

【Japanese Equity Market Outlook】

•Instability to remain in first half of month followed by recovery in second half

Nikkei Average	June end	MoM
	20,235.73 yen	-1.59%

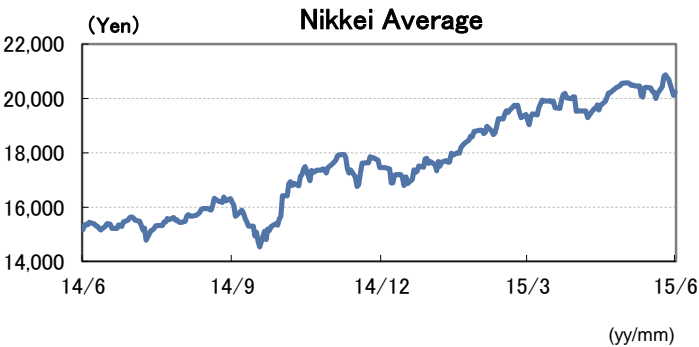
[Market review in June]

In June, equity markets in Japan temporarily reached a record high, only to eventually drop. They were weak in the early and middle parts of the month. The drop was due to such factors as the response to the rise in the 12 consecutive business days before the start of the month, uncertainties about the future of negotiations over support for Greece, and a lull in the weakening of the yen. In the later part of the month, while the Nikkei Stock Average renewed its peak recorded during the IT bubble in April 2000 with heightened expectations for an agreement on the negotiations over support for Greece, equity prices later dropped sharply as the negotiations over support eventually broke down.

[Outlook]

In July, equity markets in Japan are likely to be unstable during the first half of the month, but stabilize in the second. It appears to be inevitable for equity prices to move unstably in the first half, given the attention paid to the risk of Greece defaulting on debt, lower equity prices in China and the like. In the second half, however, equity prices are expected to remain calm and move to recovery due to investor attention shifting to steady corporate earnings as many companies start to announce their results for the April-June period.

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



*Source: data from Nikkei Inc. Daiwa Asset Management

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