

Monthly Report

October Market Outlook

October 2022
Daiwa Asset Management Co.Ltd.

Japanese Equities

Inflation Fears and Sharp Rise in UK Interest Rates Destabilize the Equity Market

Nikkei Stock Average	September end	MoM
	25,937.21 Yen	-7.67%

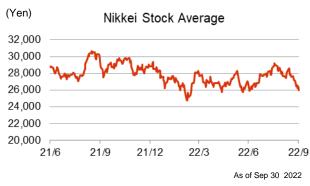
[Market review in September]

Equity prices in Japan fell in September. Equity prices were soft from the beginning of the month due to concerns about the negative impact of monetary tightening in Europe and the US on the economy. In mid-September, equity prices rebounded on expectations of lower inflationary pressure due to lower oil prices and a senior government official's reference to further easing of Japan's border restrictions. However, equity prices subsequently fell sharply owing to the upward swing in US price indexes and a sharp rise in UK bond yields due to uncertainty over public finances.

[Outlook]

We expect equity prices to be unstable due to concerns about the economic slowdown in Europe and the US caused by higher interest rates and uncertainty in the UK financial markets. For the time being, the focus is on whether the UK financial markets will regain their composure by October 14, when the Bank of England plans to temporarily purchase government bonds. If caution about the UK financial markets recedes, we can expect equity prices to test a bullish trend until the next FOMC meeting in early November. It will also be interesting to see if the earnings announcements of Japanese companies show any deterioration in their performance.

Positive Factors	Negative Factors
 Recovery of inbound demand through easing of border restrictions Manifestation of inflation peak-out in the US Stability of the UK financial markets 	 Negative impact on the economy from restrictive monetary policy in major countries Sharp rise in UK bond yields Rapid appreciation of the Yen



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

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