

#### Japanese Equities

Smoldering Speculation of an Early Additional Interest Rate Hike

TOPIX Total Return Index	April end	MoM
	4,656.27 Points	-0.91%

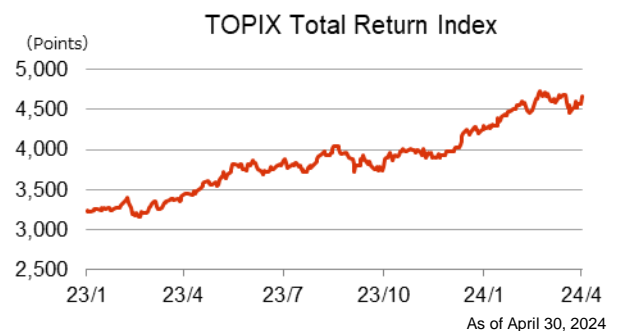
#### [Market review in April]

Equity prices in Japan fell slightly in April. In early April, Japanese equity prices were mixed, as expectations of a US interest rate cut receded, while the ongoing weakening in the Yen was favored. In mid-April, equity prices fell sharply due to rising speculation that an additional interest rate hike would come, and concerns about the situation in the Middle East. The downward trend subsequently narrowed after concerns about the Middle East situation eased and the BOJ chose to maintain the status quo of its monetary policy at its monetary policy meeting on March 25 and 26, indicating that “the relaxed monetary environment will remain in place for the time being.”

#### [Outlook]

It should be noted that expectations of a US interest rate cut, which had underpinned the rally in US equities to date, are receding, and if the US equity market softens, this could spill over into the domestic equity market. The BOJ expressed the view that the relaxed monetary environment would continue for the time being. However, there are also strong expectations that companies will strengthen shareholder returns as they become more conscious of their cost of capital, and that more funds from individual investors will flow into the equity market 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"> <li>● Strengthening of shareholder returns</li> <li>● Improved risk sentiment due to the start of US interest rate cuts</li> <li>● Improvement in the situation in Ukraine and Middle East</li> </ul>	<ul style="list-style-type: none"> <li>● Delayed start of US interest rate cuts</li> <li>● Further slowdown of the Chinese economy</li> <li>● Rapid appreciation of the Yen</li> </ul>



\* Source: Bloomberg; Compiled by Daiwa Asset Management

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