

Monthly Report

April Market Outlook

April 2022
Daiwa Asset Management Co.Ltd.

Japanese Equities

Equity Prices Rebound on Expectations of Ceasefire Talks between Russia and Ukraine

Nikkei Stock Average	Mar. end	MoM
	27,821.43 Yen	4.88%

[Market review in March]

Equity prices in Japan rose in March. Early in March, the equity markets fell as there were growing concerns over Russia's intensified military attacks on Ukraine and the suspension of production at some plants by domestic automakers due to a shortage of components. From mid-March onward, however, equity prices rebounded as Russia and Ukraine held sporadic ceasefire talks, which generated expectations of an improvement in the situation, and the yen weakened to the 120 Yen/US dollar level, which strengthened expectations of improved performance by export companies. All this resulted in positive gains for the month.

[Outlook]

There is downside risk if the conflict escalates again as equity prices had recovered to the levels before Russia's invasion due to expectations of an improvement in the situation in Ukraine. From late April onward, many companies will announce their corporate earnings results. This fiscal year, a shortage of parts and materials and the sharp rise in resource prices are factors that will lead to lower profits, but the resumption of economic activity following the COVID-19 pandemic and the depreciation of the yen will push up profits, so overall, an increase in profits is expected. It should be noted, however, that quite a lot of companies are expected to announce plans for lower profits on an individual basis.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Progress in ceasefire talks between Russia and Ukraine ● Receding uncertainty about the domestic corporate earnings ● Receding political uncertainty over US monetary policy 	<ul style="list-style-type: none"> ● Intensifying and prolonging conflicts in Ukraine ● Manifestation of adverse effects of soaring prices of oil and other factors on the global economy ● Heightening concerns about early tightening monetary policy by major central banks



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

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