

**Japanese Equities:** Rising trend to continue despite the remaining uncertainties

Nikkei Average	October end	MoM
	17,425.02 Yen	5.93%

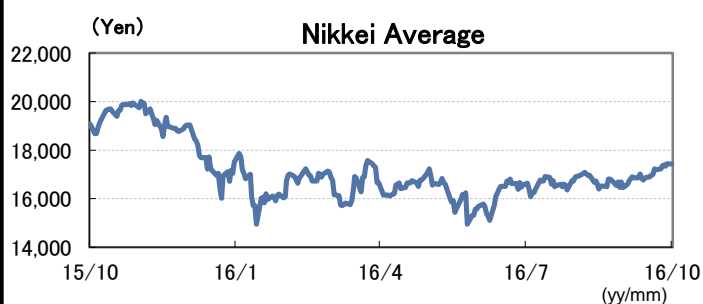
#### [Market review in October]

Equity markets in Japan moved steadily. The main reason for the rise appeared to be the yen's weakening. The yen became weaker because there were higher expectations for a rise in interest rates in the U.S. by the end of the year against the background of the announcements of steady economic indicators, and the support declined for candidate Trump who was advocating a policy of a strong yen and weak dollar in the presidential election. Besides the weaker yen, equity prices seemed to have been favorably affected by the heightened expectations for earnings to bottom out in response to the ongoing announcements of the April–September financial results.

#### [Outlook]

Equity markets in Japan are expected to continue their rising trend, despite some uncertain factors. A continued rising trend is expected because recovery of economic activities in Japan has become somewhat more stable, and a possibility of the bottoming out of corporate earnings is increasing due to a pause in the yen's strengthening. On the other hand, uncertain factors are mainly those overseas, including the U.S. presidential election which is likely to be vigorously contested until the last moment, effectiveness of oil-producing countries' decision to reduce crude oil production, unstable political situation in Europe and developments for some vulnerable financial institutions.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>Stronger recovery trends of economic activities in Japan and corporate earnings</li> <li>A pause in the yen's strengthening</li> <li>Favorable supply and demand relationship due to the purchase of stock buybacks and BOJ's purchase of ETFs</li> </ul>	<ul style="list-style-type: none"> <li>Victory for candidate Trump in the U.S. presidential election</li> <li>Heightened political and financial uneasiness in Europe</li> </ul>



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

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