

For Immediate Release

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## **Twentieth Monex Global Retail Investor Survey** **Impact of Presidential Election on Investment**

The Twentieth Monex Global Retail Survey<sup>(\*)</sup> was conducted from February 24 to March 7, 2016.

In this survey, it was noticeable that the forecast for stock markets among retail investors was much worse than in the previous survey (conducted from November to December 2015). The forecast DI<sup>(\*\*)</sup> for the world stock markets turned negative in all three regions surveyed for the first time since the December 2011 survey, over four years ago. Global stock price declines since the beginning of the year are believed to have caused deterioration in the sentiment of retail investors.

This quarter's survey explored the impact of the outcome of the U.S. presidential election on investment attitudes. In particular, the results showed that while a high percentage of U.S. retail investors would become bullish if the Republican candidate was elected, a high percentage would become bearish if the Democratic candidate was elected.

### **Summary Findings**

#### **1. Global Survey Results: Survey of Retail Investors in Japan, the U.S. and China (H.K.)**

##### **(1-1) The forecast DI of retail investors in all three regions turns negative, reflecting global stock selloffs**

[Figure 1 on Page 3 (Exhibit)]

We asked retail investors in each region about their views on world stock markets for the coming three months. The forecast DI declined from the previous survey, turning negative in all three regions. Global stock selloffs since the beginning of the year are thought to have caused deterioration in the sentiment of retail investors. The forecast DI of retail investors in Japan became negative for the first time since the June 2012 survey, three years and nine months ago. The last time the forecast DI of retail investors in all three regions turned negative was four years and three months ago, at the time of the December 2011 survey.

[Forecast DI: Japan] Dec 2015: 7 → Mar 2016: -19 (-26points)  
 [Forecast DI: U.S.] Dec 2015: -4 → Mar 2016: -18 (-14 points)  
 [Forecast DI: China (H.K.)] Dec 2015: 11 → Mar 2016: -23 (-34points)

**(1-2) In all regions, retail investors expect stocks to appreciate in the U.S.**

[Figures from 2-1 to 2-4 on Page 4(Exhibit)]

As in the previous survey, retail investors in all regions answered that the U.S. was the region with the greatest likelihood of stock appreciation in the coming three months. Retail investors’ expectations about the U.S., whose economy seems to be relatively solid among major countries, remained high.

[Japan]	U.S.: 50.5%	Europe/U.K.: 7.2%	Asia excl. Japan: 9.1%	Japan: 33.2%
[U.S.]	U.S.: 70.1%	Europe/U.K.: 8.2%	Asia excl. Japan: 15.7%	Japan: 6.0%
[China (H.K.)]	U.S.: 53.2%	Europe/U.K.: 6.0%	Asia excl. Japan: 28.9%	Japan: 11.9%

**(1-3) Opinions on expectations of a Fed rate hike were divided among the three regions**

[Figures 6 on Page 7 (Exhibit)]

Regarding the timing of the FRB’s next rate hike, opinions were divided among the three regions, with most retail investors in Japan responding “July to September 2016,” most investors in the U.S. answering “2017 or later,” and most respondents in China (Hong Kong) opting for “October to December 2016.” In all three regions, “March 2016” was the lowest ranking response. The majority of survey participants believe that the Federal Open Market Committee (FOMC) will postpone a rate hike at the meeting in March.

**(1-4) Around 70% of investors in the U.S. expressed concern about an economic recession in the U.S. in 2016**

[Figures 7 on Page7 (Exhibit)]

Respondents were asked about the likelihood of the U.S. economy slipping into a recession in 2016. Results showed that, whereas retail investors in Japan and China (Hong Kong) estimate that a recession is unlikely, around 70% of retail investors in the U.S. estimate that a recession is likely.

**(1-5) U.S. retail investors will become bullish if Republican candidate wins U.S. presidential election and bearish if Democratic candidate wins**

[Figures 8-1,8-2 on Page8 (Exhibit)]

When asked what impact the election of a Republican candidate or Democratic candidate as U.S.

president would have on their investment decisions, the majority responded that both scenarios would have practically “No impact.” However, it was striking that the percentage of U.S. retail investors who would become bullish if a Republican candidate became president and the percentage who would become bearish if a Democratic candidate became president were both high, exceeding 30%.

**2. Japan Survey Results: Survey of Retail investors in Japan**

**(2-1) DIs for Japanese stocks and U.S. stocks were almost unchanged, while the DI for Chinese stocks rose**

[Figures 9-1 and 9-2 on Page 9 (Exhibit)]

Turning to the outlook of Japanese retail investors for the stock markets in Japan, the U.S. and China in the coming three months, the DIs for Japanese stocks and U.S. stocks were almost unchanged from the previous survey (conducted in February 2016), while the DI for Chinese stocks rose. After bottoming out in mid-February, stock prices rose gradually worldwide. However, this does not appear to have had any major impact on the sentiment of investors with regard to Japanese stocks and U.S. stocks. The rise in the DI for Chinese stocks suggests that pessimism about Chinese stocks abated slightly.

[Japanese Stocks DI]	Feb 2016: 8	→ Mar 2016: 9	(+1 points)
[U.S. Stocks DI]	Feb 2016: 36	→ Mar 2016: 38	(+2 points)
[China Stocks DI]	Feb 2016: -65	→ Mar 2016: -52	(+13 points)

**(2-2) Most respondents expect that the BOJ will implement additional monetary easing measures in April to June 2016**

[Figures 12 on Page 10 (Exhibit)]

The highest percentage of retail investors think that the Bank of Japan will implement additional monetary easing measures in “April to June 2016.” Presumably many retail investors think that the BOJ will implement additional monetary easing measures soon, given that, since the introduction of a negative interest rate policy was announced at the end of January, the yen has grown stronger than before the announcement.

Please refer to the details of the results of the survey in the attached report.

\* An outline of the surveys conducted in Japan, the U.S. and China (H.K.)

	Japan	U.S.	China (H.K.)
Survey period	24 Feb–7Mar, 2016	24 Feb–4 Mar, 2016	24 Feb–4 Mar, 2016
Number of responses	996	134	329

\*\* DI (diffusion index):The percentage of respondents who answered “Stock market will rise” minus the percentage of respondents who answered “Stock market will fall.”

Monex, Inc. has been surveying retail investors about their attitude to the financial market conditions on a monthly basis and providing you with the survey results as the "Monex Retail Investor Survey" since October 2009. In addition to Japan, as our group has established securities businesses in the U.S. and China (Hong Kong), we expanded this retail investor survey geographically and added the U.S. and China (Hong Kong) in order to compile the "Monex Global Retail Investor Survey" on a quarterly basis since June 2011. Monex, Inc., TradeStation Securities, Inc. and Monex Boom Securities (H.K.) Limited have been jointly conducting this survey and observing retail investors' attitudes about financial market conditions in Japan, the U.S. and in China (Hong Kong) on a regular basis.

# Monex Global Retail Investor Survey

March 2016

## Executive Summary

Financial Intelligence Department, Monex Inc.

We are pleased to bring you the results of our twentieth quarterly Monex Global Retail Investor Survey.

Since the beginning of 2016, stock prices fell sharply worldwide. Various causes for concern such as the risks of a credit crisis sparked by falling oil prices, a China hard landing, and a U.S. recession, as well as the credit uncertainties of major European banks fanned market fears and exacerbated the unease of retail investors. There was a shift from risk assets to safe assets, causing stock prices to plummet worldwide, while purchases of major government bonds caused interest rates to trend downward.

If we compare stock price declines in major economies since the end of last year, all the major stock market indices fell sharply, with the United States' S&P 500 down around 10%, Germany's DAX Index down around 18%, China's Shanghai Composite Index down around 25%, and Japan's Nikkei 225 down around 21%. Against this backdrop, investors bought the Japanese yen, widely regarded as a safe currency, causing the Japanese yen to appreciate in value, climbing as high as slightly over 110 yen per dollar, compared with 120 yen at the end of last year.

In such a chaotic market, it is not surprising that the market sentiment of retail investors worldwide deteriorated. For the first time in over four years, the forecast DI for the world stock markets turned negative among retail investors in all three regions, indicating just how much investor psychology has been chilled by the declines since the beginning of the year.

This quarter's survey explored the impact of the outcome of the U.S. presidential election on investment attitudes. In particular, the results showed that while a high percentage of U.S. retail investors would become bullish if the Republican candidate was elected, a high percentage would become bearish if the Democratic candidate was elected. There are perhaps many investors who are concerned that if a candidate of the Democratic Party, which is seen as wanting to raise taxes on

the wealthy and tighten restrictions on Wall Street, was elected, this could have a seriously adverse impact on the market.

With your assistance, we have been able to compile and analyze extremely valuable data. We greatly appreciate your cooperation and hope that this survey will be of some aid in your investment decisions.

(Written as of March 8, 2016)

**Summary**

**1. Global Survey Results: Survey of Retail investors in Japan, the U.S. and China (H.K.)**

**(1-1) The forecast DI(\*) of retail investors in all three regions turns negative, reflecting global stock selloffs**

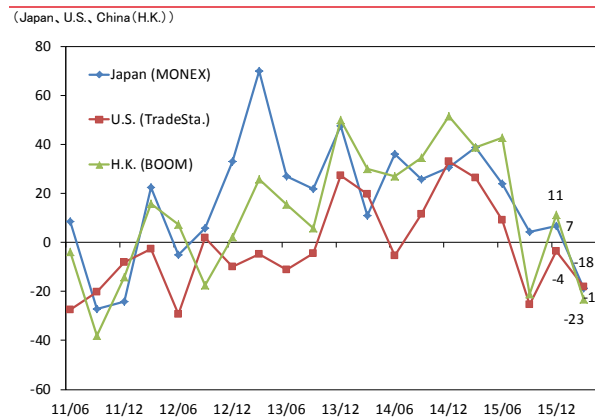
We asked retail investors in each region about their views on world stock markets for the coming three months. The forecast DI declined from the previous survey, turning negative in all three regions. Global stock selloffs since the beginning of the year are thought to have caused deterioration in the sentiment of retail investors. The forecast DI of retail investors in Japan became negative for the first time since the June 2012 survey, three years and nine months ago. The last time the forecast DI of retail investors in all three regions turned negative was four years and three months ago, at the time of the December 2011 survey.

[Forecast DI: Japan] Dec 2015: 7 → Mar 2016: -19(-26points)

[Forecast DI: U.S.] Dec 2015: -4 → Mar 2016: -18 (-14 points)

[Forecast DI: China (H.K.)] Dec 2015: 11 → Mar 2016: -23(-34points)

**Figure 1: Outlook on Stocks Globally for the Next 3 Months**



Source: Monex, Inc.

(\*) DI (diffusion index): The percentage of respondents who answered “Stock market will rise” minus the percentage of respondents who answered “Stock market will fall.”

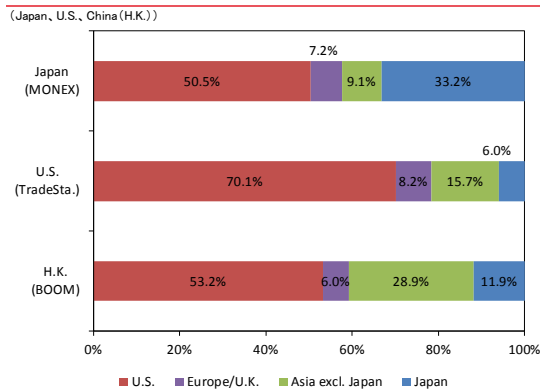
**(1-2) In all regions, largest number of retail investors expects stock appreciation in the U.S.**

As in the previous survey, retail investors in all regions answered that the U.S. was the region with the greatest likelihood of stock appreciation in the coming three months. Retail investors’ expectations about the U.S., whose economy seems to be relatively solid among major countries,

remained high.

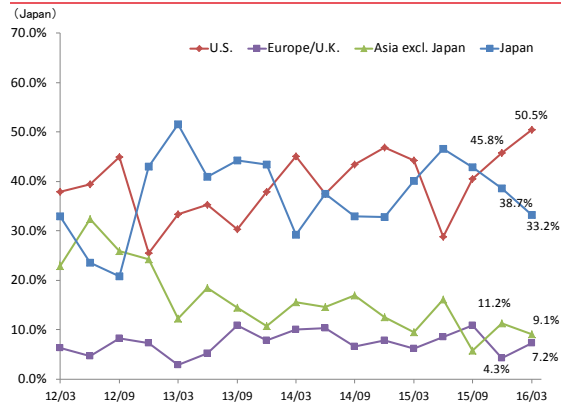
[Japan] U.S.: 50.5% Europe/U.K.: 7.2% Asia excl. Japan: 9.1% Japan: 33.2%  
 [U.S.] U.S.: 70.1% Europe/U.K.: 8.2% Asia excl. Japan: 15.7% Japan: 6.0%  
 [China (H.K.)] U.S.: 53.2% Europe/U.K.: 6.0% Asia excl. Japan: 28.9% Japan: 11.9%

Figure2-1: Expectation for Areas of Best Equity Performance for the Next 3 Months



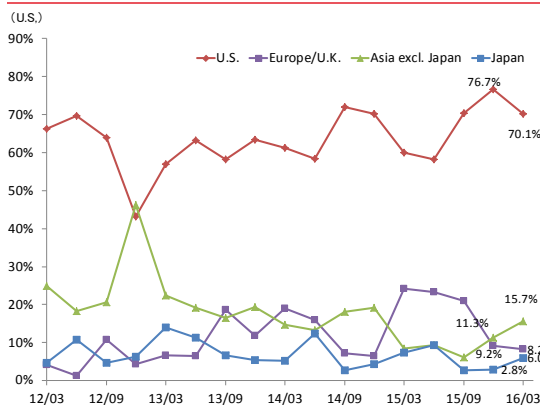
Source: Monex, Inc.

Figure2-2: Expectation for Areas of Best Equity Performance for the Next 3 Months



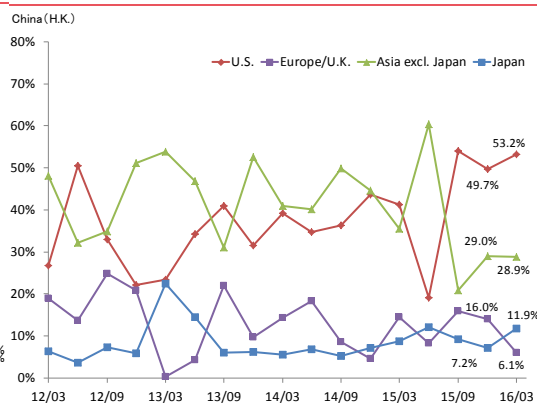
Source: Monex, Inc.

Figure2-3: Expectation for areas of Best Equity Performance for the Next 3 Months



Source: Monex, Inc.

Figure2-4: Expectation for areas of Best Equity Performance for the Next 3 Months



Source: Monex, Inc.

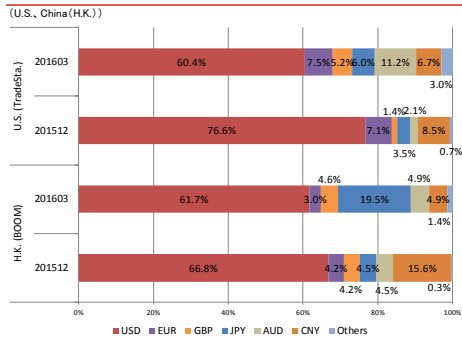
**(1-3) The percentage of retail investors anticipating a stronger yen rose in all regions**

The currency which investors in the U.S. and China (Hong Kong) considered as being most likely to increase in value in the coming three months was still the U.S dollar in both regions, as in the previous survey (conducted from November to December 2015). However, the percentage that answered U.S. dollar was lower than in the previous survey, while the percentage of investors who forecast a stronger yen was higher in both regions. In particular, the percentage of investors in China (Hong Kong) who forecast yen appreciation jumped by 15 points from the previous survey. The percentage of investors in Japan who forecast a stronger yen also increased from the previous



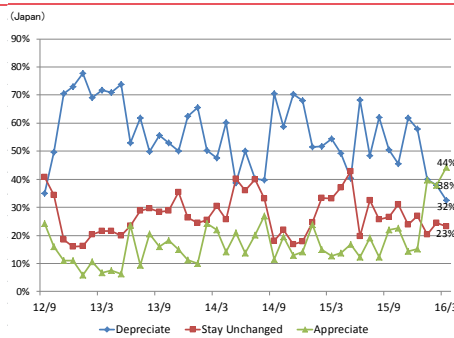
survey (conducted in February 2016). The exchange rate of the yen against the dollar was hovering in the 110-115 yen range, and this appears to be affecting the sentiment of investors.

**Figure3-1: Strongest Currency Over the Next 3 Months (vs Previous survey)**



Source: Monex, Inc.

**Figure3-2: JPY Against the Dollar for the Next 3 Months**

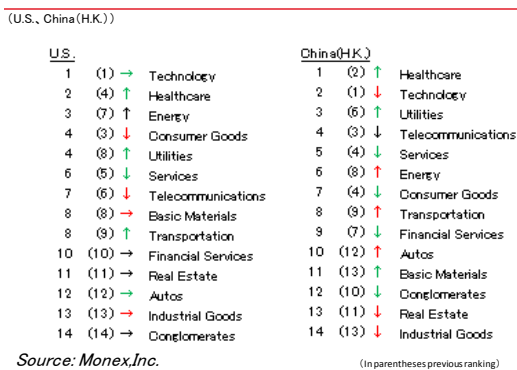


Source: Monex, Inc.

**(1-4) Healthcare received increased attention in the U.S. and China (H.K.)**

“Healthcare” ranked higher than in the previous survey, ranking second in the U.S. and first in China (Hong Kong) respectively. Attention paid to this sector, which is considered to have growth potential mainly due to aging, appears to be increasing once again. Also, in the survey of retail investors in Japan, “Medical” ranked first for the fourth consecutive months. Attention given to defensive sectors remained high, reflecting bearish market conditions.

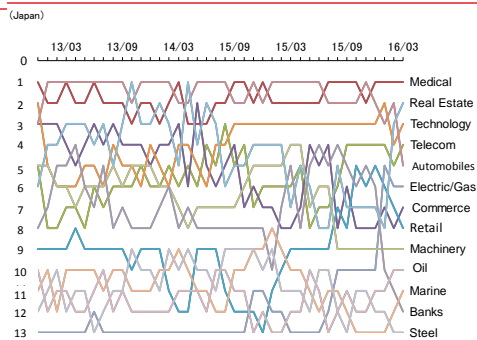
**Figure4-1: Attractive Sectors (Quarterly)**



Source: Monex, Inc.

(In parentheses previous ranking)

**Figure4-2: Attractive Sectors (Monthly)**



Source: Monex, Inc.

(The previous survey of U.S. and Chinese (H.K.) retail investors was conducted in December 2015, and the sector ranking by Japanese retail investors are shown since December 2012.)

**(1-5) The Crude Oil DI of retail investors in Japan and the U.S. turns positive, reflecting the rebound in crude oil prices**

The Crude Oil DI of retail investors in Japan and the U.S. increased sharply from the previous survey, turning positive. The rebound in crude oil prices appears to have improved the sentiment of investors. The metals DI improved substantially from the previous survey in all three regions. This is possibly a reflection of the sharp increase in the price of gold, among other factors.

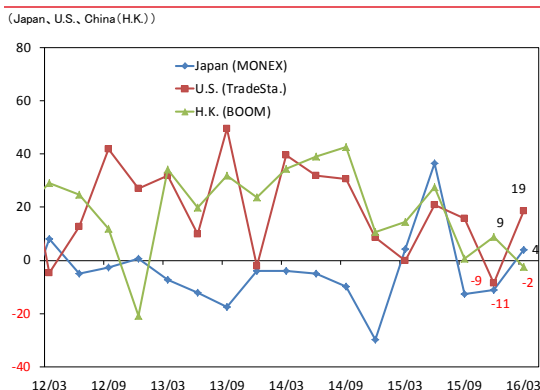
[Expectations for oil]

[Crude Oil DI (Japan)]	Dec 2015 : -11 → Mar 2016 : 4 (+15points)
[Crude Oil DI (U.S.)]	Dec 2015 : -9 → Mar 2016 : 19 (+28points)
[Crude Oil DI (China (Hong Kong))]	Dec 2015 : 9 → Mar 2016 : -2 (-11 points)

[Expectations for metals]

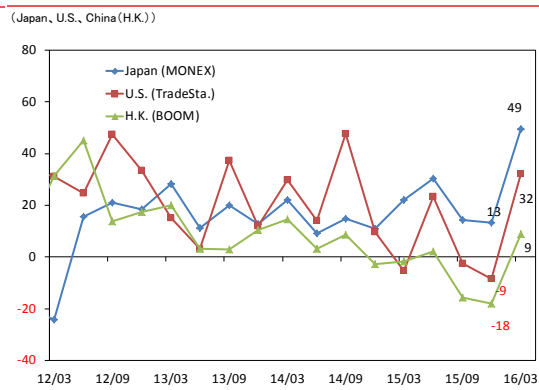
[Metals DI (Japan)]	Dec 2015 : 13→ Mar 2016 : 49 (+36 point)
[Metals DI (U.S.)]	Dec 2015 : -9→ Mar 2016 : 32 (+41points)
[Metals DI (China (Hong Kong))]	Dec 2015 : -18→ Mar 2016 : 9 (+27 points)

**Figure5-1: Crude Oil DI**



Source: Monex, Inc.

**Figure5-2: Metals DI**

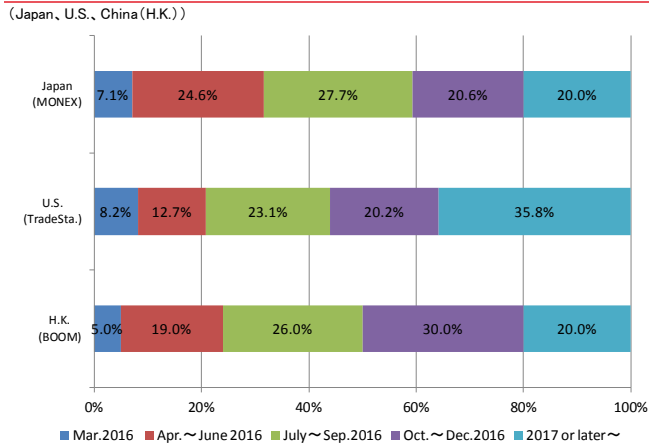


Source: Monex, Inc.

**(1-6) Opinions on expectations of a Fed rate hike were divided among the three regions**

Regarding the timing of the FRB’s next rate hike, opinions were divided among the three regions, with most retail investors in Japan responding “July to September 2016,” most investors in the U.S. answering “2017 or later,” and most respondents in China (Hong Kong) opting for “October to December 2016.” In all three regions, “March 2016” was the lowest ranking response. The majority of survey participants believe that the Federal Open Market Committee (FOMC) will postpone a rate hike at the meeting in March..

**Figure6: Timing of Next Rate Hike by FRB**

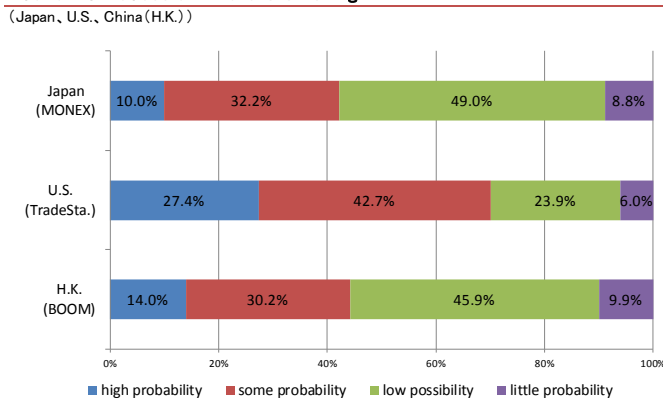


Source: Monex,Inc.

**(1-7) Around 70% of investors in the U.S. expressed concern about an economic recession in the U.S. in 2016**

Respondents were asked about the likelihood of the U.S. economy slipping into a recession in 2016. Results showed that, whereas retail investors in Japan and China (Hong Kong) estimate that a recession is unlikely, around 70% of retail investors in the U.S. estimate that a recession is likely.

**Figure7:The Percentage of U.S. Retail Investors Concerned about Economic Recession in the U.S. is High.**

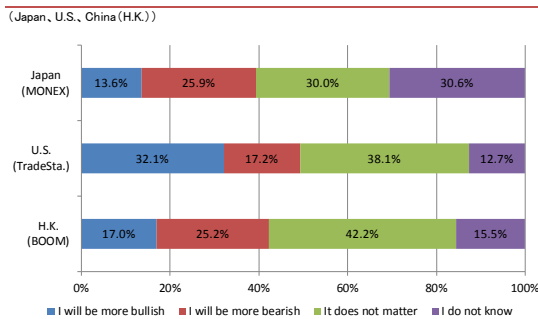


Source: Monex,Inc.

**(1-8) U.S. retail investors will become bullish if Republican candidate wins U.S. presidential election and bearish if Democratic candidate wins**

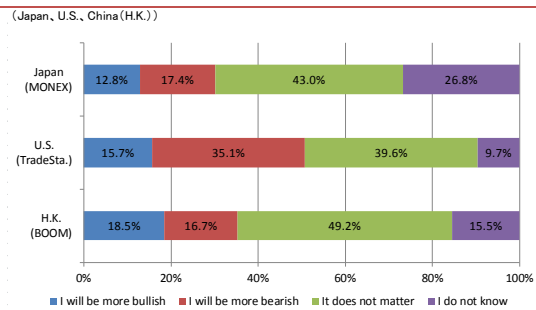
When asked what impact the election of a Republican candidate or Democratic candidate as U.S. president would have on their investment decisions, the largest number of investors responded that both scenarios would have practically “No impact.” However, it was striking that the percentage of U.S. retail investors who would become bullish if a Republican candidate became president and the percentage who would become bearish if a Democratic candidate became president were both high, exceeding 30%.

**Figure8-1: Election of Republican Candidate as U.S. President**



Source: Monex, Inc.

**Figure8-2: Election of Democratic candidate as U.S. president**



Source: Monex, Inc.

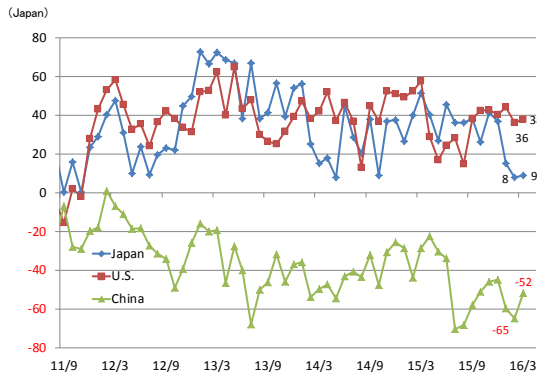
**2. Japan Monthly Survey Results: Survey of Retail investors in Japan**

**(2-1) DIs for Japanese stocks and U.S. stocks were almost unchanged, while the DI for Chinese stocks rose**

Turning to the outlook of Japanese retail investors for the stock markets in Japan, the U.S. and China in the coming three months, the DIs for Japanese stocks and U.S. stocks were almost unchanged from the previous survey (conducted in February 2016), while the DI for Chinese stocks rose. After bottoming out in mid-February, stock prices rose gradually worldwide. However, this does not appear to have had any major impact on the sentiment of investors with regard to Japanese stocks and U.S. stocks. The rise in the DI for Chinese stocks suggests that pessimism about Chinese stocks abated slightly.

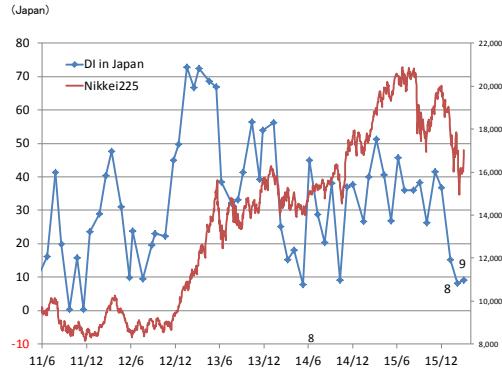
- [Japanese Stocks DI] Feb 2016: 8 → Mar 2016: 9 (+1 points)
- [U.S. Stocks DI] Feb 2016: 36 → Mar 2016: 38 (+2 points)
- [China stocks DI] Feb 2016: -65 → Mar 2016: -52 (+13 points)

**Figure9-1: Outlook on Stocks for the Next 3 Months**



Source: Monex, Inc.

**Figure9-2: Japanese Investor's Domestic DI and Nikkei 225**



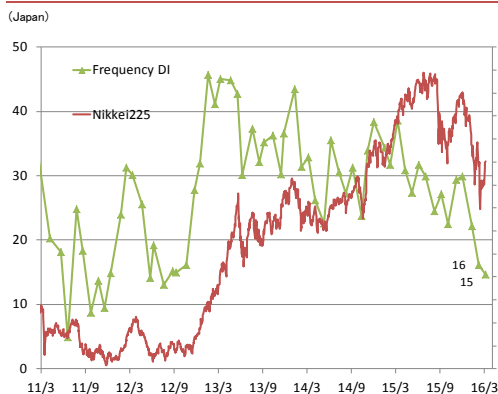
Source: Monex, Inc.

**(2-2) Willingness to invest in Japanese stocks was almost unchanged**

The DI of trading frequency, investment amount, and number of stocks held for Japanese stocks were almost unchanged from the previous survey, albeit slightly down.

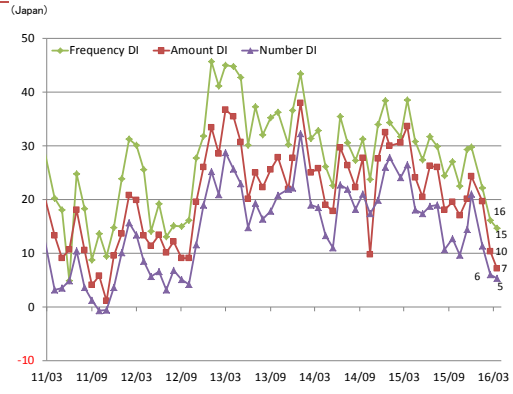
- [DI of trading frequency] Feb 2016: 16 → Mar 2016: 15 (-1 points)
- [DI of investment amount] Feb 2016: 10 → Mar 2016: 7 (-3 points)
- [DI of the number of stocks held] Feb 2016: 6 → Mar 2016: 5 (-1 points)

**Figure10-1: Investment Willingness for the Next 3 Months and Nikkei225**



Source: Monex, Inc.

**Figure10-2: Investment Willingness for the Next 3 Months**



Source: Monex, Inc.

**(2-3) Politics and diplomacy in Europe and the U.S. received increased attention**

The topic that received the most attention from retail investors since the previous survey was “Politics and diplomacy” in Europe. Issues such as Britain’s possible exit from the EU are believed to have prompted investors to pay more attention to Europe. The topic which received the second most attention was “Politics and diplomacy” in the U.S., which is largely attributable to the U.S. presidential election.

**Figure11-1: Topic**

(Japan)

	Japan	U.S.	Europe	China (incl.H.K.)	emerging country (excl.China)
corporate performance	86.9%	44.2%	11.1%	15.0%	7.7%
macroeconomics	58.4%	59.1%	26.5%	35.1%	17.3%
exchange markets trend	75.7%	65.1%	25.0%	15.9%	11.6%
rate movements	72.0%	57.7%	19.0%	8.1%	5.0%
monetary policy	76.8%	60.5%	32.6%	24.0%	6.6%
politics,diplomacy	64.2%	62.4%	34.1%	45.0%	19.5%

Source: Monex,Inc.

**Figure11-2: Topic (Change From Previous Survey)**

(Japan)

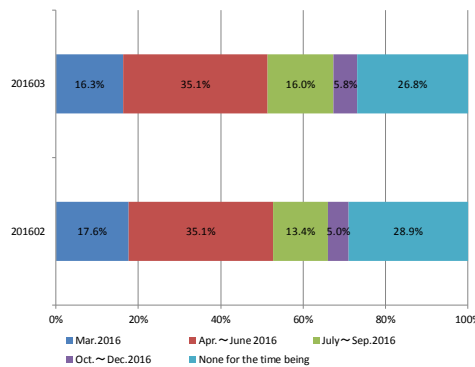
	Japan	U.S.	Europe	China (incl.H.K.)	emerging country (excl.China)
corporate performance	0.1	0.6	1.3	-2.6	-0.1
macroeconomics	-0.6	-2.7	3.9	2.7	0.5
exchange markets trend	8.6	1.6	3.4	-0.3	-0.4
rate movements	6.8	-3.1	2.3	-1.8	-3.3
monetary policy	3.1	2.9	5.5	-2.1	-1.7
politics,diplomacy	0.1	7.7	12.1	4.2	2.6

Source: Monex,Inc. (point)

**(2-4) Most respondents expect that the BOJ will implement additional monetary easing measures in April to June 2016**

The highest percentage of retail investors think that the Bank of Japan will implement additional monetary easing measures in “April to June 2016.” Presumably many retail investors think that the BOJ will implement additional monetary easing measures soon, given that, since the introduction of a negative interest rate policy was announced at the end of January, the yen has grown stronger than before the announcement.

**Figure12:Timing of Additional Monetary Easing Measures by BOJ**



Source: Monex,Inc.

## Outline of Survey & Characteristics of Respondents

### (Japan)

Method: Online survey  
 Respondents: Customers of Monex, Inc.  
 # of Responses: 996  
 Period: 24 Feb–7 Mar, 2016

#### [Gender]

Male	Female
85.0%	15.0%

#### [Age]

Minor	20s	30s	40s	50s	60s	70s or over
0.2%	3.2%	15.1%	28.4%	28.1%	18.5%	6.5%

#### [Investable assets]

Under JPY 5 million	JPY 5 ~ 10 million	JPY 10 ~ 20 million	JPY 20 ~ 50 million	JPY 50 ~ 100 million	Over JPY 100 million
26.5%	19.2%	16.8%	22.4%	9.9%	5.2%

#### [Frequency of trading]

Day trading	Several times a week	Several times a month	Once in every few months	Fewer than that
5.4%	14.9%	34.8%	28.4%	16.5%

#### [Experience with investment]

Less than a year	2 ~ 5 years	5 ~ 10 years	Over 10 years
10.0%	17.2%	20.2%	52.6%

### (United States)

Method: Online survey  
 Respondents: Customers of TradeStation Securities, Inc.  
 # of Responses: 134  
 Period: 24 Feb –4 Mar, 2016

### (Hong Kong)

Method: Online survey  
 Respondents: Customers of Monex BOOM Securities (H.K.) Limited  
 # of Responses: 329  
 Period: 24 Feb–4 Mar, 2016

The Monex Global Retail Investor Survey measures customer sentiment based upon answers to specific questions received from a random sampling of customers of Monex, Inc., TradeStation Securities, and Monex Boom Securities (H.K.) Limited. Details of the methodology used to conduct the survey are available upon request. Accuracy and completeness of the data derived from the survey are not guaranteed.

The information contained herein should not be construed as investment research or an offer or solicitation to buy or sell securities, securities derivatives, or futures products or services. Investor sentiment derived from the survey responses is no guarantee of future performance or success.