

【Japanese Equity Market Outlook】

“Further rebound expected”

Nikkei 225 Average	January end	MoM
	8802.51	4.11%

【Market review in January】

The Japanese equity market traded within a narrow range during early January, but gained ground in the latter half of the month. Although the market started the year with positive mood reflecting the releases of good overseas economic indicators, it slowly returned to the previous level after the yen appreciated against the Euro due to investors' concern of European sovereign debt issues. On Jan. 13th, S&P announced the downgrade of nine countries in Eurozone, but the negative impact of the news on the financial market was unexpectedly limited, causing the stock market to rally. For the rest of the month, the market continued to advance, encouraged by the weakness of the yen, but set back a little at the end of the month due to concerns of possible poor business results of Japanese corporations and the expected backlash of the market trend after its steep rebound.

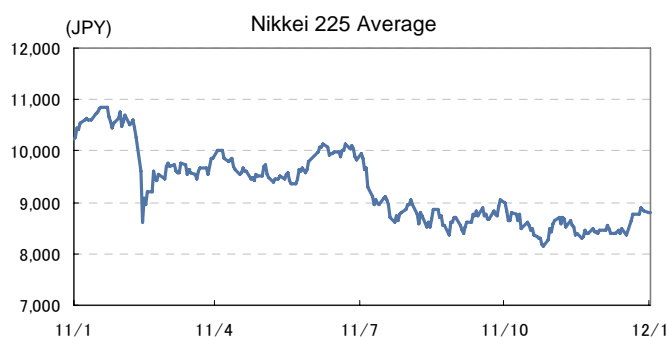
【Outlook】

Japanese equity market is expected to firm up its ground gradually in February. Though the main attention of market participants is still European sovereign debt issues, such concerns seem to have been mostly priced in the market. Even some backlash of over-pessimistic investment sentiment is expected to continue for the time being. The following serve as evidence that much of negative news is priced in the market.

1) Equity indices of major Euro-zone countries are showing their steadiness after quoted at the lowest in last September. 2) The financial market is stable, digesting the news of downgrading of nine countries in Eurozone. 3) The market does not seem to be concerned about scheduled large redemption of Italian government bonds in February. In addition, steadiness of Japanese domestic economy and the recovery of the US economy will also act as positive factors for the market.

【Points】

Positive Factors	Negative Factors
<ul style="list-style-type: none"> Reaching an agreement on Greece aid 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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