

## Monthly Report

### November Market Outlook

November 2012

Daiwa Asset Management Co.Ltd.

#### [Japanese Equity Market Outlook]

**Difficult to predict the direction with ample uncertainties**

Nikkei 225 Average	October end	MoM
		8928.29

#### [Market review in October]

In October, equity markets declined at the beginning, but reversed to rise later. In early part of the month, equity prices dropped due to the downward revision by the IMF (International Monetary Fund) of world economic outlook and the heightened concerns over global economic slowdown. However, mid-October saw equity prices rise, reflecting a series of positive economic indicators in the U.S., the progressively cheaper yen, and the like. It also contributed to the rise in equity prices that expectations for bottoming out of the Chinese economy were raised with the improvement of major economic indicators for September. In late month, equity prices dropped gradually, owing to the decline of U.S. equities after poor earnings reports, as well as downward revisions of corporate earnings by Japanese companies one after another. At the end of the month, the Bank of Japan decided additional monetary easing measures with a limited impact on equity markets.

#### [Outlook]

In November, it would be difficult to have a sense of direction as to where equity markets are heading until the prevailing uncertainties are cleared. The most serious uncertainty is the so-called "fiscal cliff" in the U.S. (the lapse of tax cuts and automatic reduction in expenditure to start in 2013). After the U.S. presidential and parliamentary elections on the 6th, efforts are expected to be made in order to avoid the cliff; depending on the outcome of the elections, however, the discussion could turn out to be difficult. Political situation in Japan is also unclear. If dissolution of the House of Representatives is delayed, policy decision may not be taken in the meantime. The Japanese economy is under increasing uncertainty going forward as well. Nonetheless, overseas economies are showing a sign of recovery, which is expected to have a spill-over effect on the Japanese economy in the coming days.

#### [Points]

Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>Global economic recovery supported by policy responses of individual countries</li> <li>Implementation of further monetary easing by the BOJ</li> </ul>	<ul style="list-style-type: none"> <li>Difficulties with efforts to avoid the "fiscal cliff" in the U.S.</li> <li>Strong yen</li> <li>Growing political turmoil in Japan</li> </ul>

(Yen) Nikkei 225 Average



\*Source: data from Nikkei Inc. Daiwa Asset Management

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