

【Japanese Equity Market Outlook】

• Continued rise expected

Nikkei Average	January end	MoM
	17,674.39 yen	1.28%

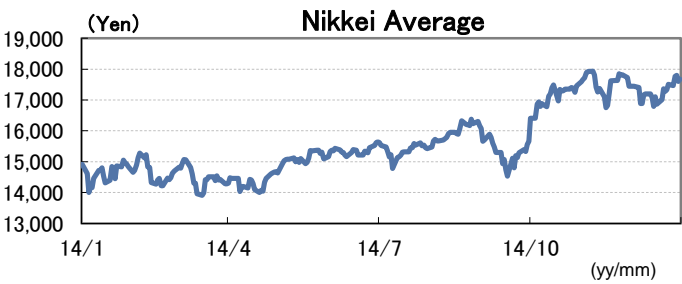
【Market review in January】

In January, equity markets in Japan showed some weakness in the first half of the month, followed by mostly steady movements in the second half. Equity prices dropped in the first half due to a series of negative events, such as the confusion in the political situation in Greece, the downturn of U.S. economic indicators, concerns about the future of the world economy because of the rapid decrease in oil and copper prices, and turmoil in foreign exchange markets caused by the abolition of the Swiss franc's upper limit against the euro. In the second half, however, they were mostly steady against the background of the ECB (European Central Bank) decision on quantitative monetary easing including the purchase of government bonds, the calming down of European markets after the Greek general election, the rebounding of U.S. equities, expectations for good financial results of Japanese companies buoyed by a weaker yen and cheaper oil, and the like.

【Outlook】

In February, equity markets in Japan are likely to continue their steady trend since the latter half of January. While announcements of the financial results for the April-December period have been in full force since late January, they appear to be favorable as a whole; in addition, expectations for earnings next year are likely to be raised due to the weaker yen and cheaper oil, as well as the postponement of the rise in consumption tax. Moreover, steady recovery at both the macro- and micro-economic levels is expected to have a positive effect on equity prices, as the main economic indicators for December announced at the end of January are generally considered to suggest the recovery of economic activities in Japan. Nonetheless, there are some external conditions to keep in mind, including the negotiation between the new Greek government and the EU, the economic situation in Russia, and the issue of the Islamic State of Iraq and Syria.

Positive Factors	Negative Factors
<ul style="list-style-type: none">Economic recovery of Japan due to weaker yen, cheaper oil and improvement in corporate earningsRecovery of the U.S. economyPurchase of Japanese equities by BOJ and GPIF	<ul style="list-style-type: none">Confrontational stance of the new Greek government against the EUDeterioration of Russia's economic situationHeightened geopolitical risk



*Source: data from Nikkei Inc. Daiwa Asset Management

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