

Japanese Equities

Expectations for US Economic Stimulus Surpass Other Uncertain Factors

Nikkei Stock Average	January end	MoM
	27,663.39 Yen	0.80%

[Market review in January]

Equity prices in Japan rose. Following US Senate runoff elections in early January, the Democratic Party secured control of the US Presidential Office, and both upper and lower houses of Congress. This heightened the possibility of a large economic stimulus package being deployed and expectations for a recovery of the US economy, raising equity prices. In Japan, the government declared a state of emergency, but hopes for COVID-19 vaccines remained and the impact of the state of emergency turned out to be limited. Later in the month, domestic equities fell after US equities saw a drop, but slightly rose throughout the month.

[Outlook]

The US equity markets are somewhat unstable as some institutional investors incurred losses on specific shares, which rose sharply while they were short-selling, and are likely to be forced to adjust their positions. We need to be cautious about indirect impacts on the domestic markets but consider that there is only limited room for such impacts to reach the domestic markets as the proportion of short-selling is not significant for the overall market size. In our view, equities will attract buyers when they fall as earnings results of Japanese companies are improving, particularly among manufacturers, which helps underpin investor sentiment.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Improvement in the situation of COVID-19 infections in Japan and abroad ● Progress of COVID-19 vaccination program ● Economic measures by governments and central banks 	<ul style="list-style-type: none"> ● Tougher restrictions on economic activities in response to soaring COVID-19 infections ● Setback to COVID-19 vaccination program ● Deterioration of the domestic employment environment



As of January 29 2021

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

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