

Outlook for Japanese Equities Post-House of Representatives Election

Accelerated Resignation Speculation and Rising Expectations for the Successor Administration

October 28, 2024

Coalition Ruling Parties See Significant Seat Reduction, Yet LDP Avoids Losing Power

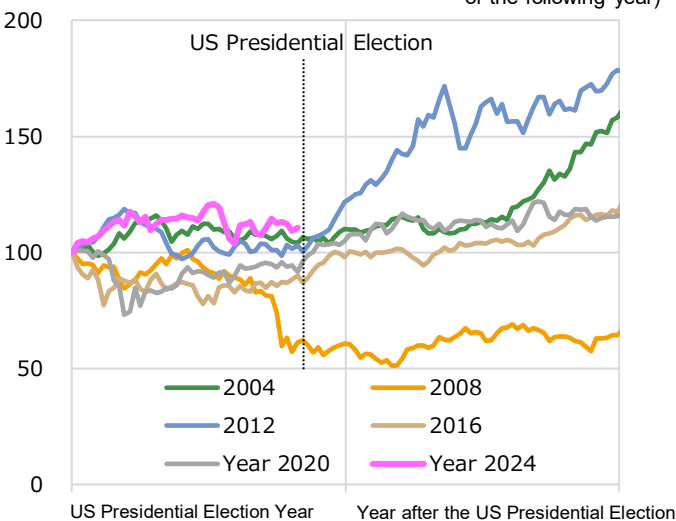
As of the morning session on Monday, October 28, the Nikkei 225 Index has risen by 1.4% and the TOPIX by 1.1% compared to the previous trading day. In the House of Representatives election held on Sunday, October 27, the coalition ruling parties of the Liberal Democratic Party (LDP) and Komeito suffered a significant loss of seats, securing only 215 seats, falling short of a majority. Although the LDP's seats were reduced substantially to 191, they still maintained a 43-seat lead over the Constitutional Democratic Party, suggesting the LDP will avoid losing power. However, Prime Minister Ishiba had set a victory line of maintaining a majority for the coalition ruling parties before the election, and failing to meet this benchmark has intensified calls for his responsibility, potentially leading to his early resignation. This implies that political instability may persist in the short term. Nevertheless, if movements toward a new administration raise expectations for economic measures, this could positively impact stock prices.

Following the Japanese House of Representatives election, the United States will hold its presidential and congressional elections on Tuesday, November 5. The contest between Democrat Harris and Republican Trump remains tight, but regardless of the outcome, expansive fiscal policy is likely to be maintained. Concerns over corporate tax hikes in the event of a Harris victory are mitigated by the high probability that Republicans will retain a majority in the Senate, making it unlikely for such tax legislation to pass. Historically, the resolution of uncertainties tends to drive up Japanese equities. Additionally, the announcement of share buybacks at a record pace, coupled with the expected improvement in supply-demand conditions following the announcement of interim financial results for the September term (post-late October), is anticipated to provide support to the Japanese stock market.

YTD Stock Price Movement in US Presidential Election Years (TOPIX)

(US Presidential Election Year, beginning of Jan. = 100)

(From the start of January in US Presidential Election Year to the end of the following year)



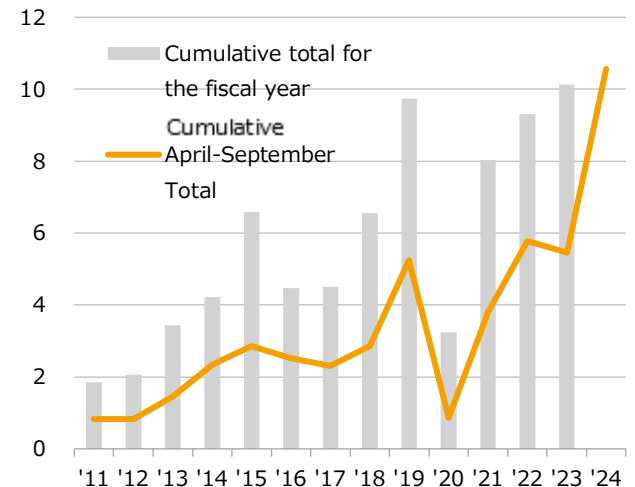
※Weekly Closing Prices. Value for October 2024 are up to the 28th morning session.

(Source: Bloomberg; Compiled by Daiwa Asset Management)

Amount Set for Share Repurchase Program by Fiscal Year

(trillions Yen)

(FY2011-FY2024)



※Fiscal year cumulative values are up to FY2023

(Source:Daiwa Securities Co; Compiled by Daiwa Asset Management)

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