

【Japanese Equity Market Outlook】
Steady for a while, with the rise gradually decelerating

Nikkei Average	February end	MoM
	18,797.94 yen	6.36%

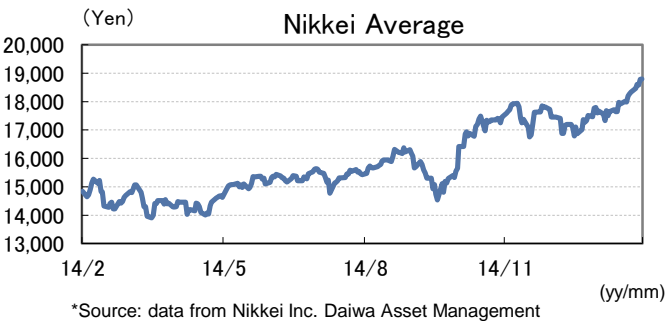
【Market review in February】

In February, equity markets in Japan were steady throughout the month. While there were concerns about confrontation between Greece and other euro zone countries early in the month, factors such as movements towards a cease-fire in Ukraine and good employment statistics for January in the U.S. were appreciated. During the middle of the month, with a weaker yen due to the rise in U.S. interest rates, the rise in equity prices was accelerated due to the expectation for compromise by Greece in the euro-zone negotiation as well as the improvement in domestic economic indicators such as machinery orders for December and trade statistics for January. Toward the end of the month, despite the deepening political uncertainty after the resignation of Agricultural Minister Nishikawa, equity prices moved steadily, supported by the favorable supply and demand relationship of equities against the background of the purchase by public pension funds and the BOJ, the improvement in investor sentiment after the Nikkei stock average exceeding its high before the collapse of Lehman Brothers, and the like.

【Outlook】

While equity markets in March are expected to move steadily for a while, they are likely to decelerate gradually. For the time being, equity prices appear to move steadily, against the backdrop of the confirmation of recovering domestic economic activities, a favorable supply and demand relationship of equities, a positive turn of investor sentiment, and the like. With equity prices having risen more than 2,000 yen as of end-February from their low in mid-January, however, the sense of overheating is solidifying in the short term. Moreover, the U.S. FOMC (Federal Open Market Committee) scheduled on March 17-18 is expected to change the statement in preparation for the raising of interest rates in future; as a result, investors are likely to strengthen their tendency to scrutinize the level of the current stock prices and market trends going forward, presumably decelerating gradually the rise in equity prices.

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">Reactionary downturn after the rapid rise in equity pricesConfusion in the Ukrainian situationExcessive deceleration of some emerging economies



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