Securities Analysts Journal®

April 2019.Vol. 57 No.4

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Feature Articles

This month's focus: **Climate Change and Stock Markets**

Looking back at the process of international negotiations regarding climate change, it would seem that leaving such to the political domain does not protect the interests of investors. In fact, investors themselves have also engaged with companies and governments in promoting climate change countermeasures, along with divestment and integration to avoid climate change risk. The former action can be understood as a kind of behavioral norm that protects the common interests of investors from a medium- to long-term perspective by reducing negative externalities rather than aiming directly at improving investment performance.

Recent studies focus on the link between corporate environmental responsibility (CER) and financial performance. The findings in this article suggest that CER helps decrease firm risk by reducing the probability and impact of adverse events (e.g., environmental scandals).

The electrification of vehicles is an irreversible trend due to the following three reasons:

(1) The tightening of environmental regulations such as exhaust gas regulations and fuel efficiency requirements and changes in environmental regulatory approaches in major countries, namely revision of zero emission vehicle regulations in some US states and introduction of new energy vehicle regulations in China.

(2) Dramatic shift from petrol / diesel engines to electric vehicles by global automakers and many new entries from emerging countries and other industries.

(3) Further cost reductions and technological developments backed by the expansion of the electric vehicle market.

Mizuho Bank forecasts that annual electric vehicle sales for 2030 in five major regions will reach 25.8 million units, of which 6.6 million units (8% of total unit sales)