

Monthly Report

August Market Outlook

August 2012

Daiwa Asset Management Co.Ltd.

[Japanese Equity Market Outlook]

“Japanese equity market move to gain foothold”

Nikkei 225 Average	July end	MoM
	8695.06	-3.46%

[Market review in July]

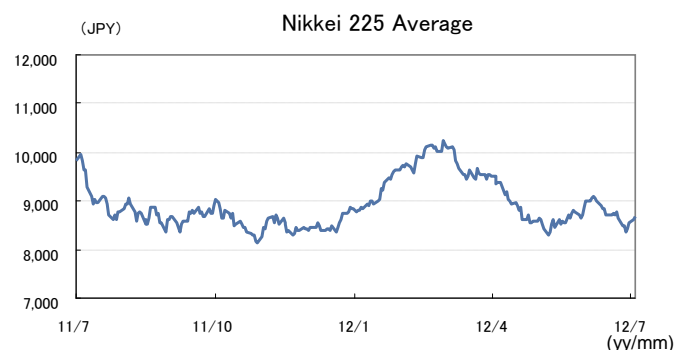
In the first three weeks of July, Japanese equity market fell and then slightly recovered by the end of the month. In early July, though the expectation of additional monetary easing by the U.S influenced equity prices positively, lower-than expected employment data in the U.S and heightened concerns of economic slowdown in China pulled the equity market downward. In the middle of the month, concerns over slowdown in the U.S economy, appreciation of yen impacted the market negatively and the equity prices fell. By the end of the month, decline in the equity prices continued as concerns over the Spanish fiscal problems prevailed. The European Central Bank (ECB) president Mr. Draghi said “within our mandate, the ECB is ready to do whatever it takes to preserve the euro.” This statement boosted the expectations on policy measures to contain the European debt problem, and resulted in a rebound in equity prices.

[Outlook]

In August, Japanese equity market is expected to make moves to strengthen its foothold. Spanish debt problem which was the factor for equity price decline in July slightly receded as ECB President Mr. Draghi has indicated affirmative response. Market remains doubtful regarding the immediate measures to be implemented that meet with the expectation. In case the conditions further worsens, more serious measures are expected to be implemented so that it might result in improvement of investor sentiment in a positive direction. However, the trend of domestic and external economic slowdown is likely to limit the immediate upside potential in equity prices. Equity market will continue to strengthen its foothold, and look forward for the signs of economic pickup.

[Points]

Positive Factors	Negative Factors
<ul style="list-style-type: none"> • Receding concerns over debt problems due to the policy measures taken by the European authorities • Aggressive monetary easing by Japan and the U.S • Economic recovery in various countries 	<ul style="list-style-type: none"> • Prolonged economic slowdown in various countries • Possible downward revision of corporate earnings in April-June quarter • Appreciation of the yen



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