

Japanese Equities: A Lull in Trade Frictions and the Timing of Equity Price Turnaround Should Be Ascertained

Nikkei Stock Average	June end	MoM
	22,304.51 Yen	0.46%

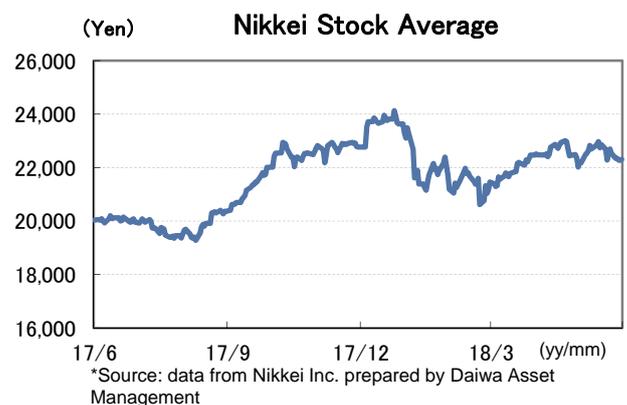
[Market review in June]

Equity markets in Japan rose in terms of the Nikkei Stock Average. In the first half of the month, they rebounded from the low in late May, due to a lull in political uncertainties in Italy and absence of major developments in trade frictions. However, in the second half of the month, equity prices dropped because concerns about trade frictions were heightened between the U.S. and Europe, etc. in addition to between the U.S. and China. Although some gains were secured for the month thanks to the rebound in the first half, it was a month of an increasing sense of uncertainty with the heightened concerns about trade frictions.

[Outlook]

Equity markets will remain prone to being affected by developments in trade frictions. If there are only the additional tariffs on Chinese products of a magnitude of 34 billion dollars in total announced by the U.S., their impact on companies in Japan will be limited; however, there will remain concerns about an expansion in the scope of targets due to retaliatory tariffs and others. For the moment, we would like to discern the timing when concerns about trade frictions will calm down and equity prices will turn around while ascertaining whether we can confirm the trends of solid corporate earnings with the announcements of financial results by companies in Japan starting from the second half of July.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Solid economic activities and corporate earnings ● A lull or waning of concerns about trade frictions 	<ul style="list-style-type: none"> ● Deterioration of trade issues between the U.S. and China ● Stronger protectionism in the U.S. ● Heightened geopolitical risks



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