

Japanese Equities: It is expected that time will solve the lack of catalysts in the market

Nikkei Average	May end	MoM
	19,650.57 Yen	2.36%

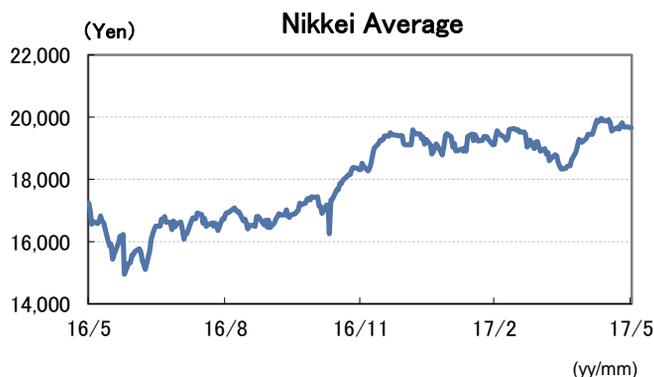
[Market review in May]

Movements are steady but within a narrow range due to the lack of both good and bad factors. Equity markets in Japan rose. In the first half of the month, equity prices increased, not only in a favorable response to the victory of Mr. Macron in the final round of the French presidential election but also supported by the financial results of Japanese companies, which confirmed an increasing trend of profits. While equity prices declined at one stage in the middle of the month due to concerns about President Trump's Russia-gate, the magnitude of the decline was limited. With the subsequent lack of both good and bad factors, equity prices moved within a narrow range.

[Outlook]

There is no denying that catalysts (market factors) are lacking in Japan's equity markets. In the immediate future, attention will focus on whether the Federal Open Market Committee (FOMC) on June 13–14 decides to raise interest rates again, as the markets expect, and how many seats the ruling Conservative Party will gain in the U.K. elections on June 8, although these factors are unlikely to promote a strong rise in equity prices. Nevertheless, the increasing trend of corporate profits is being maintained, against which the range of equity prices is expected to be pushed up gradually.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> Stable economic activities and corporate earnings. Increase in US yields due to the raising of US interest rates, and the accompanying further strengthening of the dollar and weakening of the yen. 	<ul style="list-style-type: none"> Heightened geopolitical risks . Turmoil due to the expansion of the effects of Russia-gate on the US administration Concerns about a US protectionist policies.



*Source: data from Nikkei Inc. Daiwa Asset Management

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