

Monthly Report

May Market Outlook

May 2012

Daiwa Asset Management Co.Ltd.

【Japanese Equity Market Outlook】

“Anticipation of vacillation in Japanese equities”

| Nikkei 225 Average | April end | MoM |
|--------------------|-----------|--------|
| | 9520.89 | -5.58% |

【Market review in April】

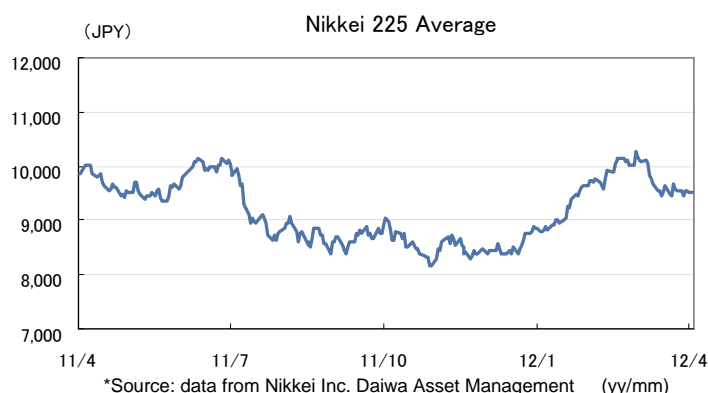
The Japanese equity market fell in the early part of April after the rise in Spanish government bond yields, which renewed concerned over the fiscal weakness in the Eurozone. In addition, deteriorating U.S. employment statistics released in March also dampened the sentiment for equities. In the second half of the month, equity market continued to vacillate back and forth as uncertainty in the Eurozone continued to weigh on sentiment. Though there was growing political uncertainty in France and the Netherlands, strong corporate earnings data from the U.S. and the resultant rise in U.S stocks evolved as supportive factors to the equity market. At the end of the month, the influence of additional monetary easing measures by BOJ on Japanese equity market was limited.

【Outlook】

Equity market is likely to vacillate back and forth for the time being. The strength of the stock market up till 1Q12 appeared to have discounted positive factors such as U.S economic recovery, diminishing concerns of European debt problem, yen excessive strength and the expected recovery in corporate earnings in fiscal 2012. Since then, the market has been reacting negatively to slowdown of U.S. economy and the reoccurrence of European debt problem. As both negative and positive news already discounted, for the time being, it is likely that the stock market will be trendless.

【Points】

| Positive Factors | Negative Factors |
|---|--|
| <ul style="list-style-type: none"> • Further improvement of the U.S. economy • Change in the domestic political situation | <ul style="list-style-type: none"> • Strong yen • Rise in crude oil price due to geopolitical risk |



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