

Japanese Equities: Slightly cautious at present, waiting for factors for further equity price increase.

Nikkei Stock Average	September end	MoM
	20,356.28 Yen	3.61%

[Market review in September]

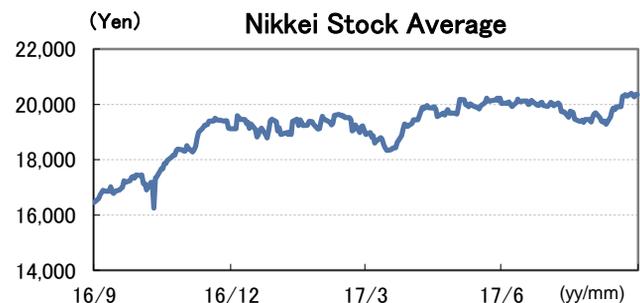
Negative factors receded, improvement led to equity price increases

Equity markets in Japan rose. At the beginning of the month, equity prices decreased due to the stronger yen and weaker dollar caused by the cautious remarks of a senior FRB (U.S. Federal Reserve Board) official about additional interest rate increases in the U.S., and concerns about the North Korea problem. However, after the middle of the month, equity prices increased due to a temporary break and improvement in the factors for declining equity prices at the beginning of the month, namely, a lull in the North Korea problem, a rise in U.S. interest rates with heightened expectation for additional rise of U.S. interest rates by the end of the year, and the accompanying weaker yen and stronger dollar.

[Outlook]

We think the current equity price level reflects the situation where the markets see positively or neutrally various problems, including interest rate rises and tax reform in the U.S., as well as the North Korea problem. While a further increase in equity prices is expected over the coming year or so, considering the steady corporate earnings, equity prices are likely to move within a certain range because we need to pay attention to developments in the various issues mentioned above and the lower house general elections.

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 ● Substantial decrease in the number of seats for the ruling LDP-Komeito coalition in the lower house general elections ● 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



*Source: data from Nikkei Inc. prepared by Daiwa Asset Management

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