

Monthly Report

January Market Outlook

January 2012

Daiwa Asset Management Co.Ltd.

【Japanese Equity Market Outlook】

“Expecting gains with some volatility ”

Nikkei 225 Average	December end	MoM
	8455.35	0.25%

【Market review in December 】

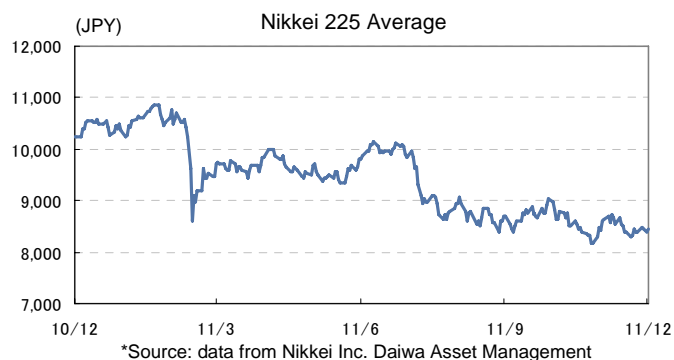
The Japanese equity market advanced moderately in December. In the early part of the month, the market gained on positive factors such as concerted policy support by the US, Japan and EU central banks, expectation of progress on political support for sovereign debt crisis in EU summit meeting, and the favorable US economic indicators. In the middle of the month, however, the market changed its course to head south when the agreed solutions in the EU summit meeting were not viewed as effective to solve the crisis immediately. In the latter part of the month, the market recovered its losses with the consecutively good US economic indicators, and the news that government bond auctions by some EU member countries were successful without major difficulties. Toward the end of the year, the market gradually lost its trading volume as most of market participants shifted into their winter holiday mode.

【Outlook】

Japanese equity market is expected to continue its advance in January, though it might have to experience some volatility. European sovereign debt issues would still remain as a major concern for the market. In February, Italy is scheduled to have huge redemption of its government bonds, and that may temporarily heighten the tension in the market. However, it is likely that EU countries would prepare measures to deal with such tension in the market. Together with the actual implementation of policies and measures decided last year, those plausible solutions would mitigate concerns of market participants. Other than such negative factors, we will see more positive factors for the market such as the recovery of the US economy.

【Points】

Positive Factors	Negative Factors
<ul style="list-style-type: none"> Concrete solution for European Sovereign debt crisis Recovery of the US economy Boost of domestic demand by the implementation of a large scale supplementary budget 	<ul style="list-style-type: none"> Disagreement among EU member countries for the solution of sovereign debt crisis Appreciation of Yen



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