Monthly Report

June Market Outlook

June 2013

Daiwa Asset Management Co.Ltd.

【Japanese Equity Market Outlook】

Nikkei 225 Average	May end	MoM
	13,774.54	-0.62%

Japanese equities are gradually calming down towards eventual reversal

[Market review in May]

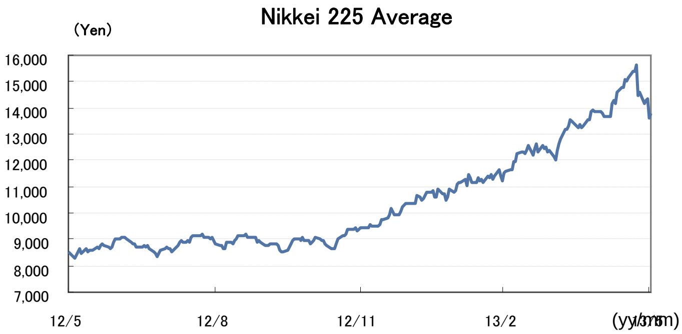
In May, equity markets rose drastically until the middle of the month, followed by sharp drops late in the month. Early in the month, equity prices increased due to such events as the improved employment indicators in the U.S. and the announcement of interest rate cuts by the European Central Bank (ECB). In the middle of the month, equity prices continued rising in favorable response to the rise of U.S. equities and the trend of a weaker yen. Equity markets were also positively influenced by the higher-than-expected growth of real GDP in the January-March period, the second announcement by Prime Minister Abe of a growth strategy, and the like. Late in the month, equity prices dropped sharply due to the reaction to their rapid rise up to then, as well as expectations for a reduction of "quantitative easing" in the U.S. and the widespread sense of vigilance against unstable bond markets in Japan.

[Outlook]

In June, equity markets are expected to gradually regain calm and move on to reversal, although we are likely to continue seeing instability for some time. Some factors can be pointed out as the causes for the sharp drop of equity prices since late May, but they were not necessarily commensurate with the magnitude of the drop. Accordingly, the drop of equity prices is more likely to be a reaction to the substantial and rapid rise of equity prices since last year. As a result, the drop of equity prices itself is likely to have the effect of calming rather than further destabilizing the movement of equity prices going forward. As their daily movements become stable, the factors which previously contributed to the rise of equity prices—such as the recovery of economic activities and earnings as well as expectations for a weaker yen and overcoming of deflation—are going to be appreciated again.

【Factors】

Positive Factors	Negative Factors
• Acceleration of economic recovery due to implementation of the supplementary budget and the effect of weaker yen. • Recovery of the growth potential by execution of a growth strategy.	• Heightened expectations for reduction and suspension of "quantitative easing" in the U.S. • Slowdown of emerging economies



*Source: data from Nikkei Inc. Daiwa Asset Management

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