

[Japanese Equity Market Outlook]

Rising trend of Japanese equities to continue with possible temporary drops

[Market review in April]

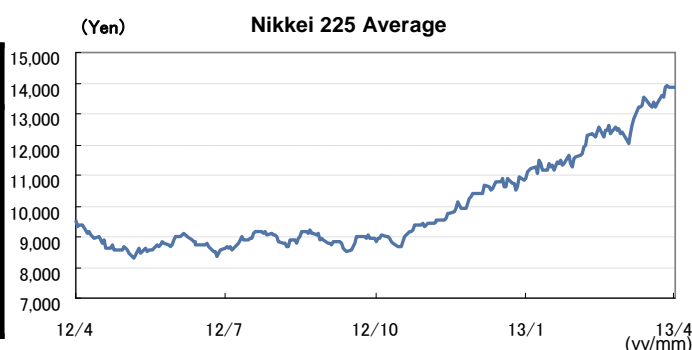
In April, equity markets rose markedly, due to aggressive monetary easing by the Bank of Japan (BOJ) and the like. At the beginning of the month, equity prices started with a drop as economic indicators in Japan and overseas fell short of expectations. They rose drastically, however, after the BOJ decided to introduce the “quantitative and qualitative monetary easing” on April 4. Afterwards, equity prices dropped temporarily at one point, following such events as announcements of poor U.S. economic indicators, sharp falls in commodity markets, and the Boston bombing. Nonetheless, equity prices were continuously pushed up by high expectations for the BOJ which had decided the “quantitative and qualitative monetary easing” diverging from the previous policy stance, as well as furthering of the accompanying weaker yen. Towards the end of the month, equity prices were favorably affected by expectations for stabilization of the political situation in Italy, interest rate cuts by the European Central Bank (ECB) and so on.

[Outlook]

In May, equity markets are likely to maintain the rising trend, although there might be a temporary unstable phase. Investors appear to maintain their expectations for and confidence in the BOJ, although it is not seen to take additional measures for a while after having decided the “quantitative and qualitative monetary easing” of a different dimension from before. Moreover, the current economic recovery is expected to accelerate, due to implementation of the supplementary budget passed at the end of the last fiscal year, spreading of the effect of a weaker yen, and the like. Furthermore, there still appears to be many factors to boost rise in equity prices such as progress in discussion on a growth strategy to be decided in June. Nevertheless, with the sense of overheating in the market continuing, there is the potential for temporary drops-like the ones seen in March and April.

[Factors]

Positive Factors	Negative Factors
<ul style="list-style-type: none"> • Expectations and confidence in the BOJ. • Positive impact of supplementary budget and weaker yen. • Expectations for the growth strategy. 	<ul style="list-style-type: none"> • Concerns about slowdown of overseas economies including the U.S., Europe, and China. • Reaction to the trend of hitherto rapidly weakening yen and rising equity prices.



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