

Japanese Equities: Rapid adjustment expected

Nikkei Average	November end	MoM
	18,308.48 Yen	5.07%

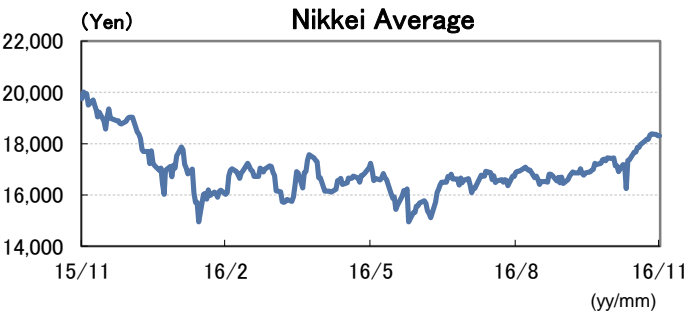
[Market review in November]

Equity markets in Japan rose. With the victory of Mr. Trump becoming highly likely in the U.S. presidential election, a sense of caution spread throughout the equity markets, causing equity prices to temporarily experience substantial declines. Subsequently, however, Mr. Trump’s economic stimulus measures such as infrastructure investments and tax cuts drew the attention of the markets, with U.S. interest rates increasing significantly and the U.S. Dollar/Yen exchange rate moving in the direction of a stronger dollar and a weaker yen, resulting in a continued rising trend of Japan’s equity markets against the background of expectations for improved earnings due to the weaker yen.

[Outlook]

Equity markets in Japan are expected to temporarily experience a rapid adjustment. Following the U.S. presidential election, the financial markets appear to have looked ahead, taking into account expectations of accelerated U.S. economic activity driven by the policies of Mr. Trump. Going forward, analyses of cabinet secretaries and policy details of the new administration are expected to result in calm responses. Moreover, negative impacts of higher U.S. interest rates and a stronger U.S. dollar on the U.S. economy, for the moment, are likely to become a concern at some stage.

Positive Factors	Negative Factors
<ul style="list-style-type: none">● Expectations of economic stimulus measures by the new U.S. administration● Expectations of improved earnings due to a weaker yen● Favorable supply and demand relationship due to the purchase of stock buybacks and BOJ’s purchase of ETFs	<ul style="list-style-type: none">● Reactionary move to a rapid rise● Destabilization of the political situation in Europe● Concerns about a slowdown of the U.S. economy due to an interest rate rise and the stronger U.S. dollar



*Source: data from Nikkei Inc. Daiwa Asset Management

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