

Japanese equities: Recovering albeit unstably

Nikkei Average	January end	MoM
	17,518.30 yen	-7.96%

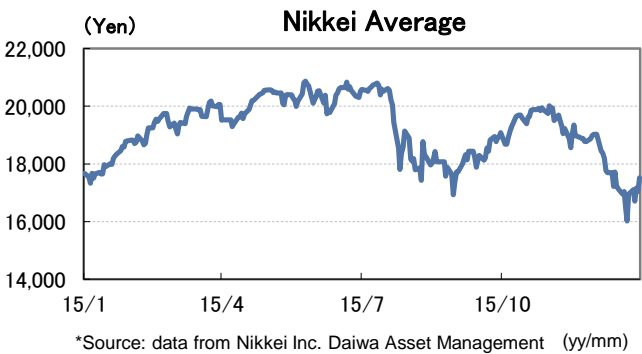
[Market review in January]

In January, equity markets in Japan decreased at the start and middle of the month, followed by a rebound toward the end of the month. Up to mid-month, equity prices dropped due to the decrease in oil prices, a weaker Chinese renminbi and equities, a stronger yen and weaker dollar, and heightened geopolitical risks in the Middle East and North Korea, among other factors. Toward the end of the month, however, equity prices began to increase, mainly owing to the suggestion of additional monetary easing by President Draghi of the European Central Bank, the rebound in oil prices, and monetary easing by the BOJ through the introduction of negative interest rates at an unexpected timing and method.

[Outlook]

In February , equity markets in Japan are expected to be heading toward recovery, although unstably. With the suggestion by President Draghi of additional monetary easing and the introduction of negative interest rates by the BOJ, the market trend of risk avoidance, which had been gaining force, is easing. In particular, concerns about corporate earnings due to a stronger yen being likely to subside appear to be having a positive impact on equity prices. While recent volatile daily movements of equity prices themselves could force investors to be cautious, markets are expected to gradually reflect the improvement of conditions.

Positive Factors	Negative Factors
<ul style="list-style-type: none">• Monetary easing in Japan and abroad• Undervalue from the point of view of PER (Price Earnings Ratio)• Favorable supply and demand relationship of equities.	<ul style="list-style-type: none">• Geopolitical risks overseas.• Political risks in Japan.



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