

•**Japanese Equities:** Drop in equity prices due to concerns about stronger yen expected to be temporary.

Nikkei Stock Average	January end	MoM
	23,098.29 Yen	1.46%

[Market review in January]

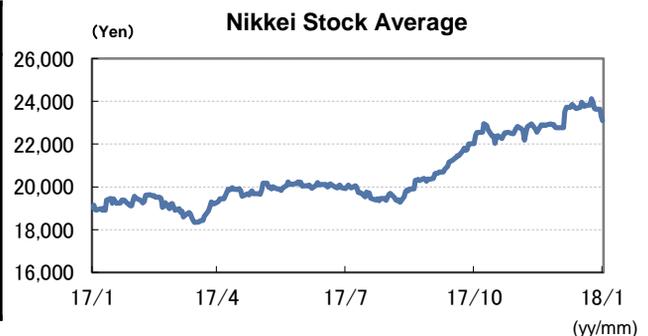
Substantial increase of equity prices at the beginning of the month was followed by adjustment toward the end of the month because of a stronger yen.

Equity markets in Japan rose. At the beginning of the month, equity prices increased substantially mainly in response to higher equity prices in the U.S. during the New Year holidays. In the middle of the month, while the U.S. government shut down for the first time since 2013, the closure period was short with a limited impact on equity markets. Equity prices turned out to be positive for the month, although they fell toward the end of the month because of the stronger yen against the U.S. dollar resulting from remarks by senior officials of central banks and governments in advanced economies.

[Outlook]

In the statement of the FOMC (Federal Open Market Committee) held at the end of January, the language on inflation and other topics was changed, and this was regarded as rather hawkish by the market. Accordingly, the stronger yen in the foreign exchange market at the moment is likely to gradually turn to a weaker one in response to greater expectations for the raising of U.S. interest rates. Moreover, with financial results of Japanese companies continuing to be solid, equity markets are also expected to recover and try the upside potential again.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Stable economic activities and corporate earnings 	<ul style="list-style-type: none"> ● Retreat from monetary easing and acceleration of tightening by Japan, US and European central banks ● Heightened geopolitical risks



*Source: data from Nikkei Inc. prepared by Daiwa Asset Management

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