

Invesco Perpetual's Chesson sees deep value in Japan as recession hits

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By Investment Week

Invesco Perpetual's Paul Chesson remains bullish on the outlook for the Japan despite the country's slide into recession last week.

The group's head of Japanese equities admitted he underestimated the extent of the economic downturn in the country, but said valuations have also become increasingly attractive.

"The economy has deteriorated faster than I expected, but on the other hand, the market has also got much cheaper than I anticipated. But there have also been very big changes within the market in terms of relative share price movements since the spring time," Chesson said.

Following significant market falls in September and October, Chesson said he is now seeing unprecedented levels of deep value in Japan.

"In my opinion, Japan is very well placed to weather what will be a significant downturn in corporate profits from a balance sheet point of view. But because valuations are so low, I think it is fair to say the stock market is no longer putting any value on the future ability of those balance sheets to generate profits and that is what I find exciting.

"I am not saying things are not bad, I am not saying things are not going to get worse. What I am saying is that these issues are now absolutely in the price."

Chesson has been selling down underperforming utilities, telecoms and pharma and tilting his portfolio more towards quality blue chips. He has also built up a modest position in financials.

On the outlook for Japan, Chesson said he anticipates a recovery beginning at the tail end of 2009 and continuing into 2010.