

•**Japanese Equities:** Time to Grasp Developments in Various Uncertain Factors

Nikkei Stock Average	January end	MoM
	20,773.49 Yen	3.79%

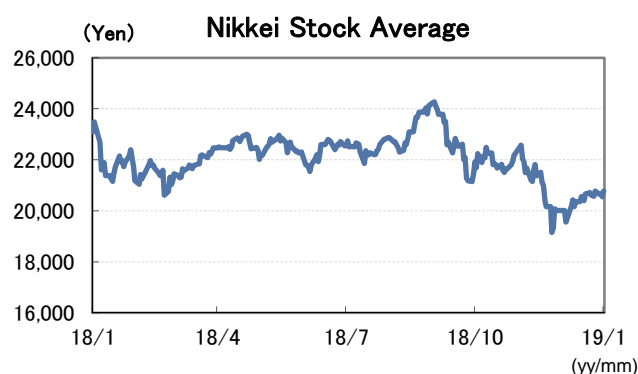
[Market review in January]

Equity prices in Japan rose. At the beginning of the month, equity prices fell mainly due to the deterioration of economic indicators in China and downward revisions of major issues in the U.S. market. Subsequently, however, equity prices rose in favorable response to the suggestion by FRB Chairperson Powell to soften the monetary policy tightening, the resolution, albeit a temporary one until February 15, of the closure of some U.S. government offices, and the like.

[Outlook]

We consider the financial results of Japanese companies announced so far to be somewhat weak, although equity prices rose in January. Equity prices in the near term are expected to be rather lackluster with undeniable continued uncertainties about the economic outlook for China. On the other hand, we are paying attention to the solid developments in the U.S. economy which means that corporate earnings in Japan are not likely to deteriorate at present. We consider it is a time to explore developments of various uncertain factors for the time being, especially the bottoming out of the Chinese economy.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● A lull in or waning of concerns about trade frictions ● Economic stimulus package and a lull in the deceleration of economic activities in China 	<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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