

Japanese Equities:  
Recovery is expected to be carefully tested

Nikkei Average	May end	MoM
	17,234.98 Yen	3.41 %

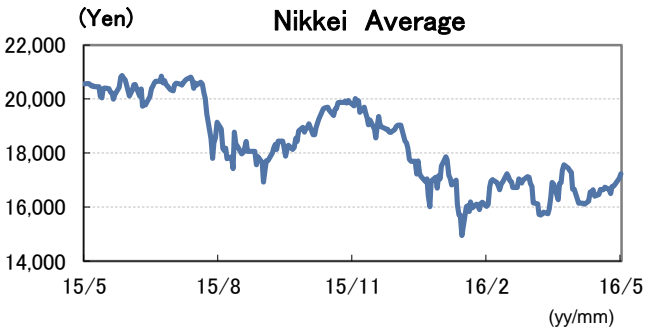
[Market review in May]

Equity markets in Japan continued a moderate recovery trend. Equity prices dropped in the early part of the month due to the substantially higher yen in response to the deferment of additional monetary easing by the BOJ and the foreign exchange report by the U.S. Subsequently, however, equity prices rose moderately mainly because the yen became weaker after senior officials of the FRB (U.S. Federal Reserve Board) expressed successive positive opinions about raising interest rates early in the U.S.; expectations for domestic policy measures, such as postponement of the consumption tax hike and economic stimulus measures, were heightened; and Europe saw progress in supporting Greece.

[Outlook]

In equity markets in Japan, recovery is expected to be carefully tested. For the time being, equity prices are likely to be supported by expectations for domestic policy measures and receding concerns about Greece. While there is the possibility of a rise in the U.S. interest rates, Japanese equities are likely to be positively affected by a solid U.S. economy and the increased room for a further weakening of the yen. Although the national referendum in the U.K. on exit from the EU (European Union) is an uncertain factor, votes for remaining in the EU appear to be dominant at the moment. Markets are likely to test recovery, while cautious about event risks.

Positive Factors	Negative Factors
<ul style="list-style-type: none"><li>● Large scale economic stimulus package</li><li>● Additional monetary easing measures by BOJ</li><li>● Weaker yen</li></ul>	<ul style="list-style-type: none"><li>● Support for Brexit through UK referendum</li><li>● Stronger yen</li></ul>



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

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