

•**Japanese Equities:** The Focus Now Is on Whether the Real Economy Improves

Nikkei Stock Average	December end	MoM
	23,656.62Yen	1.56%

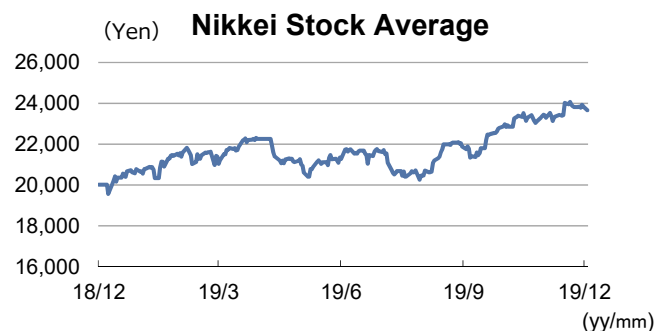
[Market review in December]

Equity prices in Japan rose. Investors welcomed the announcement from the U.S. government that it had signed off on a deal to avoid additional tariffs. The much-awaited U.S.-China trade talks ended with no written agreement, but the U.S. government announced some parts of a “phase one trade deal” with China in the middle of the month. The Nikkei Stock Average briefly hit 24,000 following the U.S.-China trade deal news and the news of a landslide victory for the ruling Conservative Party in the U.K.’s general election, which eased concerns about a chaotic departure of the U.K. from the European Union (EU).

[Outlook]

Investors currently fear that the U.S.-Iran tensions, which broke out at the beginning of 2020, could intensify into a military confrontation. With respect to Japan’s oil security, the impact will be limited unless there is another threat to crude oil production in the Middle East, but still attention must be paid to this matter. In our view, equity prices will break the upper end of the range when it is confirmed that the partial agreement of the U.S.-China trade talks can facilitate the recovery of fundamentals (basic economic conditions) such as capital investment. To this end, the near-term focus of attention is on whether the U.S. and China will be able to hammer out a written agreement this month.

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 ● Heightened geopolitical risks in the Middle East



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

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