

Japanese Equities

Equity Prices Favor Retreat from Expectations of Additional US Interest Rate Hikes

TOPIX Total Return Index	November end	MoM
	3,986.65 Points	5.42 %

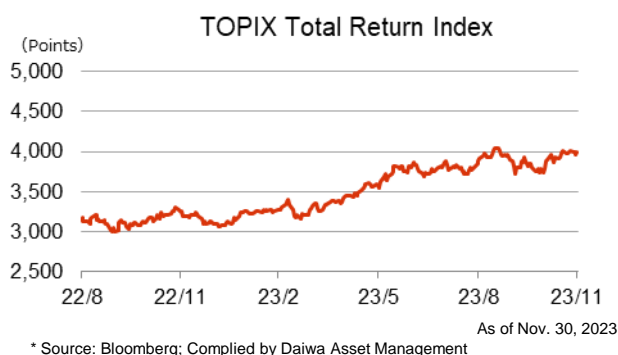
[Market review in November]

Equity prices in Japan rose in November. In early November, equity prices rose due to the limited reaction in the foreign exchange market after the yield curve control operation was further adjusted at the October monetary policy meeting, and also because the Federal Open Market Committee (FOMC) meeting passed and the speculation about additional interest rate hikes in the US receded. In mid-November, equity prices rose further due to the lower-than-expected US consumer price index for October, but subsequently remained in a flat range due to negative factors such as caution against the rally and the strong Yen.

[Outlook]

US interest rates have fallen noticeably against growing expectations of early US interest rate cuts, and the Yen has appreciated against the US dollar in the foreign exchange market. We need to pay attention to exchange rate trends for the time being. Even in light of these factors, once US interest rates settle down, we expect equity prices to rise 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 at home, 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"> ● Accelerating moves to increase shareholder returns ● Improved risk sentiment due to the start of US interest rate cuts ● 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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