

•**Japanese Equities:** Solid Corporate Earnings Give a Sense of Security While Concerns Remain about Trade Issues

Nikkei Stock Average	July end	MoM
	22,553.72 Yen	1.12%

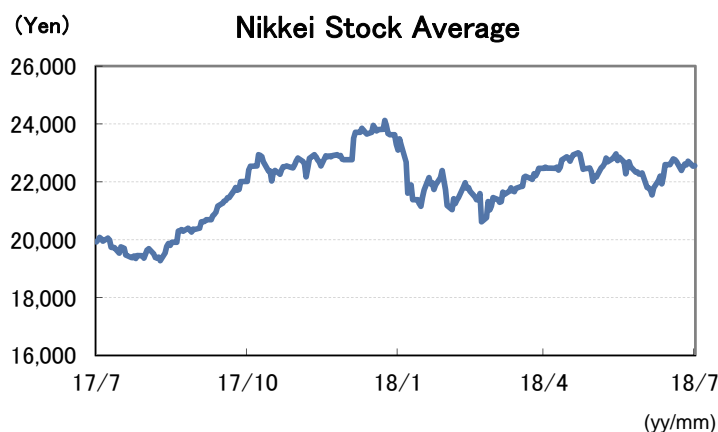
[Market review in July]

Equity prices in Japan rose. In the first half of the month, they rose due to market players' high evaluation of a moderately weaker yen and the more-than-expected restraint by China in its response despite the U.S.'s initiation of additional customs tariffs for China. In the second half of the month, equity prices saw seesaw movements with a mixture of bullish and bearish news such as U.S. President Trump discouraging the strong dollar and the U.S.–EU (European Union) consultation ending with a conciliatory result.

[Outlook]

Changes in the monetary policy by the Bank of Japan, which had attracted much attention, turned out to be minor, not significantly affecting equity markets. On the other hand, corporate financial results (as of the end-July 2018) show a solid outcome in general, confirming the increasing trend. Equity markets are likely to clearly show an upward trend, albeit moderately, reflecting developments in corporate earnings with diminishing reasons for concern in sight, while there will remain worries about trading issues including U.S.–China trade frictions.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Solid economic activities and corporate earnings ● A lull in or waning of concerns about trade frictions 	<ul style="list-style-type: none"> ● Deterioration of U.S.–China trade issues ● Stronger protectionism in the U.S. ● Heightened geopolitical risks



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

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