

Monthly Report

October Market Outlook

October 2011

Daiwa Asset Management Co.Ltd.

【Japanese Equity Market Outlook】

“Market rebound is likely due to fading concern over negative issues”

Nikkei 225 Average	September end	MoM
	8700.29	-2.85%

【Market review in September】

In September, the Japanese equity market continued to decline on unstable ground with pessimistic factors. Major negative factors were lingering sovereign debt issues in Eurozone and the worries of the US economic outlook. Investors became more cautious about differences in stance among member countries in EU towards Greece bail out plans, and concerned that the issue might trigger huge systemic risk in global financial markets. In the US, an additional monetary easing plan was announced after the FOMC meeting, but the US equity market fell sharply amid increased concern of market participants in its effectiveness. However, toward the end of the month, the Japanese equity market rebounded slightly with the expectation of better progress in Greece’s bail out.

【Outlook】

In October, it is still expected that the market will hover on soft ground for a while, but later will rebound with the fading of pessimistic views towards current problems. The direction of equity market is subject to sovereign debt issues in Eurozone, and is swinging between optimism and fear depending on the progress of Greece’s bail-out plan. Such situation would continue for the time being. However, the market seems to have already priced a worst case scenario. On the other hand, the additional bail out plan for Greece (6th aid in the first package) is likely to be executed eventually. Therefore, the market is expected to rebound with more optimistic views of investors. There is one more concern in the market, which is the US economic outlook. But the latest economic indicators released are showing steadiness.

【Points】

Positive Factors	Negative Factors
<ul style="list-style-type: none"> • Recovery of the US economy • Finalization of additional bail-out plan for Greece • Large-scale additional fiscal package for disaster recovery 	<ul style="list-style-type: none"> • The faltering US economy • Too strong Japanese Yen • Divided stances of EU member countries



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