

Japanese Equities

Equity Prices Fall on Concerns about US Monetary Tightening

Nikkei Stock Average	Jan. end	MoM
	27,001.98 Yen	-6.22%

[Market review in January]

Equity prices in Japan dropped in January. The minutes of the December Federal Open Market Committee (FOMC) meeting released early in January raised concerns about monetary tightening in the US, and equity prices fell, especially for growth stocks. The Omicron variant fueled a rapid surge in new COVID-19 cases in Japan and Tokyo, and many other prefectures decided to adopt quasi-emergency measures to prevent the spread of the disease. However, US monetary policy continued to be the main concern for the equity market. In the latter half of the month, Russia's invasion threat to Ukraine came to the fore as another concern, so equity prices were generally remained weak throughout the month.

[Outlook]

We expect equity prices to remain volatile, albeit within a range, as concerns over US monetary tightening are expected to persist. We need to pay attention to comments of Fed officials on the pace of monetary tightening in the US and the infection status of the Omicron strain in Japan. Even if these concerns rise, we believe that the downside for Japanese equities will be limited as their price earnings ratio (PER) is relatively low. However, a full-fledged rebound in equity prices will likely have to wait for the concerns to recede.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Receding uncertainty over the US monetary policy ● Waning concerns about the COVID-19 variant 	<ul style="list-style-type: none"> ● Heightening concerns about early tightening monetary policy by major central banks ● Soaring interest rates in Japan and abroad ● Heightening concerns about another COVID-19 variant



As of Jan. 31 2022

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

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