

Japanese Equities

Equity Prices Soften amid the Worsening COVID-19 Situation in Japan

| Nikkei Stock Average | July end | MoM |
|----------------------|---------------|--------|
| | 27,283.59 Yen | -5.24% |

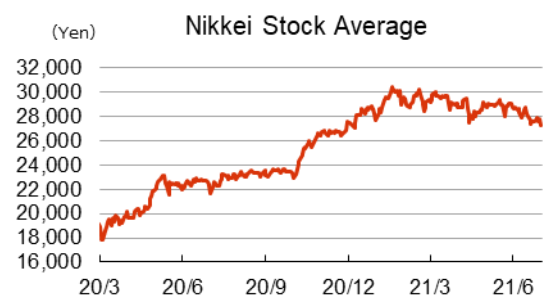
[Market review in July]

Equity prices in Japan dropped. As fears of the COVID-19 variant intensified globally, the infection situation in Japan worsened, and the central government was expected to declare the fourth state of emergency for Tokyo, which weighed on equity prices in early July. Although Japanese companies released generally favorable earnings results, no sign of improvement was seen in the infection situation in Tokyo and elsewhere, and later in the month, concerns grew that the Chinese government would tighten regulations on Chinese companies. All this led to a softening of equity prices.

[Outlook]

In our view, whether the infection situation of COVID-19 will improve in Japan, vaccination progress, and the trend in earnings results of Japanese companies will be key factors. We expect the equity markets to remain lackluster until the infection situation improves. On the other hand, with national elections scheduled in the fall, the government is expected to send out more positive news from late August onward, such as stimulus packages and partial lifting of restrictions on behavior and activities after the vaccination campaign reached more of the population, and we will need to keep a close eye on this as well.

| Positive Factors | Negative Factors |
|---|---|
| <ul style="list-style-type: none"> ● Progress of COVID-19 vaccination program in Japan and abroad ● Improving economic prospects due to resumption of economic activity | <ul style="list-style-type: none"> ● Setback to COVID-19 vaccination program in Japan and abroad ● Expansion of COVID-19 variants in Japan and abroad ● Soaring interest rates in Japan and abroad |



As of July 30, 2021

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

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