

【Japanese Equity Market Outlook】 **Japanese equity prices to recover with** **uncertainties factored in**

Nikkei 225 Average	August end	MoM
	13,388.86	-2.04%

【Market review in August】

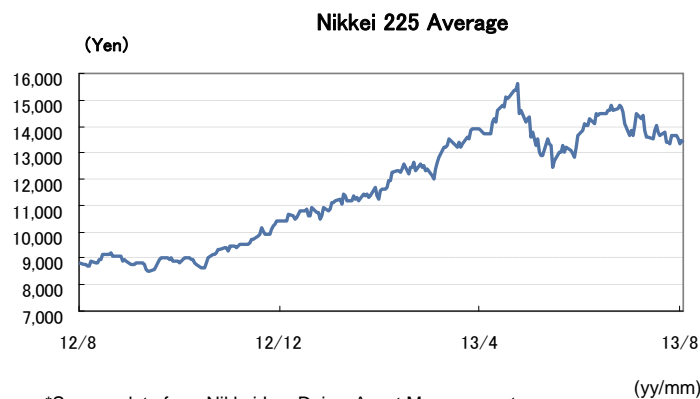
In August, equity markets witnessed a gradual decline due to further risk-averse movements by investors, with a heightened sense of vigilance over the reduction of quantitative monetary easing in the U.S. Looking more closely, early in the month equity prices began with a rise in favorable response to good economic indicators in the U.S. and China, followed by a decrease due to such factors as further strengthening of the yen. During the middle of the month, we saw equity prices advanced temporarily by heightened expectations for cuts in corporation tax rates; only to see them declined by key cabinet members' denial of such expectations. Later in the month, equity prices dropped at some stage mainly because some emerging economies experienced rapid weakening of their currency and decrease of equity prices, while tensions were growing in Syria.

【Outlook】

In September, equity markets are likely to start with nervous movements reflecting the uncertain external environment. Specifically, uncertain factors include weak currencies and lower equity prices in some emerging economies, the situation in Syria, and expectations for the start of reductions in quantitative easing in the U.S. Nonetheless, as the situation becomes clearer with the passing of time, markets are likely to factor them in, with their negative impacts to subside. In Japan, we expect that more policy measures will be taken again toward October. Markets are likely to raise their hopes, paying attention to specific cases for special zones announced in the June growth strategy, a second round of the growth strategy stepping into tax cuts for capital investment as well as rock solid regulations, a supplementary budget to offset the negative impacts of a rise of the consumption tax, and the like.

【Factors】

Positive Factors	Negative Factors
<ul style="list-style-type: none"> • Strengthened trend of recovery in economic activity and earnings • Expectations for accelerated economic recovery through tax cuts for investment, etc. • 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. • Higher oil prices due to the deteriorating situation in Syria, etc.



*Source: data from Nikkei Inc. Daiwa Asset Management

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