

Japanese Equities

Investors to Wait and See Further Developments in Japanese and US Monetary Policies and US President-Elect Trump's Policies

TOPIX Total Return Index	December end	MoM
	4,791.22 Points	4.02%

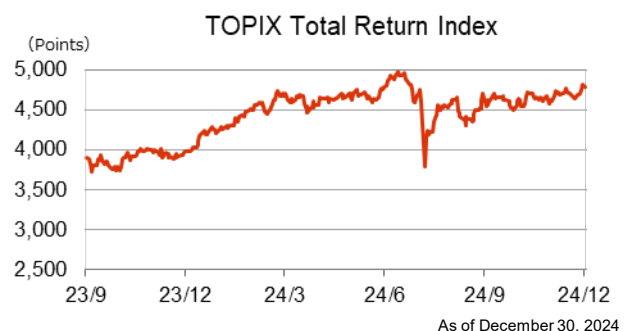
[Market review in December]

Equity prices in Japan rose in December. Equity prices began the month with increasing expectations for a US interest rate cut, which led to a rise in US equities, and positive reactions to reports that the Bank of Japan would not raise interest rates, among others. Towards the middle of the month, equity prices remained firm in response to the Chinese Communist Party's policy of monetary easing and expanding fiscal spending. Thereafter, a mood of caution prevailed ahead of the US FOMC meeting and the BOJ monetary policy meeting, but the weaker Yen and Toyota's ROE target hike were among favorable factors, and auto stocks led the equity price rally.

[Outlook]

The solid US economy and expectations for the incoming Trump administration's policies of tax cuts and deregulation of the high-tech and financial industries will boost the US equity market, and also have a positive impact on Japanese equities through risk sentiment. Additionally, from a supply and demand perspective, as Japanese companies have an abundance of excess cash and significant room to expand shareholder returns, and the continued inflow of individual investor funds into the stock market through the new NISA (Nippon Individual Savings Account) program are expected to be factors supporting stock prices.

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 and Ukraine



* Source: Bloomberg; Compiled by Daiwa Asset Management

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