

#### 【Japanese Equity Market Outlook】

**A tug of war for the time being between good corporate earnings and concerns about the deteriorating balance of equity supply and demand.**

Nikkei 225 Average	October end	MoM
	14,327.94	-0.88%

#### 【Market review in October】

In October, equity markets showed ups and downs within a relatively wide price range. In early part of the month, equity prices dropped in response to the shutdown of government offices in the U.S. and heightened concerns about the potential default of U.S. Treasuries due to the difficulty in fiscal negotiations. In the middle of the month, equity prices rose as unease among investors receded with the gradual progress in the U.S. fiscal negotiations, which eventually resulted in the passage of relevant legislation by Congress. Late in the month, equity prices declined as the yen became stronger after a series of announcements of lower-than-expected U.S. economic indicators, and the like. It also contributed to the decline of equity prices that higher short-term interest rates in China led to expectations of monetary tightening.

#### 【Outlook】

In November, equity markets are likely to witness a tug of war for the time being between good corporate earnings and concerns about the deteriorating balance of equity supply and demand. With the expiration of preferential tax treatment for securities at year end, individual investors are expected to increase their selling in November and December. Moreover, if we consider the past, overseas investors tend to sell more on balance in the first half of November, and we are therefore concerned about the deteriorating balance of equity supply and demand in November. On the other hand, we are seeing good results from earnings reports for the April-September period, whose announcements have been in full swing since late October. Not only actual results are substantially exceeding the earlier forecasts but forecasts for this fiscal year are also revised upward. With the passing of time, it is expected that the deteriorated balance in supply and demand will gradually improve, and good corporate earnings will be taken into account.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>Favorable corporate earnings reports.</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>Deteriorating balance of equity supply and demand due to the expiration of the preferential tax treatment of securities.</li> <li>Appreciation of the yen against the dollar due to expectations for prolonged monetary easing in the U.S.</li> </ul>



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