

Japanese Equities

Equity Prices Rise on Receding Political Uncertainty

| Nikkei Stock Average | Sep end | MoM |
|----------------------|---------------|-------|
| | 29,452.66 Yen | 4.85% |

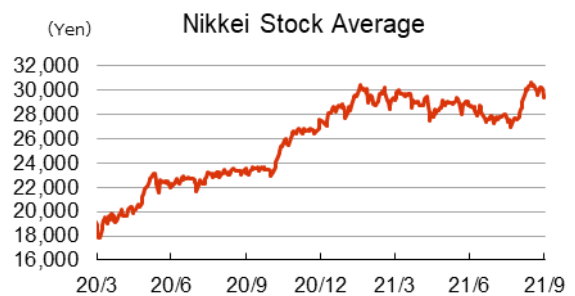
[Market review in September]

Equity prices in Japan rose in September. The lower house election is now expected to be held under a new prime minister as incumbent Prime Minister Yoshihide Suga, whose approval ratings are slumping, announced that he would not run in the Liberal Democratic Party (LDP) presidential election. The equity markets assessed this as a decrease in uncertainty about the lower house election, leading to a sharp rise in equity prices in early September. Later in the month, domestic equity prices fell as US stocks tumbled on concerns about the cash crisis of China's Evergrande Group and about rising US interest rates, but Japan's equity prices rose throughout the month.

[Outlook]

There are hopes for progress in COVID-19 vaccination, the development of oral drugs, and economic stimulus packages under the new administration. We believe, however, that risk factors are more likely to come into play, such as uncertainty over corporate earnings in the manufacturing industry, which is being affected by shortages of parts and materials, and trends in US interest rates. Thus, we consider that equity prices are likely to wobble. Even so, we also consider that the direction toward the resumption of economic activities in Japan will continue due to the improved infection situation of COVID-19, among others, and that equity market will test higher prices as the uncertainty and risk factors recede.

| Positive Factors | Negative Factors |
|---|---|
| <ul style="list-style-type: none"> ● Development of anti-COVID-19 drugs ● 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"> ● Soaring interest rates in Japan and abroad ● Concerns about restrictive monetary policy by major central banks ● Global economy that has clearly peaked out |



As of Sep 30 2021

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

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