

Japanese Equities

Equity Prices Rise in Expectation of Resumption of Economic Activities in Japan

Nikkei Stock Average	May end	MoM
	21,877.89 Yen	+8.34%

[Market review in May]

Equity prices in Japan rose. In early May, equity prices dropped due to concerns over worsening statistics on the US economy, and the earnings results and performance of some companies in Japan. Subsequently, they exhibited a firm tone as expectations grew that economic activities would soon resume in Europe and the US. The state of emergency in Japan was extended to the end of May during the successive holidays, but the market had already taken this into consideration and did not take it as negative. Equity prices soared after the state of emergency was lifted nationwide on May 25 as expectations rose for a resumption of economic activities.

[Outlook]

Equity prices are rising as investors see the reopening of the economic activities in Japan, the US, and Europe as a signal that the economy has bottomed out. We consider that investors are now beginning to assess on how much the economy will recover. However, there is still more to come until key economic statistics for June—the month when economic activities restart—are released. So, for the time being, investors will be cautious about a second wave of infections and deterioration of the US-China relationship while the equity markets will be swayed by press coverage and sentiment indexes that are released earlier than other economic indicators.

Positive Factors	Negative Factors
<ul style="list-style-type: none"> ● Recovery of the economic situation due to resumption of economic activities around the world ● Economic measures by governments and central banks 	<ul style="list-style-type: none"> ● Reimposed restraint on economic activities due to increased cases of COVID-19 infection ● Deterioration of the US-China relationship



As of May 31, 2020

*Source: data from Nikkei Inc. prepared by Daiwa Asset Management

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