

Japanese Market Trends Amid Escalating Tensions in the Middle East One Week into the Military Conflict, No End in Sight as Fears of Prolongation Grow

March 9, 2026

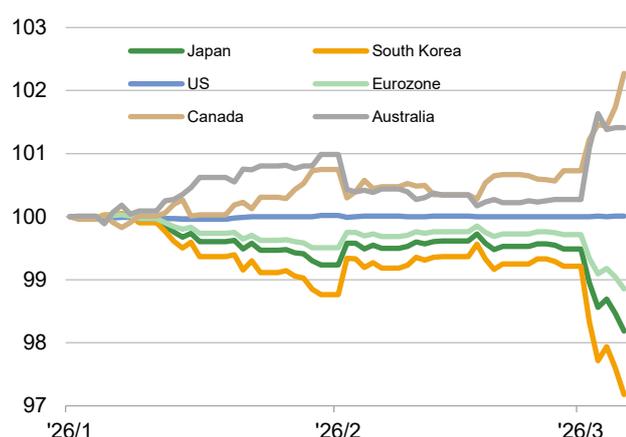
Rising crude oil prices worsening terms of trade, putting downward pressure on Japan's economy

Regarding the military conflict between the US, Israel, and Iran, US President Trump stated on the 6th that he would not engage in negotiations unless Iran surrendered unconditionally. Under these circumstances, concerns are growing that the election of Ayatollah Mojtaba Khamenei, the second son of the late Ayatollah Khamenei, as the next Supreme Leader in Iran could lead to a further hardening of the country's foreign policy stance under the influence of conservative hardliners with strong anti-American sentiments. The Trump administration has yet to present an "exit strategy." While initial expectations leaned toward a short-term resolution of the turmoil, concerns about a prolonged conflict are now growing.

Amid the de facto blockade of the Strait of Hormuz, WTI crude oil futures prices surged to over \$110 per barrel at one point, once again highlighting the risk posed by Japan's high dependence on energy imports. High crude oil prices could worsen Japan's terms of trade (an indicator showing the nation's overall trading margin, calculated as export prices divided by import prices) through a price hike in import costs. This could then spread to squeeze corporate profits, reduce real wages, and slow private consumption, potentially exerting downward pressure on the entire Japanese economy. In the stock market, selling pressure has broadened, particularly in cyclical stocks and names that had risen sharply over the past few months, after the Nikkei 225 at one point fell by nearly ¥4,200 on the 9th. Concerns are growing over stagflation, where an economic downturn and rising prices occur simultaneously, forcing the Bank of Japan into a difficult balancing act in its monetary policy management. Amid heightened vigilance over high crude oil prices, including reports that the G7 is discussing a coordinated release of oil reserves, it will be necessary to carefully assess the ongoing impact on the domestic economy and prices.

GS Trade Conditions Index

(January 2026 = 100)



※ Latest value as of March 6, 2026

Source: Bloomberg; compiled by Daiwa Asset Management

Nikkei 225 (March 6th -9th)

(JPY)



※3-minute chart; uses previous value for non-trading hours; latest value as of March 9, 15:30

Source: Bloomberg; compiled by Daiwa Asset Management

Important Information

This Presentation ("Presentation") is furnished to its intended recipient (the "Recipient") and is not for redistribution or public use. The data and information presented are for informational purposes only. The information contained herein should be treated in a confidential manner and may not be transmitted, reproduced or used in whole or in part for any other purpose, nor may it be disclosed without the prior written consent of Daiwa Asset Management. By accepting this material, the Recipient agrees not to distribute or provide this information to any other person.

This Presentation is intended for use by professional investors only. Investors should independently evaluate particular investments and strategies and seek their own investment advice. Daiwa Asset Management may not be held responsible for any consequences resulting from any investment in any strategy or products discussed in this Presentation. No investment strategy can guarantee performance results. Past performance is no guarantee of future results. All investments are subject to investment risk, including loss of principal invested. For more detailed information, in particular a description of the mentioned funds' risks and rewards, please refer to the prospectus of the UCITS, the key investor information document (KIID) and the most recent published annual and semi-annual report.

This Presentation was made to provide information about the investment capability of Daiwa Asset Management. It should not be construed as an offer or a solicitation to purchase or subscribe to the funds mentioned in this material. This is a marketing communication. Potential investors should refer to and read the prospectus of the UCITS and KIID for more detailed information prior to their investment decision.

The information, statements, forecasts and projections contained in this Presentation, including any expressions of opinion, are based upon sources believed to be reliable, but their accuracy, correctness or completeness are not guaranteed. The performance of investments, if referred to herein, is based on past data and is neither necessarily an indication nor a guarantee of future performance of such investments. The performance data in this material does not consider any tax or fees if there were any, and will not provide a final return for potential investors. Daiwa Asset Management made all reasonable efforts to ensure that the information contained herein is current, but it is subject to change without notice. Daiwa Asset Management, or any of its respective affiliates, accepts no liability whatsoever for any direct or consequential loss arising from any use of this material or its content.

The TOPIX Index Value and the TOPIX Marks are subject to the proprietary rights owned by JPX Market Innovation & Research, Inc. or affiliates of JPX Market Innovation & Research, Inc. (hereinafter collectively referred to as "JPX") and JPX owns all rights and know-how relating to TOPIX such as calculation, publication and use of the TOPIX Index Value and relating to the TOPIX Marks. JPX shall not be liable for the miscalculation, incorrect publication, delayed or interrupted publication of the TOPIX Index Value. No Licensed Product is in any way sponsored, endorsed or promoted by JPX, and JPX shall not be responsible for any damage resulting from the issue and sale of the Licensed Product.

