

Monthly Report

May Market Outlook

May 2018
Daiwa Asset Management Co.Ltd.

•**Japanese Equities:** Though Corporate Earnings on Watch, Strong Results Expected to Continue

Nikkei Stock Average	April end	MoM
	22,467.87 Yen	4.72%

[Market review in April]

Equity markets in Japan rose. In April, as the U.S.-China trade friction became a factor, markets went up and down in response to the measures and remarks by senior government officials of both countries. However, markets gradually regained calmness over this issue because of views that a final conclusion would still be time away or forecasts that some compromise would be reached. Moreover, equity prices were on an increasing trend, as market players favorably received the fact that foreign exchange moved in the direction of a weaker yen responding to the rise in interest rates in the U.S. and the U.S.–Japan summit meeting also ended smoothly.

[Outlook]

Financial results of Japanese companies indicate that many issues have company plans that fall below market expectations at the end of April. However, market forecasts are not likely to be revised significantly downward, partly because company plans at the beginning of the year tend to be conservative and many issues have the assumed foreign exchange rates of a stronger yen than at present. Moreover, since many issues plan to increase sales, corporate earnings are likely to remain solid and equity prices will probably also maintain a recovery trend unless there is a global recession or the like.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Solid economic activities and corporate earnings ● Passage of political events in Japan and abroad without incidents 	<ul style="list-style-type: none"> ● Deterioration of trade issues between the U.S. and China. ● Heightened geopolitical risks



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

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