

#### Japanese Equities

Equity Prices Rise Due to Receding Uncertainty over Domestic Monetary Policy

Nikkei Stock Average	April end	MoM
	28,856.44 Yen	2.91%

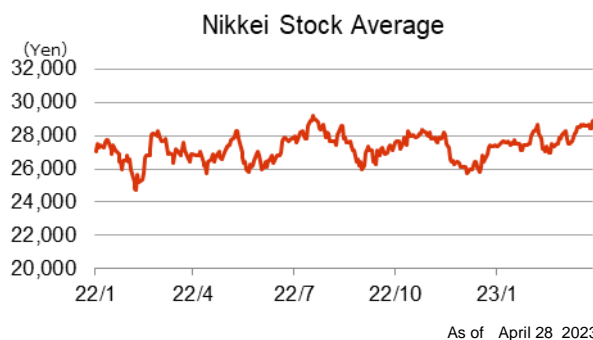
#### [Market review in April]

Equity prices in Japan rose in April. In early April, equity prices fell on concerns about the US economy after the downturn in US economic indicators. From mid-April onward, however, the equity market rallied as concerns over the Bank of Japan's hasty monetary policy revisions receded following its Governor Ueda's inaugural press conference, and US inflation indicators slowed, among other factors. In late April, the equity prices of some US banks plunged and credit concerns rose again, but the decline in Japanese equities was only temporary.

#### [Outlook]

We believe that the recent rally has made it easier for Japanese equities to become uncomfortable at higher prices. The key factors to watch are the exchange rate and the US Federal Open Market Committee (FOMC). The USD/JPY exchange rate has been hovering around 135 to 139 Yen after concerns over the BOJ's monetary policy revisions receded. If the exchange rate remains at this level for the time being, it is expected to be a factor that boosts the performance of companies, especially in the manufacturing industry, compared with their corporate plans. As for the FOMC, the key point is how strongly the May meeting will signal the possibility of a rate hike halt.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>● Further waning of credit concerns in Europe and the US</li> <li>● Rising expectations for the beginning of interest rate cuts in the US</li> <li>● Improvement in the situation in Ukraine</li> </ul>	<ul style="list-style-type: none"> <li>● Rising credit concerns in Europe and the US</li> <li>● Negative impact on the economy from restrictive monetary policy in major countries</li> <li>● Rapid appreciation of the Yen</li> </ul>



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

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