

#### 【Japanese Equity Market Outlook】

Possible speedy adjustment needs observation

Nikkei Average	May end	MoM
	20,563.15 yen	5.34%

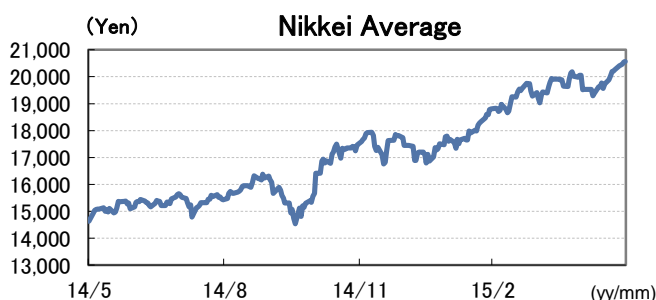
#### 【Market review in May】

In May, equity markets in Japan rose, continuing a steady trend since the start of the year. After decreasing in the early part of the month due to concerns about the U.S. economy and the comment by FRB (U.S. Federal Reserve Board) Chair Yellen on her seeing equity markets overvalued, equity prices turned to an increase in response to the victory of the ruling Tory Party in the U.K. general elections, firm U.S. employment statistics, and so on. Afterwards, in the midst of the continued favorable supply and demand relationship for stocks, equity prices continuously rose until the end of the month with the progress of further weakening of the yen, among other factors, also working in favor.

#### 【Outlook】

In June, there appears to be a possibility that equity prices will temporarily adjust their speed. It is a record since the continued rise for 13 business days in 1988 that the Nikkei Stock Average has been rising for 11 consecutive days until the end of May. Moreover, with the PER (Price Earnings Ratio) relatively high for the period since the start of Abenomics, stocks are seen somewhat less of value. For the time-being, equity prices—which have risen ahead—could wait for the leveling up of economic activities and earnings.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>Economic recovery of Japan due to weaker yen, cheaper oil and improvement in corporate earnings</li> <li>Strengthened attitude of companies to place more importance on shareholders</li> <li>Favorable supply and demand of Japanese equities with backdrop of purchases by BOJ and GPIF</li> </ul>	<ul style="list-style-type: none"> <li>Reactionary downturn after the rapid rise in equity prices from the beginning of the year</li> <li>Deceleration of overseas economic activities</li> <li>Heightened geopolitical risks including those in the Middle East</li> </ul>



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

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