Monthly Report

July Market Outlook

July 2012

Daiwa Asset Management Co.Ltd.

[Japanese Equity Market Outlook]

"Tug of war with the opaque external environment and undervalued stocks"

Nikkei 225 Average	June end	MoM
	9006.78	5.43%

[Market review in June]

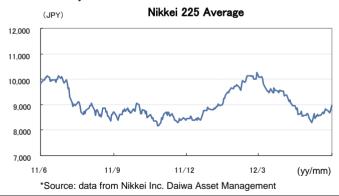
In early June, Japanese equity market fell, but advanced later in the month to end higher. Stock prices started the month weaker after the release of deteriorating employment indicators in the U.S. However, expectations of policy responses to the European debt problems at the G7 telephone conference, and the European Central Bank's (ECB) additional monetary easing helped to turnaround stock prices. In mid-June, victory of fiscal austerity proponents in Greece during its re-election also boosted investment sentiment, as the prospect of Greece exit from Euro faded. By June end, announcement of favorable economic indicators by the U.S. and consensus on the implementation of European Stability Mechanism (ESM) as a policy measure by the European leaders, with an aim to contain the European debt problem lifted market further.

[Outlook]

In July, the stock market is assumed to remain volatile. European debt crisis, particularly Spanish government debt and its banking problems were deliberated in June at EU summit and certain policy measures have been suggested. However, these measures were considered to be directed in calming the financial markets. In reality, conditions and the timing which let the policy measures to function remain uncertain. Hence, we cannot be certain that all the concerns relating to Eurozone were completely dispelled. With respect to the global economic momentum, the U.S., Europe, China and Brazil have continued to slowdown and uneasiness regarding their economic fundamentals remains. On the other hand, rise in Japanese stocks in June is considered to be a reflection of the relative undervaluation of stock prices. For the time being, this tug of war with the opaque external environment and undervalued stocks is expected to continue, giving rise to increased volatility.

[Points]

Positive Factors	Negative Factors
 A significant improvement in business performance this year Undervalued stock prices judging from PBR etc. Policy responses of various countries 	 Deterioration of European debt and banking problems The weakening of the U.S. and Chinese economies Appreciation of the yen



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