

Monthly Report

March Market Outlook

March 2012

Daiwa Asset Management Co.Ltd.

【Japanese Equity Market Outlook】

**“Japanese equities exhibit a strong trend.
A near-term correction will be likely ”**

Nikkei 225 Average	February end	MoM
	9723.24	10.46%

【Market review in February 】

The Japanese equity market was up significantly in February. In the early part of the month, improved U.S. economic indicator data and expectation of progress in Greece bailout were the positive factors contributing to the advance of the Japanese equity market. In the middle of the month, additional monetary policy easing by the Bank of Japan and the weaker yen helped to boost the market. A cut in reserve requirement ratio by Chinese central bank also influenced the market positively. By the end of the month, an agreement by the EU member countries for the 2nd round of support for Greece and a favorable weaker trend of the yen led to further rise in the stock market. However, a steep rise in the equity market created a sense of overheating, and resulted to have some temporal corrections within its uptrend.

【Outlook】

The Japanese equity market is expected to remain steady in March as global concerns of European sovereign debt crisis recedes. In addition, we can expect the U.S. economic recovery and further monetary easing by the Bank of Japan to weaken the yen. From the perspective of net purchase/sale data of the Japanese equity market, foreign institutional investors' buying interest in Japanese equities is steadily growing, and it would have a positive impact on stock prices. However, considering that Nikkei stock average has risen more than 10% in February, the market seems to be in a over-bought situation. Accordingly, it would be difficult for the market to maintain its steady uptrend throughout the month of March. Correction might prevail for proximately half of the month.

【Points】

Positive Factors	Negative Factors
<ul style="list-style-type: none"> Receding concerns on European debt crisis Recovery of the U.S. economy Expectation to a more aggressive easing policy by the BOJ 	<ul style="list-style-type: none"> Investors' sense of vigilance to the overheating market after a sharp rise Higher oil prices due to geopolitical risk in Middle East



*Source: data from Nikkei Inc. Daiwa Asset Management

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