

【Japanese Equity Market Outlook】

“Likely to keep current upbeat trend ”

Nikkei 225 Average	October end	MoM
	8988.39	3.31%

【Market review in October】

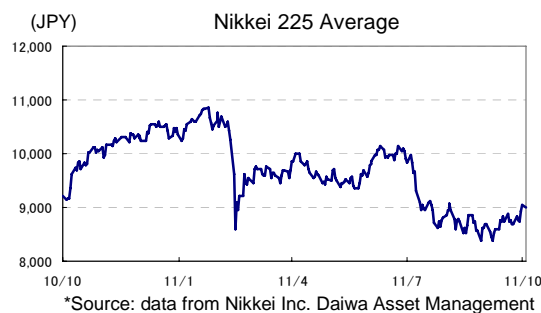
The Japanese equity market closed moderately higher than the previous month in October. In early part of the month, the market started with a bearish tone due to disappointing news such as the downgrade of Italian government bonds by Moody's, but it rebounded later with expectations of European banks' capital enhancement and the improvement of the US economic indicators. In the middle of the month, the market was swayed each time by negative or positive external news on the progress of possible solution package of eurozone sovereign debt crisis. In addition, the damaging effect of large-scale flood in Thailand to Japanese manufacturers also cast uncertainty about earnings growth, but the equity prices stayed in a narrow range. Near the end of the month, the market was relieved and advanced with the report that EU member countries reached an agreement for a comprehensive package to solve current sovereign debt issues.

【Outlook】

In November, it is expected that the market would keep its upbeat trend from the previous month in spite of possible minor disturbances. It would be major supportive factor that further spread of sovereign debt crisis in the eurozone and slowdown of the US economy were seemingly staved off, and those were the main cause of the bear market since August. Volatility index, which measured the degree of risk appetite of market participants, is declining, and showing the improvement in investors' sentiment. The facts that the appreciation of the Japanese yen was halted with the resolute intervention by the Japanese government and BOJ at the end of October and that the third supplementary budget is scheduled to be finalized within November would provide steady support to the Japanese equity market. However, it should be noted that we still need to monitor the market carefully as the European sovereign debt crisis is not over yet.

【Points】

Positive Factors	Negative Factors
<ul style="list-style-type: none"> Recovery of the US economy Progress of solution for European sovereign debt crisis Policy support for disaster recovery such as large scale supplementary budgets 	<ul style="list-style-type: none"> Slowdown of the US economy Various egoistic stances of EU member countries Appreciation of the yen



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