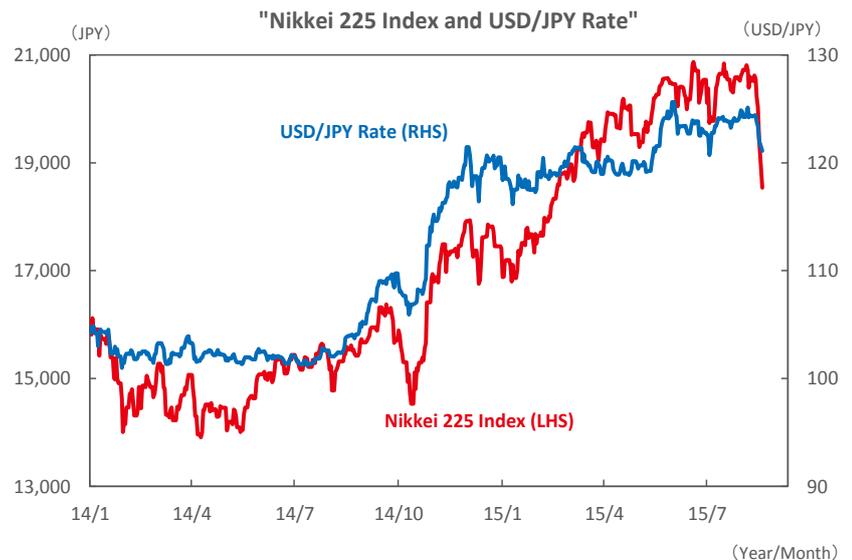


Today's Topic **Worldwide stock plunge and Japanese equity market outlook**
Focus is on Risk of Chinese Economic Downturn

Point 1 **Nikkei 225 index, another day of a sharp fall**
Concern over global economic slowdown triggered by China

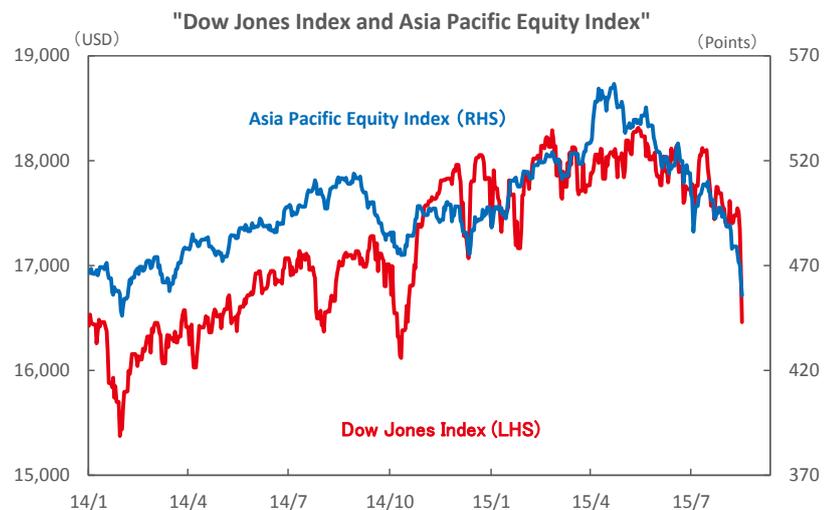
- On 24th Aug., the Nikkei 225 fell sharply by JPY 895.15 closing at JPY 18,540.68 to a level lower than the bottom in early July this year when the Chinese market was volatile. It is now at a record low in the past six months. Major equity markets fell on the concern over global economic downturn due to the downward revision of both China's business outlook and the US's leading economic indicators.
- The Chinese equity market on the same day also fell sharply. At 15:00 Japan Time on 24th Aug., the Shanghai Stock Exchange Composite Index fell 7.2% from the last Friday close, to a record low since March this year.



(Note) Data period is from Jan. 6, 2014 to Aug. 24, 2015.
 (Source) SMAM, based on Bloomberg L.P. data.

Point 2 **Possible worldwide stock plunge**
Global risk-off pushes JPY higher

- It appears to be a worldwide stock plunge as stock prices fell even in the US and European markets on the 21st. The Dow Jones index fell, starting from Tuesday, to a record low since last October. JPY started to appreciate due to progress in overall risk-off sentiment. USD/JPY rate was JPY 121.11 as of 15:00 Japan time on the 21st.
- Uncertainty over emerging market economies have been building up since the Chinese RMB was devaluated on 11th Aug. Equity markets of countries economically linked to China were also weak as risk-off sentiment prevailed.



(Note) Data period is from Jan. 6, 2014 to Aug. 21, 2015. MSCI AC Asia Pacific Index is used for Asia Pacific Equity Index.(Price Index, Local currency basis).
 (Source) SMAM, based on Bloomberg L.P. data.

Future Outlook

Japanese equity market may recover once corporate earnings forecast is confirmed to remain intact with Chinese economic data improvement

- Earnings of Japanese corporations are expected to maintain their growth momentum underpinned by solid domestic demand, weakening JPY and falling crude oil price. At this moment, the market started to question such outlook on uncertainty over global economic growth. Thus, the Japanese equity market will gradually regain its confidence once the Chinese economic data improves and additional economic stimulus measures are introduced.
- The Chinese government has already started supporting its economy by introducing economic stimulus packages and monetary easing which is expected to improve the housing market and public investment. The market may continue to consolidate before acknowledging these improvements. In the long run, stock prices are expected to rise in tandem with corporate earnings expansion, however, it is necessary to carefully observe unstable price movement.

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