

Monthly Report

July Market Outlook

July 2022
Daiwa Asset Management Co.Ltd.

Japanese Equities

Equity Prices Fall on Concerns about Accelerating Pace of US Interest Rate Hikes

Nikkei Stock Average	June end	MoM
	26,393.04 Yen	-3.25 %

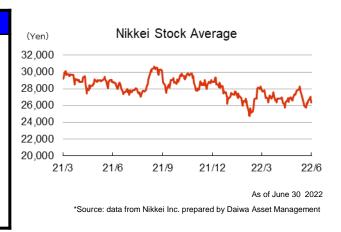
[Market review in June]

Equity prices in Japan dropped in June. Early in June, equity prices rose on expectations for a recovery in production activities by Japanese companies following the lifting of the lockdown in Shanghai, China. In the middle of the month, however, equity prices fell due to growing expectation that the June 14-15 Federal Open Market Committee (FOMC) meeting would raise interest rates sharply by 0.75 percentage points and concerns about the negative impact of the rate hike on the economy. The equity market showed a technical rebound later in the month, but equity prices were negative for the month.

[Outlook]

Japanese stocks have both positive and negative factors such as concerns about a slowdown in the US and European economies due to monetary tightening and expectations for a recovery in domestic demand due to the relaxation of behavioral restrictions. Therefore, equity prices are somewhat unstable, but we believe that when equities fall, they will soon be perceived as undervalued and a buyback is likely to take place. What will be highlighted in the earnings announcements by many domestic companies starting in late July will be the outlook for a recovery in production and final demand in the manufacturing sector, and the impact of the easing of restrictive measures in the non-manufacturing sector, rather than actual results.

Positive Factors	Negative Factors
 Recovery in domestic demand through easing of restrictive measures, etc. Manifestation of inflation peak-out in the US Progress in ceasefire talks between Russia and Ukraine 	 Economic impact of restrictive monetary policy by major central banks Increasing adverse effects of soaring prices of oil and other factors on the global economy Intensifying and prolonging conflict in Ukraine



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