

Monthly Report

June Market Outlook

June 2019
Daiwa Asset Management Co.Ltd.

•**Japanese Equities:** Progress in Negotiations for Trade Issues to Be Watched

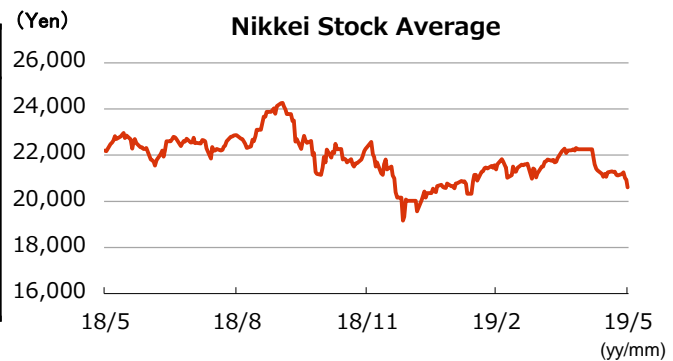
Nikkei Stock Average	May end	MoM
	20,601.19 Yen	-7.45%

[Market review in May] Drops due to a sequence of uncertainties originating from the U.S. Equity prices in Japan dropped. It was a negative response to sanctions on Huawei, a major telecommunication equipment company in China, and the deterioration of some U.S. business sentiment indices, in addition to the increase in additional tariffs by the U.S. on Chinese products worth 200 billion dollars. At the end of the month, there was a further drop as uncertainty grew after the U.S. expressed its intention to impose tariffs on imported products from Mexico.

[Outlook]

With companies in Japan generally issuing weak earnings forecasts for the current term, we view that the external environment will need to be stabilized first for equity prices to rebound. We are paying attention as to whether there will be a U.S.–China summit meeting on the margins of the G20 (group of 20 major countries and regions) Summit Meeting to be held at the end of the month, as well as whether, regarding the newly announced tariffs by the U.S. on Mexico, there will be a sense of direction for negotiations to proceed between the two countries.

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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