

Monthly Report

August Market Outlook

August 2022
Daiwa Asset Management Co.Ltd.

Japanese Equities

Equity Prices Remain Resilient as US Inflation Fears Partially Recede

Nikkei Stock Average	July end	MoM
	27,801.64 Yen	5.34%

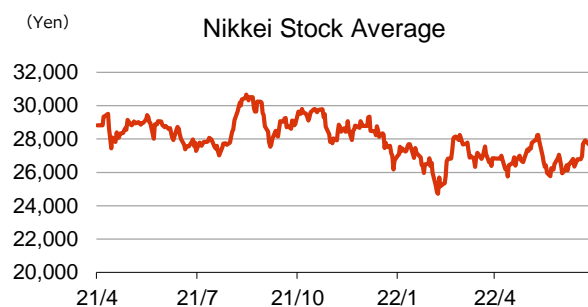
[Market review in July]

Equity prices in Japan rose in July. Concerns about the European and US economies increased due to their deteriorating economic indicators and growing uncertainty about natural gas supply in Europe. However, Japanese equities remained resilient thanks to the ruling party's sweeping victory in the House of Councilors election, a slight easing of inflation fears as some US inflation indicators slowed, and expectations that a weaker Yen would boost corporate earnings.

[Outlook]

We believe that equity prices are likely to be volatile due to the Yen's appreciation caused by lower US interest rates after the July Federal Open Market Committee (FOMC) meeting and the worsening situation regarding COVID-19. However, the decline in US interest rates due to expectations of a slowdown in the pace of US interest rate hikes seems somewhat excessive, and the USD/JPY exchange rate will probably settle down sooner or later. In the past, COVID-19 has peaked about one to two months after the rapid spread of infections, and it will be interesting to see if the current surge of COVID-19 infections peaks in a similar period.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Recovery of domestic demand after COVID-19 peaks ● Manifestation of inflation peak-out in the US ● Progress in ceasefire talks between Russia and Ukraine 	<ul style="list-style-type: none"> ● Economic impact of restrictive monetary policy by major central banks ● Intensifying and prolonging conflict in Ukraine ● Rapid appreciation of the Yen



As of July 29 2022

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

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