

# Bargain hunters boost Tokyo stocks

Disaster polarises investor opinions

Traders braced for further bumpy ride

By Robert Cookson  
in Hong Kong

Traders are braced for a roller-coaster ride in Japanese equities after bargain-hunters snapped up beaten-down stocks in a dramatic rebound for the Nikkei on Wednesday.

The effects of Friday's earthquake, tsunami and the continuing nuclear crisis have polarised opinions about the outlook for

Japanese shares. Tokyo stocks rallied more than 5 per cent after a 16 per cent plunge over the previous two days – the worst two-day drop since the Asian financial crisis.

The rebound was driven by belief that the market had overreacted to the natural disaster and the risks of nuclear contamination from damaged reactors.

Nevertheless, dealers expect share prices to gyrate further. The Nikkei Stock Average Volatility Index, a measure of expected fluctuations in Japan's benchmark stock index, has surged 240 per cent since the natural disas-

ter struck the east coast.

"We have witnessed a wholesale panic sell-off by the market with no regard to company fundamentals," said Kevin Gibson, of Prudential Asset Management in Singapore.

"While we saw a lot of value before the earthquake we see even more now," Mr Gibson added.

The Nikkei closed 5.7 per cent higher at 9,093.72. The broader Topix index closed 6.6 per cent higher at 817.63

Tokyo Electric Power was among the biggest fallers, plunging 24.6 per cent as the company continued in its struggle to prevent reactor meltdown at its

Fukushima nuclear power plant.

Some investors reckon the Japanese economy and its stock market have taken a temporary hit from the natural disaster, but that they will recover quickly once reconstruction gets under way. The danger posed by the damage at the Fukushima plant, these investors believe, has been overstated and will soon dissipate, removing a significant source of uncertainty.

But others warned that the earthquake and tsunami had inflicted substantial damage on the Japanese economy and would have a negative impact on

confidence in the ability of the Japanese government to service its debt without printing money.

"This is a game changer," said Eddie Tam, head of Central Asset Investments, a Hong Kong hedge fund that liquidated its entire portfolio of Japanese equities over the past three days. "I would not underestimate the long-term significance of this event for Japan."

Bearish investors argue that Japanese companies, households and financial institutions might start selling large quantities of domestic financial assets including equities to meet

the costs of reconstruction. But Jesse Lentchner, Asia head of BTIG, the brokerage, said he thought the worst of the panic was over and that investors were already becoming more nuanced about the outlook for specific companies in Japan.

"Now you have to get your map out, you have to go through company by company and ask where are their factories located, do they have enough electricity, can they get their supply lines operational?" said Mr Lentchner.

"The market is now doing that, which is what the market ought to be doing."