

Japanese Equities: Nervous movements reflecting developments in the U.S. Presidential election

| Nikkei Average | September end | MoM |
|----------------|---------------|--------|
| | 16,449.84 Yen | -2.59% |

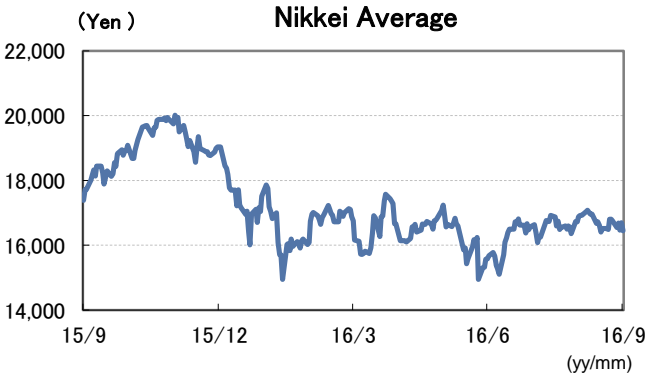
[Market review in September]

Equity markets in Japan declined. There were ups and downs responding to the policies of central banks in Japan and the U.S. as well as developments in the U.S. presidential election. Toward the middle of the month, equity prices dropped due to the expectation of a rise in U.S. interest rates and candidate Clinton’s health issues. Subsequently, they rebounded after the BOJ’s policy changes to enhance the sustainability of monetary easing, postponement of a rise in interest rates in the U.S., and a dominant performance by candidate Clinton in the televised debate for the U.S. presidential election. Nonetheless, they dropped again near the end of the month due to concerns about the creditworthiness of a major bank in Germany.

[Outlook]

Equity markets in Japan are likely to continue showing nervous movements reflecting developments in the U.S. presidential election. For Japanese equities, uncertainties in the policies of candidate Trump are concerns, while candidate Clinton representing the status quo provides a sense of safety. Although candidate Clinton is generally favored to win, a sense of caution cannot be dispelled, as we have seen in the example of the U.K. referendum in June. If candidate Clinton becomes a clear favorite to win, the market is likely to shift its attention to financial results for the April - September period. Steady earnings are expected to be favorably viewed.

| Positive Factors | Negative Factors |
|---|--|
| <ul style="list-style-type: none">● Predominant position of candidate Clinton● Confirmation of steady earnings through financial results● Expectations for the taking effect of economic measures in the future | <ul style="list-style-type: none">● Predominant position of candidate Trump● Concerns about creditworthiness of European financial institutions |



*Source: data from Nikkei Inc. Daiwa Asset Management

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