

Japanese Equities

Equity Prices Fall after US Interest Rates Rise and the Middle East Situation Worsens

TOPIX Total Return Index	October end	MoM
	3,781.64 Points	-2.99 %

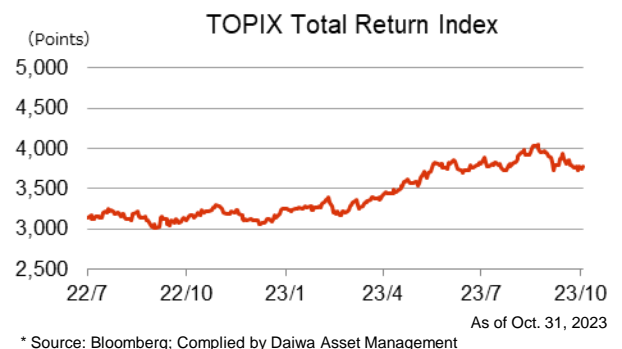
[Market review in October]

Equity prices in Japan fell in October. In early October, Japanese equity prices were volatile as US interest rates moved up and down due to mixed US employment statistics showing both strength and a slowdown. Equity prices rose at times after the middle of the month due to positive dovish comments from Fed officials, but remained soft due to concerns about rising US interest rates and the worsening situation in the Middle East.

[Outlook]

For the time being, we expect the equity market to be somewhat unstable and susceptible to US interest rates and the situation in the Middle East. In addition, the US stopgap budget deal expires on November 17, and concerns about the growing likelihood of a US government shutdown should be noted. Even in light of these factors, once the situation overseas settles down, we expect equity prices to turn higher as investors will once again focus on the unique factors of Japanese equities, such as expectations for a virtuous cycle of moderate price hikes and economic expansion accompanied by rising wages, and expectations for stronger shareholder returns associated with management that is conscious of the cost of capital.

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 and Middle East 	<ul style="list-style-type: none"> ● Delayed start of US interest rate cuts ● Further economic slowdown in China ● Rapid appreciation of the Yen



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