

Japanese Equities

Equity Prices Remain Resilient despite Concerns about US Interest Rate Hikes

Nikkei Stock Average	August end	MoM
	28,091.53 Yen	1.04%

[Market review in August]

Equity prices in Japan rose in August. Equity prices remained flat in early August as concerns about the US-China conflict over Taiwan increased, while some observers viewed the April-June corporate earnings of domestic companies as solid relative to consensus. In mid-August, equity prices rose on the back of a retreat in US inflation fears due to a downturn in US price statistics. The US Fed Chair emphasized his stance on continuing to raise interest rates in a speech later in the month, stoking concerns about US interest rate hikes, but equity prices were positive for the month.

[Outlook]

While there are concerns about the negative impact of interest rate hikes in Europe and the US on the European and US economies, we expect Japanese equities to stay within a range while remaining cautious about lower prices due to the contribution of the weaker yen and expectations for the effects of the easing of border restrictions. If there is a possibility of a change in the market's view, it is likely to be a case of an upward revision to the policy rate outlook by participants at the US Federal Open Market Committee (FOMC) meeting to be held in late September, and we believe that the September FOMC meeting requires attention.

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 Aug 31 2022

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

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