

Japanese Equities: Recovery after rapid adjustments

Nikkei Average	December end	MoM
	19,114.37 Yen	4.40%

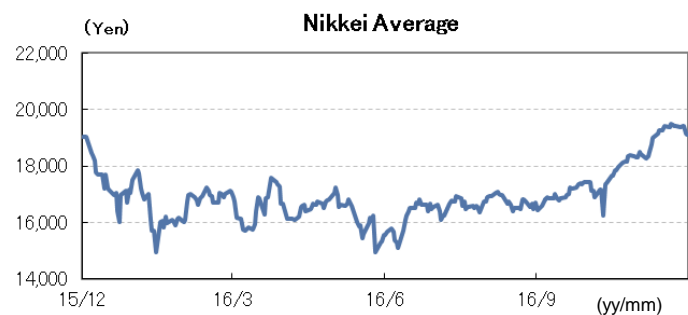
[Market review in December]

Equity markets in Japan rose. While there were concerns about the political situation in Italy at some stage in the early to middle of the month, equity prices moved steadily due to further weakening of the yen, in response to announcements of favorable economic indicators in the U.S. and China, and the raising of the outlook for policy interest rates by the U.S. Federal Open Market Committee (FOMC). However, in the latter part of the month, equity prices declined somewhat, partly due to high U.S. equity prices, the yen's weakness having run its course, and heightened concerns about a weaker Chinese renminbi.

[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 for the new U.S. administration in the medium term. ● Announcements of good corporate financial results 	<ul style="list-style-type: none"> ● Reactionary move to a rapid rise ● Concerns about China



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