

Monthly Report

February Market Outlook

February 2020
Daiwa Asset Management Co.Ltd.

•**Japanese Equities:** A Sign of Bottoming Out of Equity Prices Is When the Infection Growth Rate Slows Down

Nikkei Stock Average	January end	MoM
	23,205.18Yen	-1.91%

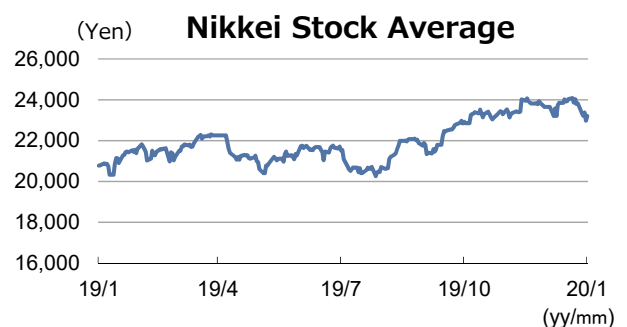
[Market review in January]

Equity Prices in Japan Dropped. Concerns about the worsening of U.S.-Iran relations deepened and led to a drop in equity prices early last month. Equities rebounded on the back of heightened expectations that the U.S. and China would sign the first-phase trade agreement, and the Nikkei average temporarily exceeded 24,000 in mid-January. But equities dropped again later in the month in response to concerns about the spread of the novel coronavirus in China.

[Outlook]

The situation of the novel coronavirus is a risk factor for investors. In the case of SARS in 2003, however, equity prices bottomed out when the growth rate of the infected population slowed down, which was before the World Health Organization (WHO) declared the end of the epidemic. We forecast that equity prices will react similarly. Uncertainties are considerable and a further downward risk remains in the equity market, but we believe that the equity market will be able to bottom out in several months to come if governments' efforts work effectively to contain the viral spread.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● A waning of concerns about the novel coronavirus ● Accommodative policies of central banks ● Further progress in U.S.-China trade talks 	<ul style="list-style-type: none"> ● A prolonged outbreak of the novel coronavirus ● Global economic slowdown ● Further strengthening of U.S. protectionism



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

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