

Japanese Equities

Equity Markets Move Sideways Amid Expectations for Economic Recovery and Fears of Second Wave of COVID-19

Nikkei Stock Average	June end	MoM
	22,288.14 Yen	+1.88%

[Market review in June]

Equity prices in Japan dropped. In early June, equity prices rose as major US economic statistics and indicators improved, and also as hopes for the US economic stimulus package boosted expectations for a recovery of the US economy. From mid-June onward, however, the US started to see an increase in the number of infections, and by the end of the month some states had reimposed partial restrictions on economic activities. This raised concerns about a second wave of the COVID-19 and put equity markets in a weak position. Equities prices ended the month in a slight decline.

[Outlook]

We expect the markets to be lackluster as investors are cautious that more governments around the world may reimpose restrictions on economic activities. The markets appear to have already factored in the possibility that COVID-19 will continue to affect the economy to some extent next year, but we consider that the impact of economic restrictions will be limited as they are on very specific sectors. Stock prices may well react differently to restrictions on a wider range of businesses. As for the April–June corporate earnings results to be announced by many companies from late July onward, the focus will be on corporate plans and dividend outlook of companies that fail to release their outlook.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Improvement in the economic situation due to widespread resumption of economic activities ● Economic measures by governments and central banks 	<ul style="list-style-type: none"> ● Reimposed restraint on economic activities due to increased cases of COVID-19 infection ● Deterioration of the US-China relationship



As of June 30, 2020

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

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