

【Japanese Equity Market Outlook】

Continued rise expected

Nikkei Average	November end	MoM
	17,459.85 yen	6.37%

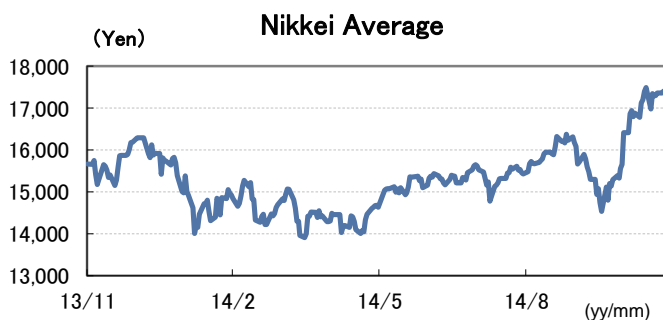
【Market review in November】

In November, equity markets in Japan were generally steady throughout the month. Equity prices rose from the start of the month, due to the announcements at the end of October by the BOJ (Bank of Japan) of additional monetary easing and the GPIF (Government Pension Investment Fund) substantially raising the ratio of domestic equities in its managed assets. After dropping temporarily in response to the unexpected negative growth of the real GDP for the July-September period, which was made public on November 17, equity prices subsequently moved steadily, with the strengthening of the view that the favorable conditions of high overseas equity prices, a weaker yen, good supply and demand of equities, and the like would not change. It appears that the continuation of cheaper oil, favorable major economic indicators for October, and so on also contributed to the higher equity prices.

【Outlook】

In December, equity markets in Japan are expected to continue their rising trend. Reasons that can be identified, among others, include the emergence of recovery in the domestic economy, which was stagnant after the consumption tax hike; corporate earnings that are expected to increase due to a substantially weaker yen and cheaper oil; overseas equities that have been stable against the backdrop of the steady recovery of the U.S. economy and the like; and the fact that the favorable supply and demand relationship of equities is likely to continue due to the purchase of Japanese equities by the BOJ and GPIF. One uncertain factor is the general election. According to various media reporting and the like, the Liberal Democratic Party is generally forecast to lose some seats. If they lose substantially, however, concerns about the handling of the government going forward could be heightened, which in turn could lead to a drop in equity prices.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> Recovery of the U.S. economy Economic recovery of Japan due to weaker yen, cheaper oil and improvement in corporate earnings Purchase of Japanese equities by BOJ and GPIF 	<ul style="list-style-type: none"> Substantial loss of LDP seats in the general election Heightened geopolitical risk



*Source: data from Nikkei Inc. Daiwa Asset Management

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