

Japanese Equities

Equity Prices Rise due to Improved Views on the US and European Economies

Nikkei Stock Average	January end	MoM
	27,327.11 Yen	4.72%

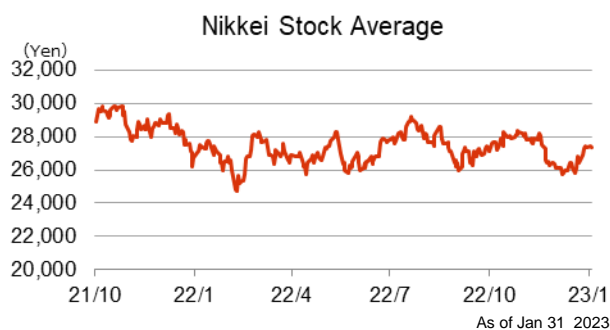
[Market review in January]

Equity prices in Japan rose in January. Early in January, equity prices fell on speculation that the next Bank of Japan (BOJ) governor would be a hawkish figure, who is willing to modify monetary easing. But equity prices rose from mid-to late-January, thanks to expectations of a slowdown in US inflation; expectations of a reduction in interest rate hikes at the next Federal Open Market Committee (FOMC) meeting; improved views on the Chinese, US and European economies; and the BOJ's monetary policy meeting, which was partially revised, to maintain the current policy.

[Outlook]

Who will be the next BOJ governor is a major focus of attention, and we believe that the equity market is likely to experience increased volatility. While many reports indicate that Deputy Governor Masayoshi Amamiya, who is seen as a dovish figure willing to maintain monetary easing, is the most likely candidate, we need to be careful about the market reaction if another candidate is selected as governor. Otherwise, the focus will be on whether the optimistic view of the US and European economies, which increased in January, will be maintained, and whether expectations for inbound demand from China will increase

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



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

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