

Japanese Equities

Domestic Equity Market Favors “Continued Accommodative Monetary Environment for the Time Being”

TOPIX Total Return Index	March end	MoM
	4,699.20 Points	4.44 %

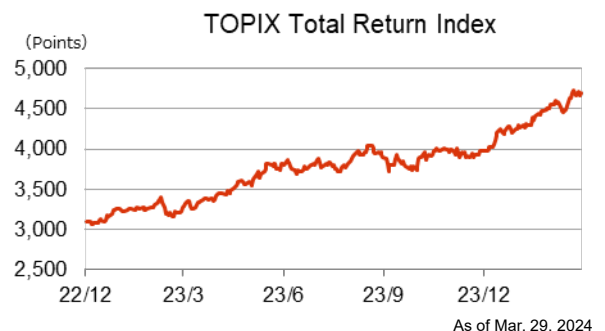
[Market review in March]

Equity prices in Japan rose in March. Equity prices rose early in March on expectations of US interest rate cuts but fell toward the middle of the month as the results of the spring wage talks gave rise to speculation that the BOJ would lift negative interest rates in March. The BOJ did, in fact, review its monetary policy framework at its policymaking meeting on March 18 and 19, but this development was within expectations, and equity prices rebounded on the view that the accommodative monetary environment would continue for the time being. Equity prices subsequently declined mainly as investors became cautious about foreign exchange intervention.

[Outlook]

Equity prices are likely to see a pause in the rapid pace of their rally since the beginning of the year. The authorities show willingness to intervene to support the recent weak Yen, and caution is needed in the face of rapid appreciation of the Yen. However, in terms of monetary policy, an accommodative monetary environment is expected to continue for the time being. There are also expectations for stronger shareholder returns as companies become more conscious of their cost of capital, as well as expectations for an inflow of funds from individual investors as a result of the expansion of the NISA investment cap. From all of this, we expect a solid equity price trend.

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 slowdown of the Chinese economy Rapid appreciation of the Yen



* Source: Bloomberg; Compiled by Daiwa Asset Management

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