

【Japanese Equity Market Outlook】

•Seesaw movement weighing economic developments after consumption tax rise

Nikkei 225 Average	April end	MoM
	14,304.11	-3.53%

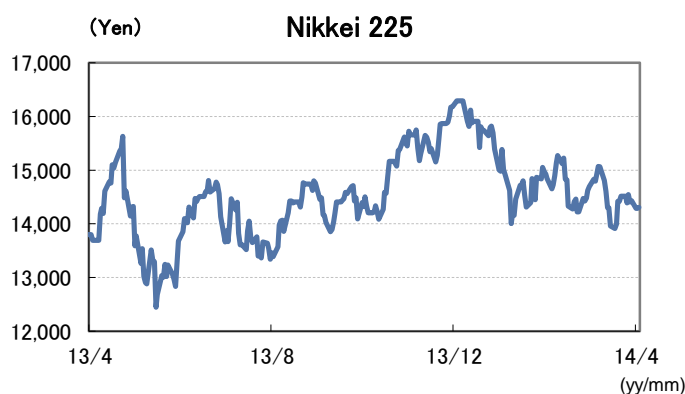
【Market review in April】

In April, equity markets in Japan dropped in the first half but recovered somewhat in the second. Japanese equities started the month with steady movements after the announcement of favorable U.S. economic indicators, only to fall, along with the adjustment of the overall U.S. equities triggered by the fall of net-related stocks and bio stocks in the U.S. Around the middle of the month, equity prices rebounded with the anticipation of policy measures to boost equity prices against the backdrop including the meeting between Prime Minister Abe and Bank of Japan Governor Kuroda for the first time in four months, as well as expectations for the Government Pension Investment Fund (GPIF) to increase equity investments. Toward the end of the month, equity prices temporarily fell with the postponement of agreement in the negotiation for the Trans Pacific Partnership (TPP), but they were supported by the rebound of U.S. equities.

【Outlook】

In May, equity markets in Japan are expected to continue this seesaw movement. As for overseas factors, while the confusion in Ukraine will continue to be a concern, the recovery of the U.S. economy from its deceleration during the severe winter is likely to have a positive impact on equity prices. In Japan, economic activities after the increase of the consumption tax will be more closely watched. So far, a temporary surge in demand before as well as the corresponding drop after the consumption tax increase appear to have been within the range of advance forecasts. Nonetheless, until a recovery from the corresponding drop in demand becomes visible, market participants are expected to be on the cautious side, and as a result, equity markets are not likely to show a clear direction for some time.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> Recovery of the U.S. economic indicators. Seemingly undervalued equity prices in terms of PER. Recovering from a reactionary decline of consumption tax increase. Expectations for the recovery of growth potential through implementation of the growth strategy. 	<ul style="list-style-type: none"> Heightened geopolitical risks. Uncertainty of Chinese financial system Strong yen.



*Source: data from Nikkei Inc. Daiwa Asset Management

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