

#### Japanese Equities

BOJ's Surprise Policy Change Leads to Stronger Yen and Lower Stock Prices

Nikkei Stock Average	December end	MoM
	26,094.50 Yen	-6.70%

#### [Market review in December]

Equity prices in Japan fell in December. The easing of the zero-COVID policy by the Chinese government was a positive factor, but the deterioration of US economic indicators heightened concerns of a US economic slowdown, which served as a negative factor. The Bank of Japan (BOJ) expanded the permitted fluctuation band of the 10-year Japanese Government Bond rate, which is set at around 0% in its yield curve control, from around  $\pm 0.25\%$  to around  $\pm 0.5\%$ , and sparking a jump in the Yen caused equity prices to decline.

#### [Outlook]

We believe that the equity markets are likely to be volatile due to concerns about a global economic slowdown and speculation about further revisions to the BOJ's monetary policy. The immediate focus is on the appointment of the next BOJ governor. The current governor's term of office ends on April 8, but since the appointment of the governor requires the consent of the Diet, the next candidate is expected to be revealed between January and February. Depending on who will replace the incumbent governor, speculation of a monetary revision by the BOJ may increase and the Yen may appreciate further, so we believe caution is required.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>● Rising expectations for the beginning of interest rate cuts in the US</li> <li>● Recovery of inbound demand through easing of border restrictions</li> <li>● Improvement in the situation in Ukraine</li> </ul>	<ul style="list-style-type: none"> <li>● Negative impact on the economy from restrictive monetary policy in major countries</li> <li>● Rapid appreciation of the Yen</li> </ul>



As of Dec 30 2022

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

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