

Japanese Equities

Enhanced Shareholder Returns for Capital Cost-Conscious Management

TOPIX Total Return Index	May end	MoM
	4,710.15 Points	1.16%

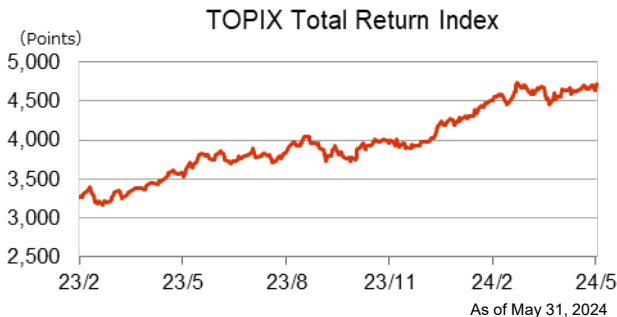
[Market review in May]

Equity prices in Japan rose in May. In the first half of May, after the US consumer price index and other indices fell and the US interest rates also went down, domestic equities rose at times in tandem with US equities. But equity prices remained flat throughout the month, weighed down by rising interest rates on speculation of the BOJ's plan to reduce its purchases of JGBs and other factors. In the latter half of the month, stock prices were at times uncomfortable with rising long-term interest rates, but remained firm, supported by the trend of US equities reaching new highs, which positively impacted domestic equities, and by the better-than-expected shareholder return policy.

[Outlook]

We need to be careful about the upward pressure on interest rates on speculation of the BOJ's additional rate hikes and other factors, and the possibility that US interest rate cuts will be delayed, which may soften the US equity market and further negatively impact 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 for more capital cost-conscious management, 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">● Strengthening of 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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