

Japanese Equities

Supply and Demand Environment Remains Favorable, but Caution Is Needed on Downside Risks to the US Economy

TOPIX Total Return Index	August end	MoM
	4,615.06 Points	-0.54%

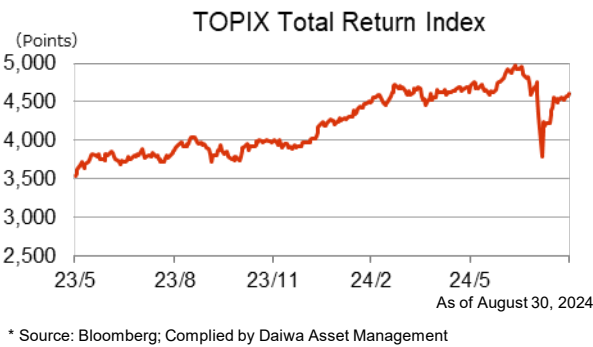
[Market review in August]

In August, the domestic equity market plummeted, and then rebounded sharply, returning to almost its original level. At the beginning of the month, equity prices fell sharply due to concerns over the US economic recession caused by the downbeat US employment statistics and the rapid appreciation of the Yen. But by the mid-month, equity prices rebounded sharply due to dovish comments by Bank of Japan Deputy Governor Uchida and favorable US economic indicators. In the second half of August, equity prices firmed up along with US equities as the probability of a September interest rate cut by the Fed increased following the FOMC meeting minutes and Fed Chairman Jerome Powell's remarks in Jackson Hole.

[Outlook]

Caution is needed with regard to the risk of renewed risk aversion in the event that fears of a US recession intensify, and the risk of further Yen's appreciation in the foreign exchange market due to differences in the direction of monetary policy between the US and Japan. However, the unwinding of the Yen selling position is seen to have progressed rapidly, and companies will strengthen shareholder returns for more capital cost-conscious management, as well as an inflow of individual investor funds into the stock market through the new NISA (Nippon Individual Savings Account) program, so we expect stock prices to remain strong.

Positive Factors	Negative Factors
<ul style="list-style-type: none">Strengthening of shareholder returnsImproved risk sentiment due to the start of US interest rate cutsImprovement in the situation in Ukraine and Middle East	<ul style="list-style-type: none">Growing fears of a US recessionRapid appreciation of the YenIntensifying US-China conflict



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