

## Monthly Report

### February Market Outlook

February 2013

Daiwa Asset Management Co.Ltd.

#### [Japanese Equity Market Outlook]

#### Expect Turbulent Waves

Nikkei 225 Average	January end	MoM
		11138.66

#### [Market review in January]

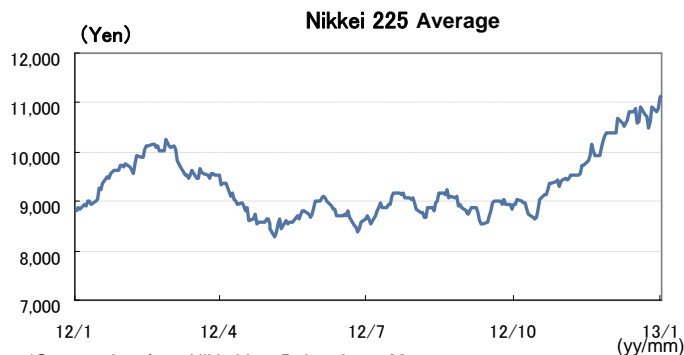
In January, equity markets started with a dramatic increase, in favorable response to such events as the successful avoidance of the “fiscal cliff” in the U.S. for the time being. Later, until the middle of the month, equity prices went up further at some point, responding to a large-scale economic stimulus package prepared by the government of Japan and other factors. Equity prices subsequently showed volatile movements, however, as foreign exchange markets became unstable due to such factors as statements by some politicians, and there appeared to be changes in the continued trend of a weaker yen to date. Toward the end of the month, equity prices dropped temporarily, reflecting the disappointment with the additional monetary easing by the Bank of Japan (BOJ) and other such factors. They rose substantially at the end of the month, however, following the heightened expectations about global economic recovery centered on the U.S., and the return to the trend of a weaker yen.

#### [Outlook]

In February, we expect to see turbulent waves in the equity markets. The Nikkei Stock Average rose by about 30 percent in the two and a half months since former prime minister Noda’s announcement to dissolve the lower house. With the undeniable overheating of the short-term markets, the markets seem to be coming to a point where a corollary correction may happen at any time. On the other hand, with the recovery of overseas economic activities, the Japanese economy is widely expected to be bottoming out as well. As the yen is weakening further, expectations for the recovery of economic activity and earnings remain strong, which in turn are likely to push up equity prices. Bear in mind that it is probable that the government will propose a candidate for the next BOJ governor to the Diet around the middle of the month. Over future monetary policy, therefore, conflicting views of market participants are likely to be heard.

#### [Points]

Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>Strengthened trend of global economic recovery</li> <li>Bold monetary easing by the BOJ</li> <li>Further weakening of the yen</li> </ul>	<ul style="list-style-type: none"> <li>Corollary correction due to the sense of overheating</li> <li>Temporary reversal of foreign exchange</li> </ul>



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

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