

【Japanese Equity Market Outlook】

Continued steady movement expected with possible adjustments of the pace

Nikkei 225 Average	December end	MoM
	16,291.31	4.02%

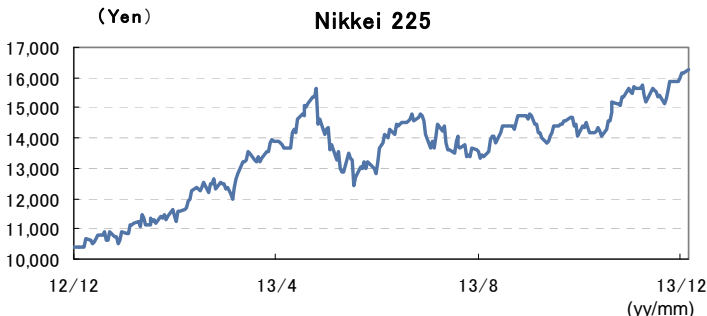
【Market review in December】

In December, equity markets dropped in the first half of the month, but rose substantially in the second half. While the first half started with a rise due to a weaker yen caused by the expectation of additional monetary easing by the Bank of Japan and the like, equity prices subsequently dropped owing to the point of view that financial regulations were reinforced as well as the forecast of tapering quantitative easing in the U.S. In the second half of the month, despite the decision to begin tapering quantitative easing, equity prices rose in favorable response to the cautious pace of the tapering and the like. Afterwards, against the backdrop of the announcement of positive U.S. economic indicators and the like, U.S equity prices increased and the yen weakened, which in turn led to the continued rise of Japanese equities toward the year-end.

【Outlook】

In January, equity markets are highly likely to continue steady movements. In the midst of the steady economic recovery as well as a further weakening yen, equity prices are expected to be pushed up by such factors as upward revisions of earnings at the time of the announcement of financial results for the April-December period, which will be in full swing from late January, a favorable turn in the balance of equity supply and demand due to changes of the system, and the like. As for the balance of equity supply and demand, while the selling that resulted from the termination of preferential treatment of securities has ended at the end of last year, funds are expected to flow into the markets through the Nippon Individual Savings Account (NISA) introduced from this year. Nonetheless, the pace of equity price increase has been so rapid since the latter half of December last year that equity prices are expected to move with a phase of temporary adjustment of this pace.

Positive Factors	Negative Factors
<ul style="list-style-type: none">• Upward revisions of earnings• Favorable turn in the balance of equity supply and demand.• Expectations for accelerated economic recovery though policy measures.• Expectations for the recovery of growth potential through implementation of the growth strategy.	<ul style="list-style-type: none">• Reactionary fall after the rapid rise in equity prices.• Reactionary fall after the rapid rise in equity prices• Accelerated weakening of some emerging currencies



*Source: data from Nikkei Inc. Daiwa Asset Management

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