

**Japanese Equities:** Steady corporate earnings to continue, Monetary policies of the U.S. and Europe to watch

Nikkei Average	June end	MoM
	20,033.43 Yen	1.95%

#### [Market review in June]

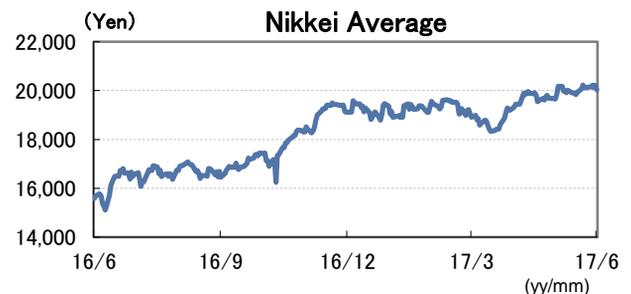
Equity prices remain within range despite many events

Equity markets in Japan rose. In June, the NIKKEI Stock Average moved within a narrow range of around 20,000 yen despite several political and economic events, including the FOMC (U.S. Federal Open Market Committee), the BOJ Monetary Policy Meeting, and the U.K. general election. Later in the month, moreover, since the yields of government bonds in the U.S. and Europe increased due to market recognition of ECB (European Central Bank) Governor Draghi's remark as hawkish, there were changes in searching trends towards the end of the month, resulting in increases in bank stocks.

#### [Outlook]

With the possibility of monetary tightening in Europe following the U.S., attention should be paid to interest rates in the U.S. and Europe, and accompanying developments in foreign exchange. On the other hand, regarding the announcements of financial results for the April–June 2017 period to start in the second half of the month, generally steady financial results are expected given the actual records of foreign exchange. Against the background of steady corporate earnings, equity prices are likely to gradually increase, with attention paid to monetary policies of the U.S. and Europe.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>● Stable economic activities and corporate earnings.</li> <li>● 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.</li> </ul>	<ul style="list-style-type: none"> <li>● Concerns about a US protectionist policies.</li> <li>● Emergence of political uncertainty due to the decreased support for the administration in Japan.</li> <li>● Heightened geopolitical risks.</li> </ul>



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

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