

Japanese Equities

Turmoil in the House of Representatives Election, But Supply-Demand Conditions Remain Favorable

TOPIX Total Return Index	October end	MoM
	4,629.83 Points	1.88%

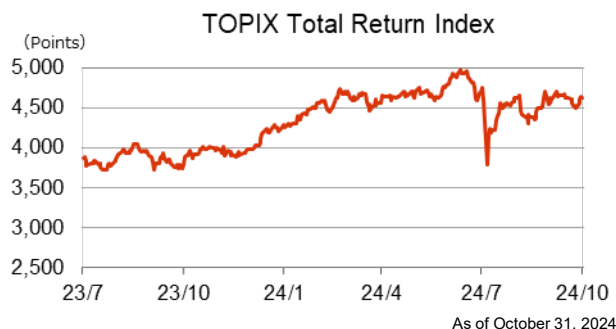
[Market review in October]

Equity prices in Japan rose in October. During the first half of the month, the stock market rose due to Prime Minister Shigeru Ishiba's reluctance to implement an early additional interest rate hike, the improvement in risk sentiment following strong employment statistics from the US, and the depreciation of the Yen. After the middle of the month, the stock market declined daily due to uncertainty regarding the political situation ahead of the House of Representatives general election. The election resulted in the ruling party losing its majority, but equity prices rebounded strongly as speculation grew that the ruling party might form a coalition or cooperate with the opposition parties and that expansionary fiscal policies would be implemented.

[Outlook]

One factor for market instability is the uncertainty of the US presidential election due on November 5. However, as downside risks to the US economy are receding, the Fed is expected to gradually cut interest rates, which we assume will be positive for Japan's domestic equity market. In addition, 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 over the medium to long term.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Strengthening of shareholder returns ● US interest rate cuts ● Progress of Yen depreciation 	<ul style="list-style-type: none"> ● Rapid appreciation of the Yen ● Further slowdown of the Chinese economy ● Growing tension in the Middle East



* Source: Bloomberg; Compiled by Daiwa Asset Management

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