

#### 【Japanese Equity Market Outlook】

Gradually heading in the direction of improvement

Nikkei 225 Average	June end	MoM
		15,162.10

#### 【Market review in June】

Equity markets in Japan rose in June, mainly early and in the middle of the month. Overseas investors aggressively bought Japanese equities early and in the middle of the month, as the aversion to risk receded globally, especially in the U.S. equity markets, due to the somewhat stable situation in Ukraine, and in Japan it was decided to reduce corporate tax rates to the high twenties in percentage terms over several years. Equity prices appeared to have been favorably affected by the decision of the U.S. FOMC (Federal Open Market Committee) to maintain the stance of monetary easing as well. Equity prices showed some weakness late in the month, due to the spreading of caution among market participants after the rapid rise of equity prices in the past month. Equity prices were also driven down by such factors as higher oil prices caused by the deteriorating situation in Iraq.

#### 【Outlook】

In July, equity markets in Japan are expected to strengthen the trend of gradual improvement. Investor sentiment appears to be improving after it has become increasingly apparent that the rise of the consumption tax rate will not interrupt the recovering trend of the economy in the medium- to long-term. If the current concerns subside, expectations are more likely to be heightened for the medium- to long-term policy measures announced in the Growth Strategy such as the reduction of corporate taxes and the reinforcement of corporate governance. For the time-being, attention is likely to be focused on whether the room for upward revision going forward can be confirmed by the announcements of financial results for the April-June period mostly scheduled for late July and after. It should be duly noted that geopolitical risk factor will continue.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>Recovery of the U.S. economy.</li> <li>Seemingly undervalued equity prices in terms of PER.</li> <li>Expectation for upward revision of earnings</li> <li>Expectations for the recovery of growth potential through implementation of the growth strategy.</li> </ul>	<ul style="list-style-type: none"> <li>Heightened geopolitical risks.</li> <li>Strengthening of the yen due to declining interest rates in Europe and the U.S</li> <li>Uncertainty of Chinese financial system</li> </ul>



\*Source: data from Nikkei Inc. Daiwa Asset Management

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