

[Japanese Equity Market Outlook]

Unstable but to recover gradually

Nikkei 225 Average	February end	MoM
	14,841.07	- 0.49%

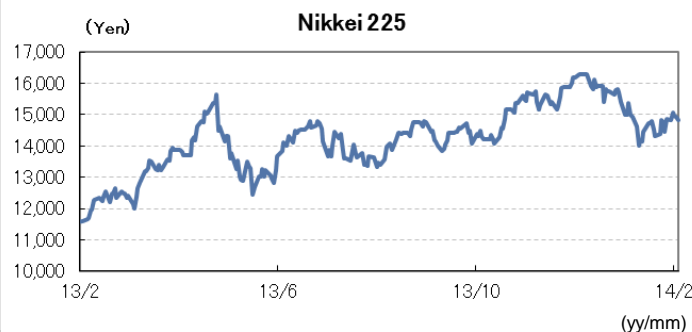
[Market review in February]

Equity markets dropped substantially at the beginning of February, but they rose gradually afterwards. At the beginning of the month, equity prices decreased markedly, due mainly to the heightened concerns about the economies of emerging countries and the U.S. Equity prices increased, however, albeit with some instability in a favorable response to the stabilizing of emerging currency depreciation, the BOJ decision to expand the loan support fund. In the U.S., Ms. Yellen, who became the Chair of the Board of Governors of the Federal Reserve System in February, testified in Congress that she would maintain the existing stance on monetary policy, and this development improved confidence in the markets. Nonetheless, near the end of the month, equity prices dropped somewhat because of the uncertainties surrounding the Chinese economy, the situation in Ukraine, and so on.

[Outlook]

In March, equity markets are likely to gradually test recovery, while concerns persist about a number of uncertainties. Although some U.S. economic indicators show weaknesses, they appear to be caused primarily by weather factors such as cold waves, and therefore, their negative impacts will subside in due course. The situation in Ukraine requires our continued attention, but as we confirm its limited impact on the world economy, uneasiness in the market is likely to disappear slowly. As these uncertain factors subside, evaluations of a steady recovery in domestic demand and a sense of undervalued equity prices in terms of PER (Price Earnings Ratio) are expected.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> Seemingly undervalued equity prices in terms of PER Recovery of the U.S. economic indicators Expectations for the recovery of growth potential through implementation of the growth strategy. 	<ul style="list-style-type: none"> Heightened geopolitical risks Weak economic indicators in the U.S. Strong yen.



*Source: data from Nikkei Inc. Daiwa Asset Management

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