

**Japanese Equities:** Economy still in good shape despite increased political uncertainty

Nikkei Average	March end	MoM
	18,909.26 Yen	-1.10%

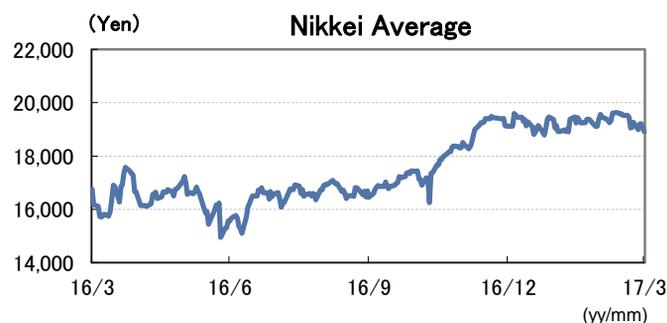
#### [Market review in March]

Equity markets in Japan declined. In the first half of the month, while the Japanese yen exchange rate against USD was weak, equity prices rose, after President Trump's Congressional address given at the beginning of the month (February 28<sup>th</sup> local time) ended without major mishaps, and the U.S. economic statistics announced were favorable. In the second half of the month, however, equity prices dropped mainly owing to the increased uncertainty about U.S. economic policies and the trend of a higher yen against USD in the foreign exchange market. As a result, equity prices were also lower for the month.

#### [Outlook]

Equity markets in Japan are somewhat lackluster due to the increased uncertainty about the economic measures of the U.S. administration and concerns about the Japan-U.S. trade relationship including the Japan-U.S. economic dialogue scheduled for mid-April. On the other hand, expectations are still very much alive for a steady world economy as well as for an improvement in corporate earnings in Japan. Accordingly, as causes for concerns subside, steady developments in the markets are expected.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>Expectations for the new U.S. administration in the medium term.</li> <li>Stable economic activities and corporate earnings</li> </ul>	<ul style="list-style-type: none"> <li>Concerns about protectionist policies of the new U.S. administration</li> <li>Less-than-expected economic policies of the Trump administration in the U.S.</li> <li>Turmoil in politics and financial situation in Europe</li> </ul>



\*Source: data from Nikkei Inc. Daiwa Asset Management

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