

Japanese Equities: Global economy remains favorable amid vigilance about risk factors

Nikkei Stock Average	March end	MoM
	21,454.30 Yen	-2.78%

[Market review in March]

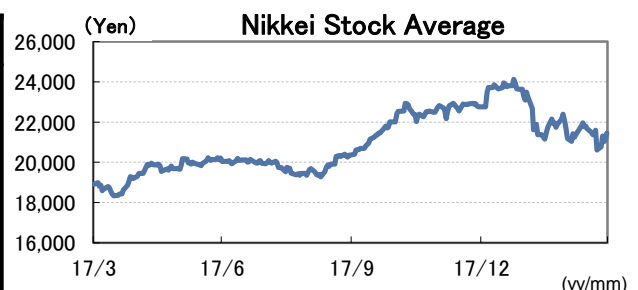
Drop in equity prices due to concerns about trade wars originated from the U.S.

Equity markets in Japan declined. They were affected by increasing concerns about trade wars because U.S. President Trump declared he would impose import tariffs on steel and aluminum at the beginning of the month. Moreover, the fall in the cabinet's approval rating in the middle of the month was also seen as a concern. Towards the end of the month, equity prices rebounded slightly at some point after reports saying that the U.S. and China had started dialogue on trade issues behind the scenes.

[Outlook]

There is no denying that there are uncertainties about equity prices in the short term, mainly due to the risk of trade wars that originated from the U.S. and the guidance risk (i.e., company plans to be announced in which the full-year business results fall below market expectations) of Japanese companies with a stronger yen. On the other hand, since the global economy is generally favorable, we expect that the increasing trend of profit posted by Japanese companies will be maintained unless there is a further strengthening of the yen. If concerns about risk factors run their course, equity markets are expected to appreciate solid corporate earnings again and show steady movements.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Solid economic activities and corporate earnings ● Perceived good value of equity prices 	<ul style="list-style-type: none"> ● Deterioration of trade issues between the U.S. and China ● Stronger yen ● Heightened geopolitical risks



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

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