

Japanese Equities: Recovery trend to continue albeit unstably

Nikkei Average	August end	MoM
	16,887.40 Yen	1.92%

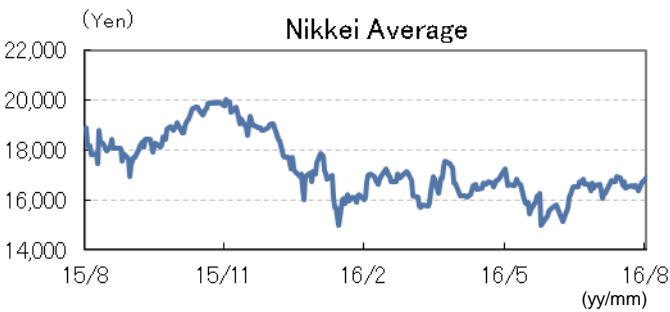
[Market review in August]

Equity markets in Japan rose. While earnings decreased year on year for the April-June period of 2016, they were favorably received due to their better-than-expected results. Other factors also contributed to the rise in equity prices. These include the favorable figures in U.S. employment statistics for July published in early August, and the furthering of a weaker yen and stronger dollar due to the heightened expectation for an early rise in U.S. interest rates after the speech of FRB (U.S. Federal Reserve Board) Chair Yellen on August 26.

[Outlook]

Equity markets in Japan are expected to continue this recovery trend although somewhat unstably. Attention should be paid to the meetings to decide monetary policy in Japan and the U.S. both of which are scheduled for September 20-21. We do not expect the BOJ to weaken its monetary-easing stance, which is likely to continue having a positive impact on equity prices. As for the U.S., a rise in the interest rate is expected to result in lower U.S. equity prices and a weaker yen, while keeping the current rate in higher U.S. equity prices and a higher yen. On balance, neither of these is likely to affect Japanese equity prices.

Positive Factors	Negative Factors
<ul style="list-style-type: none">● BOJ's keeping its monetary-easing stance● Expectations for corporate earnings to bottom out● Expectations for the taking effect of economic measures in the future	<ul style="list-style-type: none">● More unstable political situation in the U.S. and Europe● Excessively strong yen



*Source: data from Nikkei Inc. Daiwa Asset Management

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