

Japanese Equities

Japanese Equities Rebound after Falling on Speculation on Monetary Policy

Nikkei Stock Average	July end	MoM
	33,172.22 Yen	-0.05%

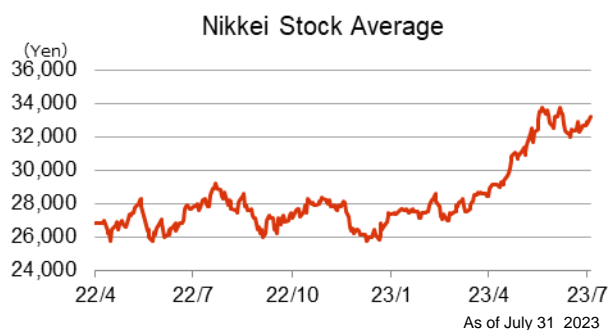
[Market review in July]

Equity prices in Japan rose in July. Equity prices fell in early July as the Yen appreciated on speculation of a monetary policy correction. Equity prices rebounded from mid-July onward, as the downside of US inflation indicators was favorably received and speculation on a monetary policy correction receded due to comments by a senior BOJ official and other factors. The BOJ's decision to make its yield curve control more flexible near the end of the month was a surprise, but equity prices rebounded on the view that the strong Yen and weak equity prices were temporary and that the BOJ's decision would rather reduce uncertainty about monetary policy.

[Outlook]

We believe that the US Fed and Bank of Japan meetings ended uneventfully and that favorable market sentiment is likely to continue. The focus is on corporate earnings. Earnings announcements so far have been mixed, with the manufacturing sector underperforming and the non-manufacturing sector strong. We need to pay attention to whether concerns about the performance of the manufacturing sector will grow further. Later in August, the annual economic symposium, which brings together many central bank governors and economists, will be held in Jackson Hole, US. It will be interesting to see what is discussed at the conference.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Rising expectations for the beginning of interest rate cuts in the US ● Accelerating moves to increase shareholder returns ● Improvement in the situation in Ukraine 	<ul style="list-style-type: none"> ● Further economic slowdown in China ● Upward revision of forecasted US interest rate hikes ● Rapid appreciation of the Yen



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

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