

Japanese Equities

Equity Prices Fall Due to Expectations of a Prolonged High-Interest Rate Environment in the US

Nikkei Stock Average	September end	MoM
	31,857.62 Yen	-2.34%

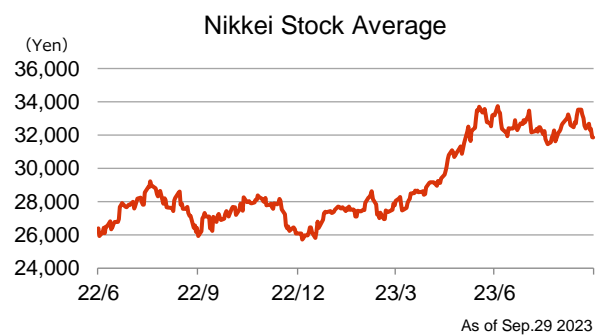
[Market review in September]

Equity prices in Japan fell in September. From early to mid-September, equity prices rose mainly due to the Chinese government's announcement of measures to ease the real estate market, worsening of some economic statistics that raised expectations of a halt in US interest rate hikes, and a weaker Yen against the Dollar. Late in September, however, equity prices fell on concerns about the sharply higher policy rate outlook for the end of 2024 given by FOMC participants at its meeting.

[Outlook]

Despite uncertainties in the US economy and trends in the Dollar-Yen exchange rate, we expect Japanese equities to remain resilient as investors feel relatively secure due to expectations for stronger shareholder returns and other factors. The focus of future attention will be on RENGO's (The Japanese Trade Union Confederation) wage increase demands in next fiscal year's spring wage negotiations. RENGO usually announces its policy for the next fiscal year's spring wage negotiations in the October-December period. If the Trade Union Confederation were to demand a higher wage increase for the second year in a row, expectations would rise that wage increases would continue, and the equity market would be expected to evaluate the situation positively.

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"> ● Delayed start of US interest rate cuts ● Further economic slowdown in China ● Rapid appreciation of the Yen



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

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