

#### 【Japanese Equity Market Outlook】

**Expectations for policy measures gradually changing to concerns about the supply and demand of equities**

Nikkei 225 Average	September end	MoM
	14,455.80	7.97%

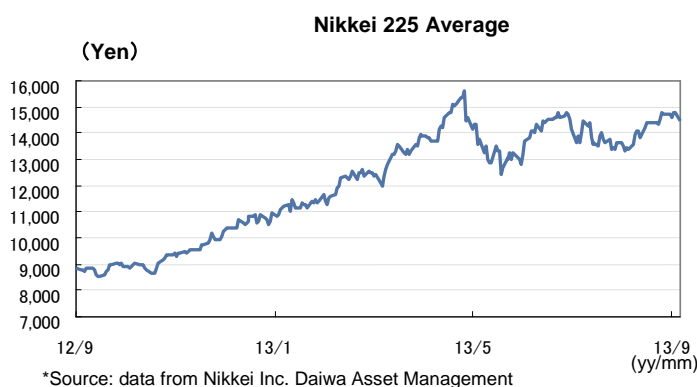
#### 【Market review in September】

In September, equity markets rose substantially from the start of the month but ended with a slight drop. Equity prices rose early in the month, mainly due to improvement in overseas economic indicators and the lowered probability of a military intervention by the U.S. in Syria. Moreover, the selection of Tokyo as the host city for the 2020 Summer Olympic Games led to a drastic increase in related stocks. Equity prices were up in the middle of the month, in a favorable response to the steadfast major economic indicators in China as well as the postponement in reducing the “quantitative monetary easing” by the Federal Open Market Committee (FOMC), and the like. While rising at some point due to expectations for economic stimulus measures by the Abe administration, equity prices dropped towards the end of the month, owing to the deepening confrontation between the ruling and opposition parties in the U.S. on the budget and the raising of the debt ceiling.

#### 【Outlook】

Equity markets are expected to maintain steady movements in October, particularly in the first half of the month, due to expectations for policy measures. At the beginning of the month, the government is expected to make a final decision on the rise of the consumption tax rate next spring, but in addition to the economic stimulus package to be announced at the same time, favorable effects on equity prices are likely to come from implementation of the Growth Strategy, including selection of National Strategic Special Zones and discussion on the draft Industry Competitiveness Enhancement Act at the extraordinary Diet sessions. Nonetheless, in the latter half of the month, equity prices could make adjustments with the uneasiness about supply and demand of equities gradually strengthening, including concerns about the sale of stocks before the end of preferential tax treatment for securities at year-end to save taxes. Please note that the assumption of consultations between the ruling and opposition parties in the U.S. on the budget and the raising of the debt ceiling is expected to reach an agreement before exacerbating turmoil in the market.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>Strengthened trend of recovery in economic activity and earnings</li> <li>Expectations for accelerated economic recovery through tax cuts for investment, etc.</li> <li>Expected recovery of growth potential through implementation of the growth strategy</li> </ul>	<ul style="list-style-type: none"> <li>Deadlock of consultation on the U.S. budget and the debt ceiling.</li> <li>Turmoil in European financial markets with the political situation in Italy becoming fluid</li> </ul>



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