

Japanese equities: Recovery to be tested in anticipation of policy measures

Nikkei Average	March end	MoM
	16,758.67 yen	4.57%

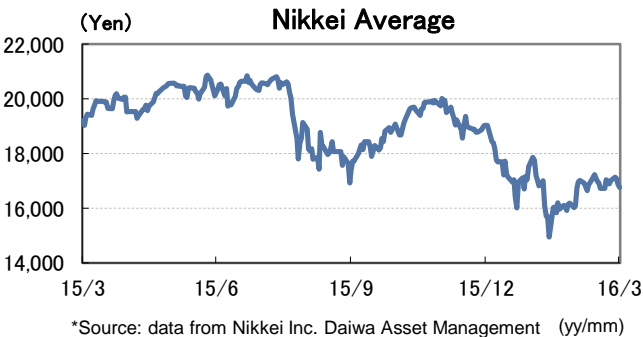
[Market review in March]

Japanese equities rose at the start of last month, followed by continued quiet markets. At the start of the month, equity prices increased in response to favorable economic indicators for the U.S. manufacturing sector and the monetary easing in China at the end of the preceding month. Equity prices then saw little change against the background of mixed signals from strong as well as weak factors: unfavorable economic indicators vs. expectations for policy measures in China; additional monetary easing vs. concerns about the ending of interest rate cuts in the euro zone; and downward revision of the outlook for policy interest rates vs. remarks by fed regional bank presidents in favor of raising interest rates in the U.S.

[Outlook]

This month, Japanese equities are expected to test recovery. Given the economic conditions in Japan that cannot be seen to be on a clear recovery trend, in addition to the fact that an early economic stimulus package is under consideration, it appears more likely that BOJ will go for additional monetary easing. With a House of Councilors election this summer forecast in some quarters to become paired with a House of Representatives election depending on the situation, policy stance giving the top priority to the economy with an eye to the election, including the postponement of further raising the consumption tax, is likely to push up equity prices for the time being.

Positive Factors	Negative Factors
<ul style="list-style-type: none">Economic stimulus packageAdditional monetary easingRecovery of business confidence in the U.S. manufacturing sector	<ul style="list-style-type: none">Deterioration in household consumer sentimentPolitical uncertainty in some emerging countriesWithering economic activities due to terrorism, etc.



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