

#### Japanese Equities

Resurgence in COVID-19 Infections in Europe and the US Weighs on Equity Prices

| Nikkei Stock Average | October end   | MoM    |
|----------------------|---------------|--------|
|                      | 22,977.13 Yen | -0.90% |

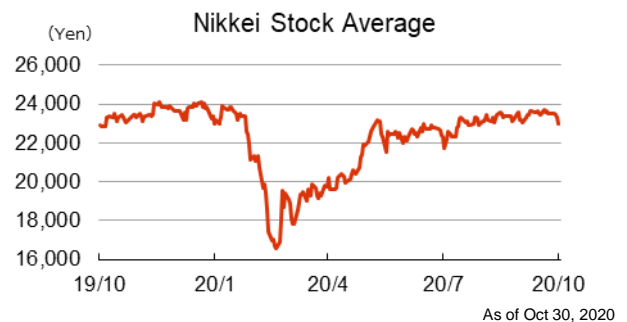
#### [Market review in October]

Equity prices in Japan dropped. In early October, equity prices rose after US President Donald Trump was infected with COVID-19 but released early from hospital. Equity prices, however, then dropped as news came up that the US Congress would not pass another economic stimulus package bill until after the US presidential election. They fell also because COVID-19 infections were conspicuously resurging in Europe and the US and many parts of Europe began to impose new tight restrictions in late October, which increased concerns about adverse effects on the European economy.

#### [Outlook]

The outcome of the US presidential election and subsequent market reactions will be key for the time being. Some observers acknowledge that it will take time for the results to come in, so equity markets may move downward due to the uncertainty. If Joe Biden is elected president, the focus will be on whether the markets will be fueled by his massive fiscal expenditures or dampened by his proposed tax hikes. Meanwhile, we expect the equity markets to be sensitive to his comments on infrastructure investment and other matters.

| Positive Factors  | Negative Factors   |
|---|--|
| <ul style="list-style-type: none"> <li>● Progress of COVID-19 vaccine development</li> <li>● Improvement in the economic situation due to widespread resumption of economic activities</li> <li>● Economic measures by governments and central banks</li> </ul> | <ul style="list-style-type: none"> <li>● Setback to COVID-19 vaccine development</li> <li>● Reimposed restraint on economic activities due to increased cases of COVID-19 infection</li> <li>● Deterioration of the domestic employment environment</li> </ul> |



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

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