

•**Japanese Equities:** The First Focus Is on Whether Additional Tariffs Can Be Avoided

| Nikkei Stock Average | November end | MoM   |
|----------------------|--------------|-------|
|                      | 23,293.91Yen | 1.60% |

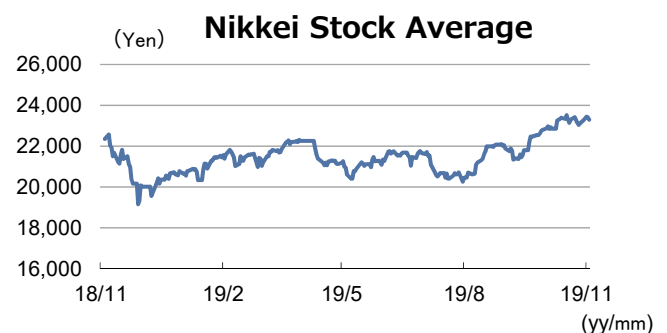
#### [Market review in November]

Equity prices in Japan rose. This was due to positive comments made early in the month by both sides of the U.S.-China trade talks on a partial agreement to resolve the trade dispute. Later, however, amid expectations that U.S.-China relations would improve, they were unable to fix the date for a meeting between U.S. President Donald Trump and Chinese President Xi Jinping. On top of that, China's economic data showed signs of weakness, and the Hong Kong Human Rights and Democracy Act was passed in the U.S. Congress. All these uncertain factors made equity markets move sideways.

#### [Outlook]

The first focus is on whether the two economic superpowers can reach a deal and avoid additional tariffs before the December 15 deadline for U.S. President Trump to decide whether to impose additional tariffs on the remaining products in the fourth set of those imported from China. In our view, even a partial agreement between the two countries will boost equity prices further. The next focus will be on whether recovery of capital investment or other good news will come in, which helps improve fundamentals (basic economic conditions), while sentiment is high after some further upside.

| Positive Factors  | Negative Factors  |
|---|---|
| <ul style="list-style-type: none"> <li>● A waning of concerns about trade frictions</li> <li>● Accommodative policies of central banks</li> <li>● Economic stimulus package and recovery of economic activities in China</li> </ul> | <ul style="list-style-type: none"> <li>● Global economic slowdown</li> <li>● Further strengthening of U.S. protectionism</li> </ul> |



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

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