

•**Japanese Equities:** Investors Seek Fresh News to Break the Range

Nikkei Stock Average	August end	MoM
	20,704.37 Yen	-3.80%

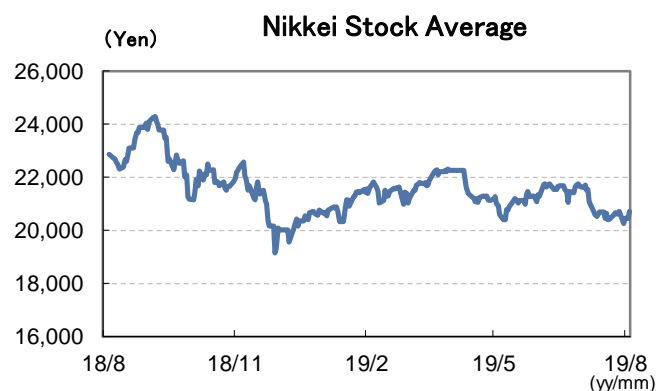
[Market review in August]

Equity prices in Japan dropped. The month saw concerns about resurgent U.S.-China trade friction after the U.S. announced early this month its intention to impose additional tariffs on Chinese goods. In mid-August, the U.S. announced that it would postpone the introduction of additional tariffs on some Chinese Imports, and the German Chancellor Angela Merkel reportedly hinted at a possible response in the form of fiscal stimulus if the German economy goes into recession. These pieces of news were viewed favorably by the equity markets, but the equity price rebound was limited as uncertainty about the U.S.-China trade issue was lingering.

[Outlook]

We consider that, although uncertainty remains about the economic performance and the U.S.-China trade issue, the equity markets have already taken much of the negative news into account. In our view, therefore, the downside is gradually going to be limited and the upside is also likely to be limited. It is time to wait for positive news, which can turn around market sentiment, about easing policies of central banks and economic policies of governments in the advanced economies, while keeping an eye on the U.S.-China trade issue and the progress of Brexit negotiations.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● A waning of concerns about trade frictions ● Accommodative policies of central banks ● Economic stimulus package and recovery of economic activities in China 	<ul style="list-style-type: none"> ● Global economic slowdown ● Further strengthening of U.S. protectionism ● Confusion due to Brexit



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

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