 225 Futures?



A futures contract which underlying is the Nikkei 225 Index.

A JPY-denominated futures that allows traders to trade the performance of the Japanese financial market.

Available on Singapore Exchange (SGX) and the SGX Nikkei 225 is:

- The first equity index futures in Asia
- The world's first futures based on the Japanese stock market.



# Contract Specifications

## Nikkei 225 Futures

**Contract Code**

NK

**Underlying Instrument**

Nikkei 225 Index

**Contract Size**

JPY 500 x Nikkei 225 Index Futures Price

**Minimum Fluctuation**

5 pt = JPY 2,500

**Settlement Method**

Cash

**Contract Month**

6 nearest serial months & 32 nearest quarterly months

**Trading Hours\***

07:30 - 14.30  
14:55 - 05:15 (T+1 Session)

\*Malaysian Time

# Trading Examples [Bullish]



You think the price of  
NK will go up and  
**BUY 1 lot@38,190**



The market is bullish and  
you close position and  
**SELL 1 lot@38,395**

## Gross Profit

$$\begin{aligned} &= \text{Price difference} \times \text{Contract size} \\ &= (38,395 - 38,190) \times \text{JPY } 500 \\ &= \text{JPY } 102,500 \text{ (~RM } 3,007.65) \end{aligned}$$

# Trading Examples [Bearish]



You think the price of NK will go down and  
**SELL 1 lot@38,190**



The market is bearish  
and you close position  
**BUY 1 lot@37,960**

## Gross Profit

$$\begin{aligned} &= \text{Price difference} \times \text{Contract size} \\ &= (38,190 - 37,960) \times \text{JPY } 500 \\ &= \text{JPY } 115,000 \text{ (~RM } 3,374.43) \end{aligned}$$

# FACTORS AFFECTING PRICES OF NIKKEI 225 FUTURES

## Corporate Earnings

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The prices of underlying shares surge when the Japanese companies report strong corporate earnings.

E.g., In May 2024, the price of Nikkei rose 0.46% which is largely dominated by the strong corporate earning of SoftBank Group (+4.34%).

# FACTORS AFFECTING PRICES OF NIKKEI 225 FUTURES

## Currency Movements

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Nikkei will rise when the Japanese yen softens due to the increase of overseas profits when firms converted them back to yen.

E.g., The share price of Uniqlo-brand clothing retail chain operator Fast Retailing jumped 3.83% and became the biggest boost for the Nikkei.

# FACTORS AFFECTING PRICES OF NIKKEI 225 FUTURES

## Gross Domestic Product (GDP)

A positive GDP growth boosts consumer confidence on the performance of Japanese firms, thus bringing the Nikkei prices up.

E.g., In September 2023, Japan's GDP grew less than the estimate of 6%, causing the Nikkei to decline by 0.9%.

# FACTORS AFFECTING PRICES OF NIKKEI 225 FUTURES

## Monetary Policy

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Any interest rate changes made by Bank of Japan can have a significant impact on investor sentiment and stock prices.

E.g., In March 2024, Nikkei ended 0.66% higher after Bank of Japan raised interest rate for the first time in 17 years.

# FACTORS AFFECTING PRICES OF NIKKEI 225 FUTURES

## Pandemic

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Pandemic like the Covid-19 will jeopardize the performance of the companies and harm stock prices.

E.g., In March 2023, the drop in Japanese financial shares sent the Nikkei down by around 2%.

# FACTORS AFFECTING PRICES OF NIKKEI 225 FUTURES

## Geopolitical Tensions

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Geopolitical tensions will disrupt global trade flow and cause economic slowdown as Japan is one of the major players in global trade.

E.g., In April 2024, Nikkei dropped when the Middle East turmoil escalated and dented risk appetite.

# OVERVIEW IN 2023



## **A** Mar - June 2023 (+29.49%)

Japan's economy reached to the highest point in 2023 due to increased GDP, strong consumer spending, inbound tourism, strong earnings season and dovish signals from the Bank of Japan.

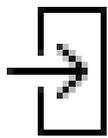
## **B** June - Oct 2023 (-10.79%)

The sticky CPI inflation and concerns about the Federal Reserve maintaining high interest rates for longer caused the Japan's financial market to decline.

## **C** Oct - Dec 2023 (+11.77%)

The economy in Japan rebounded slightly as a result of increased consumer spending and the decision of Bank of Japan leaving interest rates in negative territory.

# WHY TRADE NIKKEI 225 FUTURES?



## Gateway to Japan

Exclusive access to Japan's index market via Singapore Exchange.



## All-in-one

An all-in-one solution to trade 225 Japanese blue-chip stocks within one transaction.



## Liquidity

A highly liquid index in Japan that allows fast and cost-efficient trading.



## Flexibility

Extended trading hours and provide greater flexibility in trading.