

Japanese Equities

Hopes for COVID-19 Vaccine Underpin Equity Prices

Nikkei Stock Average	August end	MoM
	23,139.76Yen	6.59%

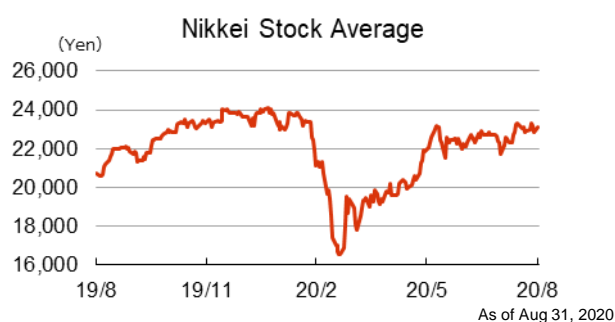
[Market review in August]

Equity prices in Japan rose. Equity prices stayed resilient as new COVID-19 infection cases decreased both in Japan and the US, and as hopes for a COVID-19 vaccine grew, despite the delay in passing the bill on an additional economic stimulus package in the US and rekindled worries over US-China relations. In late August, speculation arose that Prime Minister Shinzo Abe might have a health problem, and at the end of the month, equity prices temporarily dropped after some media reported that Mr. Abe would step down. Despite all this, equity prices ended higher than the previous month.

[Outlook]

We consider that major factors impacting the equity markets include the policies of Japan's new prime minister to be elected around mid-September; the September meeting and announcement of the Federal Open Market Committee (FOMC); the first presidential debate in the US; and the progress of and prospects for development of a COVID-19 vaccine. The equity markets are expected to remain solid while many investors are cautious about the recent rally. We should also be cautious of risk of abrupt shifts in market sentiment that could take place should the first presidential debate result in great changes in the prospects for the election, or should any pessimistic news come up about vaccine development efforts.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Progress of COVID-19 vaccine development ● 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"> ● Setback to COVID-19 vaccine development ● Reimposed restraint on economic activities due to increased cases of COVID-19 infection ● Deterioration of the domestic employment environment



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

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