

Japanese Equities: Time to explore the turning point despite unstable markets

Nikkei Average	August end	MoM
	19,646.24 Yen	-1.40%

[Market review in August]

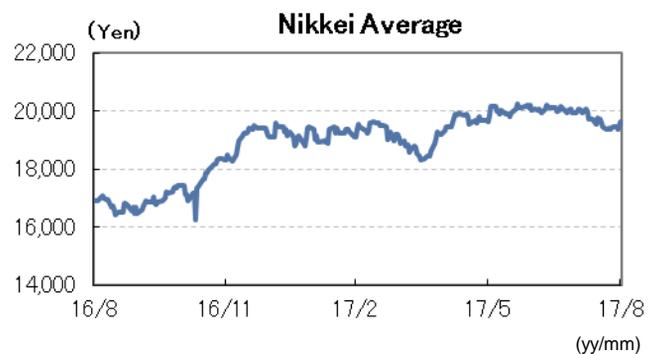
Declined due to geopolitical risks, etc. but recovered at end of month

Equity markets in Japan declined slightly. Markets as a whole were dragged down due mainly to the renewed recognition of geopolitical risk concerning North Korea, fewer predictions about additional interest rate rises in the U.S. as a result of weak U.S. price statistics, and the further strengthening of yen against the U.S. dollar. However, equity prices increased towards the end of month, mainly owing to the reporting of the progress in the U.S. tax reform and a lull in the further strengthening of the yen.

[Outlook]

It cannot be denied that the current equity markets are relatively unstable against the background of geopolitical risks and the developments in the U.S. monetary policy. However, since the above risk factors seem to have been taken into account in equity prices for the moment, room for a further decrease in equity prices is likely to be limited unless there is an event which will be seen as additional negative news. Considering the steady trend of corporate earnings as well, we see now as being the time for exploring the turning point of markets while paying attention to risk factors.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Stable economic activities and corporate earnings. ● Increase in US yields due to the raising of US interest rates, and the accompanying further strengthening of the dollar and weakening of the yen. ● Progress in the U.S. tax cut policy 	<ul style="list-style-type: none"> ● Heightened geopolitical risks ● Turmoil in financial markets due to expectations for the postponement of the raising of U.S. interest rates and the start of balance sheet reduction ● Concerns about US protectionist policies.



*Source: data from Nikkei Inc. Daiwa Asset Management

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