

## Monthly Report

### October Market Outlook

October 2018  
Daiwa Asset Management Co.Ltd.

•**Japanese Equities:** No Sense of Overvaluation from Equity Price Indicators after the Recent Rise in Equity Prices

Nikkei Stock Average	September end	MoM
	24,120.04 Yen	5.49%

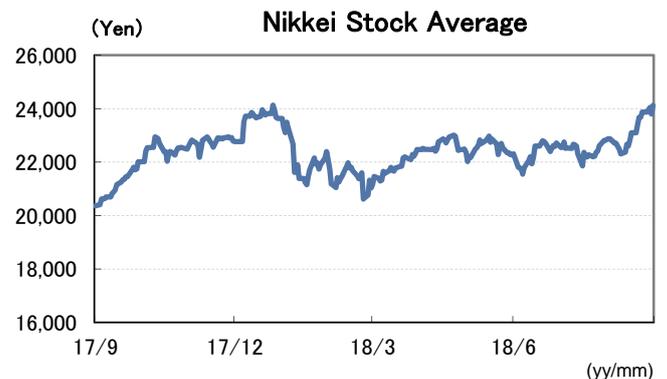
#### [Market review in September]

Equity prices in Japan rose. In the first half of the month, equity prices were weak, due to concerns about the impact of natural disasters which occurred early in the month. In the middle of the month, despite the U.S.'s official decision to expand the scope of additional customs tariffs on Chinese products, equity prices rose with the spreading of opinions that bad news about the said problem had been exhausted. Moreover, equity prices were also boosted by a new trade negotiation that was agreed upon to be started at the Japan–U.S. summit meeting held at the end of the month and the fact that additional customs tariffs by the U.S. on automobiles were shelved for the time being.

#### [Outlook]

While we must continue to be vigilant about changes in the trade friction between the U.S. and China, its impact on markets is likely to remain limited unless there is a new development. On the other hand, equity price indicators such as PER (price earnings ratio) do not seem to be overvalued despite the sense of overheating for some technical indicators because of the recent rise in equity prices. Accordingly, if there is additional news, a further rise can be expected. A substantial net buying by overseas investors and announcements by Japanese companies of financial results from late this month could provide such news.

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



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

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