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Nikkei rises in volatile trade after BOJ's easing; financials higher



* Nikkei falls 0.35 pct for week

* Topix volume, turnover highest since June 24

* Banks, insurers' gains offset real estate stocks' drops

By Ayai Tomisawa

TOKYO, July 29 Tokyo stocks rose in volatile trade on Friday as banks and insurers gained, offsetting disappointment the Bank of Japan's policy easing fell short of investors' high expectations.

Financial stocks surged as investors took heart from the central bank's decision to hold off from cutting interest rates charged on a portion of excess reserves financial institutions park at the BOJ deeper into negative territory.

The Nikkei ended 0.6 percent higher to 16,569.27, recovering from an 1.8 percent drop to 16,174.35 after the BOJ's policy decision was released.

For the week, the Nikkei fell 0.35 percent.

The BOJ expanded monetary stimulus on Friday through a modest increase in purchases of exchange-rated funds, but maintained its base money target at 80 trillion yen (\$775 billion) as well as the pace of purchases for other assets including Japanese government bonds.

"ETF buying has a direct positive impact to the stock market, but its decision to hold off bond buying hit the dollar-yen. Since a stronger yen has a much bigger impact to the equities market (than ETF buying), it was not a satisfying outcome to stocks after all," said Takuya Takahashi, a strategist at Daiwa Securities.

Traders had widely expected the BOJ to increase its already massive purchases of government bonds and some riskier assets such as ETFs and possibly real-estate investment trusts (REITs).

But its decision to keep unchanged its interest rate on some deposits at minus 0.1 percent boosted financial companies.

Mitsubishi UFJ Financial Group jumped 7.7 percent and Mizuho Financial Group soared 5.7 percent. Dai-ichi Life Insurance Co surged 8.7 percent and Sampo Japan Nipponkoa Holdings rose 4.3 percent.

"The BOJ's announcement to expand easing came as no surprise. (BOJ Governor Haruhiko) Kuroda has been under tremendous pressure from the Abe administration to roll out further stimulus alongside Abe's 28 trillion yen fiscal package earlier this week," said Martin King, co-managing director at Tyton Capital Advisors. "A seemingly invincible yen continues to undermine the efficacy of Abe's measures and decisive action at the BOJ is timely."

The safe-haven yen jumped against the dollar to 103.46 yen, up 1.7 percent, hurting sentiment and sent stocks lower in mid-afternoon trade.

"Investors should now be thinking about the long-term implications of the nationalisation of the Japanese ETF market. Many (investors) question whether or not a further decrease in already negative interest rates is necessary to solve the perennial cash-hoarding of Japanese companies," King said.

Real estate shares dived after the JGB benchmark 10-year yield rose to a one-month high.

Mitsubishi Estate Co fell 2.6 percent and Mitsui Fudosan Co shed 2.0 percent.

The broader Topix rose 1.2 percent to 1,322.74, with 3.19 billion shares changing hands, while turnover was 3.3 trillion yen, both the highest level since June 24.

The JPX-Nikkei Index 400 advanced 1.1 percent to 11,879.95. (Reporting by Ayai Tomisawa)



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