

Monthly Report

December Market Outlook

December 2018
Daiwa Asset Management Co.Ltd.

•**Japanese Equities:** Attention to Brexit Developments
Going Forward

| Nikkei Stock Average | November end | MoM |
|----------------------|---------------|-------|
| | 22,351.06 Yen | 1.96% |

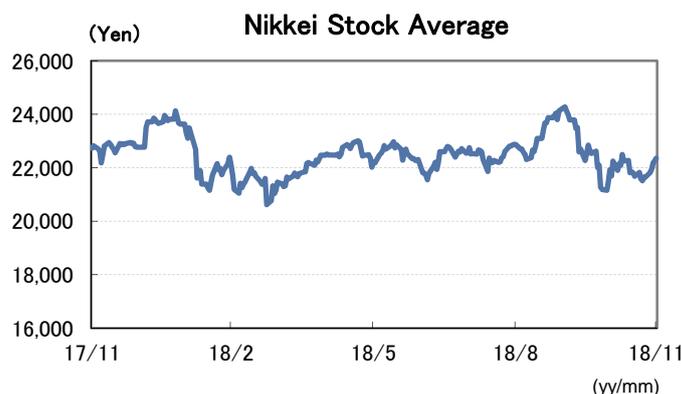
[Market review in November]

Equity prices in Japan rose. In the first half of the month, equity prices rose mainly due to the passing without incident of the U.S. mid-term elections, the result of which was as expected by the market in advance. In the middle of the month, equity prices fell at some stage in negative response to the lowering of demand forecasts by some high-tech companies in the U.S. However, they rose again in the second half of the month due to the expectation of less trade friction between the U.S. and China with the prospect of the U.S.-China summit meeting on the margins of the G20 Summit.

[Outlook]

After the temporary postponement by the U.S. of an additional increase in customs tariffs against China, concerns of the market retreated, which is a positive for equity markets. In December, the U.K. parliament is expected to vote on the proposed Brexit agreement between the U.K. and EU, and we should pay attention to how this develops. On the other hand, Japanese companies' downward revisions to earnings forecasts in the next term, which market players had been concerned about, were limited, and therefore, we assume a limited downside even if there is negative news.

| Positive Factors | Negative Factors |
|---|--|
| <ul style="list-style-type: none"> ● A lull in or waning of concerns about trade frictions ● Solid economic activities and corporate earnings | <ul style="list-style-type: none"> ● Further strengthening of U.S. protectionism ● Deceleration of the Chinese economy ● Deterioration of the U.S.-China relationship |



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

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