

## Monthly Report

### January Market Outlook

January 2013

Daiwa Asset Management Co.Ltd.

#### [Japanese Equity Market Outlook]

**A lull after the sharp rise is expected**

Nikkei 225 Average	December end	MoM
	10395.18	10.05%

#### [Market review in December]

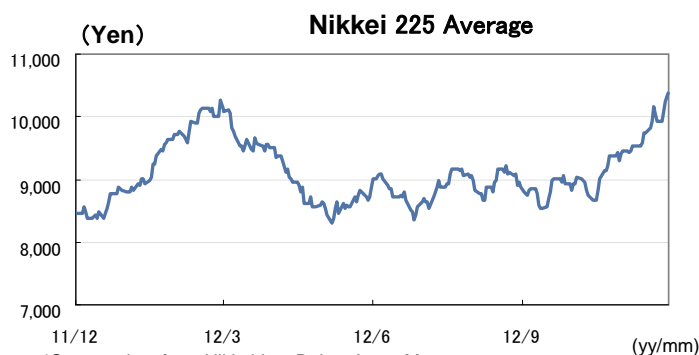
In December, equity markets rose substantially. In the first half of the month, equity prices rose, due to the expected change of government after the lower house election and the further weakening of the yen. Japanese equity markets were also favorably influenced by such factors as good economic indicators in the U.S. and a sharp rebound of Chinese equities. In the latter half of the month, equity prices rose substantially because of the heightened expectation for a bold monetary easing and large-scale fiscal measures after the landslide victory of the Liberal Democratic Party in the lower house election. Towards the end of the month, the continued trend of a weak yen in the foreign exchange markets pushed up equity prices, although investors had at some phases an increased sense of vigilance because negotiations for averting the “fiscal cliff” in the U.S. gradually became more difficult and an overheated short-term market sentiment was recognized.

#### [Outlook]

In January, equity markets are highly likely to see a lull for some time. By the end of December, the Nikkei Stock Average was up just 20 percent from its low on November 13. It is expected that we will gradually witness a mixture of buying and selling, as the sense of overheating is likely to be recognized in the short-term, with the conflicting bullish and bearish viewpoints. Nevertheless, equity prices could rise to an even higher level, depending on the size of the supplementary budget and the outcome of the BOJ Monetary Policy Meeting (scheduled for Jan. 21-22) which could heighten expectations for economic recovery and bring about further weakening of the yen. On the other hand, we should be mindful of the possibility that the sentiment of investors may have become too bullish, and that they may not be well prepared for negative news.

#### [Points]

Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>Strengthened trend of global economic recovery</li> <li>Moves towards a bold monetary easing by the BOJ</li> </ul>	<ul style="list-style-type: none"> <li>Possibility of overly bullish investor sentiment</li> <li>Temporary reversal of foreign exchange</li> </ul>



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