

Monthly Report

August Market Outlook

August 2016  
Daiwa Asset Management Co.Ltd.

Japanese Equities: Steady movements are expected

Nikkei Average	July end	MoM
	16,569.27 Yen	6.38%

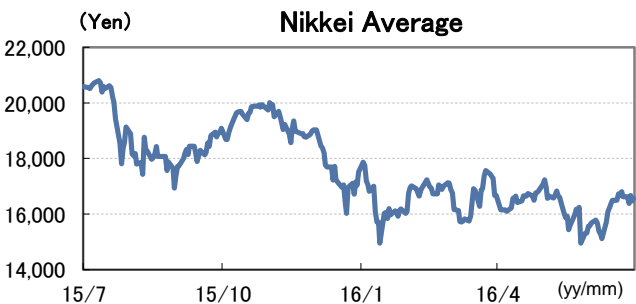
[Market review in July]

Equity markets in Japan rose mainly in the middle of the month. At the start of the month, they declined due mainly to the suspended cancellation of real estate funds in the U.K. and concerns about the bad loans of major Italian banks. In the middle of the month, they increased owing to the victory of the ruling parties in the Upper House elections, expectations for the government’s economic stimulus measures, and the BOJ’s monetary policy. Toward the end of the month, while there were some concerns about the sense of overheating in the market after the rise of equity prices, they showed see-saw movements with a mixture of expectations for policies.

[Outlook]

Equity markets in Japan are expected to move steadily. Economic stimulus measures and monetary easing are likely to improve the outlook of economic activities, which in turn will support equity prices. While earnings growth in financial results for the April-June period was stagnant because of favorable economic and market conditions in the corresponding period in the previous year, equity prices moved steadily in many cases because they were considered not to be as bad as expected. Despite cause for concern such as uncertainties in the European financial system, equity prices seem to have significantly taken into account downside risks during the first half of this year.

Positive Factors	Negative Factors
<ul style="list-style-type: none"><li>● Expectations for taking effect of fiscal and monetary policies</li><li>● Sense of undervaluation for PER</li><li>● Recovery of overseas economies centered on the U.S.</li></ul>	<ul style="list-style-type: none"><li>● Uncertainties in the European financial system</li><li>● Further strengthening of Yen</li></ul>



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

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