

[Japanese Equity Market Outlook]

Instability remains, rebound is expected to continue

Nikkei 225 Average	June end	MoM
	13,677.32	-0.71%

[Market review in June]

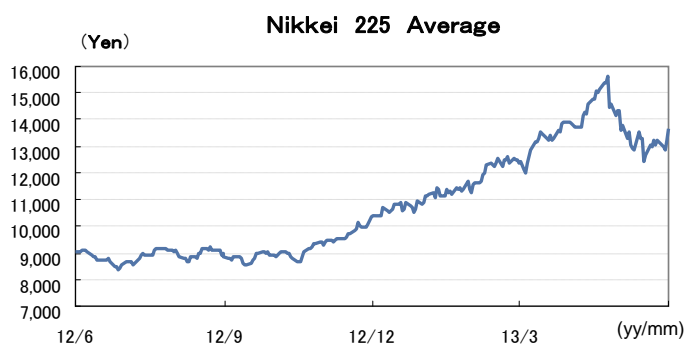
In June, equity markets ended up with overall small decline. In the first half of the month, equity prices dropped due to the strengthened global risk aversion caused by the heightened concerns about the reduction of quantitative monetary easing in the United States. It was also a negative factor that the BOJ Monetary Policy Meeting did not announce measures to restrain the rise in long-term interest rates. In the latter half of the month, equity prices moderately rose in favorable response to the foreign exchange movement toward a weaker yen as well as good economic indicators in Japan and abroad, while there was a phase of an equity price decrease owing to the remarks by Federal Reserve Board (FRB) Chairman Bernanke about beginning to reduce quantitative easing before the end of the year and uncertainties about the financial systems in China.

[Outlook]

In July, equity markets are expected to continue the trend of rebounding despite some remaining instability. While global equity markets have weakened somewhat due to the expected reduction of the U.S. quantitative monetary easing, improvement of the U.S. economy, which underlies the reduction of quantitative easing, should normally be a welcome situation for equity markets. The current instability of global equity markets can be seen as a temporary deceleration at the time of the driving force of an equity price increase to change from monetary easing to expansion of economic activities. Under such influence, some instability is expected to remain for Japanese equities as well. Nonetheless, the basic trend of rebounding since the latter half of June is expected to continue, because Japanese equities have adjusted ahead of overseas equities, foreign exchange is again on the trend of a weaker yen, and stable administration is expected after the upper house elections.

[Factors]

Positive Factors	Negative Factors
<ul style="list-style-type: none"> Acceleration of economic recovery induced by policy measures Expectations for stable administration after the upper house elections Expected recovery of growth potential through implementation of the growth strategy 	<ul style="list-style-type: none"> Furthering of a stronger yen caused by the instability of overseas financial markets, etc. Slowdown of emerging market economies



*Source: data from Nikkei Inc. Daiwa Asset Management

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