

Monthly Report

May Market Outlook

May 2019
Daiwa Asset Management Co.Ltd.

•**Japanese Equities:** Paying Attention to See If All Bad News Is Out by Financial Results Announcements

Nikkei Stock Average	April end	MoM
	22,258.73 Yen	4.97%

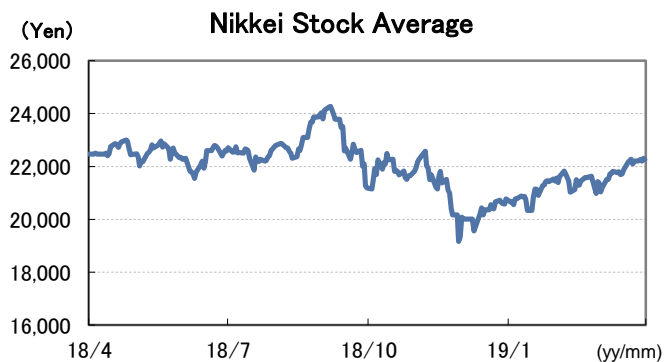
[Market review in April] Equity prices rose due to heightened expectations about the bottoming out of the Chinese economy

Equity prices in Japan rose. Due to the improvement of the business sentiment index for manufacturing in China announced at the end of March, equity prices rose with the heightened expectations of improved earnings for manufacturing in Japan. The IMF (International Monetary Fund) made a downward revision to the outlook for the global economic growth rate for 2019 in the middle of the month. However, equity prices rose further because more than one economic statistic in China for March published later was better than the market expectation, causing the Nikkei Stock Average to recover to the 22,000 yen range.

[Outlook]

While announcements of financial results by Japanese companies, which began in earnest in late April, are as expected by the market in advance, there are many issues with the company plan showing less profit for this fiscal year. In order for equity prices to step up from the current range, it is deemed necessary to have news which suggests the halting of declines in earnings. Therefore, we are paying attention to the explanations to be given by individual companies at their announcement of financial results which will peak in May. Moreover, since U.S. President Trump suggested he would increase tariff rates in the U.S.–China trade talk, we will need to pay attention to that development going forward.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● A lull in or waning of concerns about trade frictions ● Economic stimulus package and recovery of economic activities in China 	<ul style="list-style-type: none"> ● Further strengthening of U.S. protectionism ● Global economic slowdown ● Deterioration of the U.S.–China relationship



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

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