Market Letter

LDP Presidential Election (2025)

"Takaichi Trade" Heats Up on Fiscal Policy Hopes

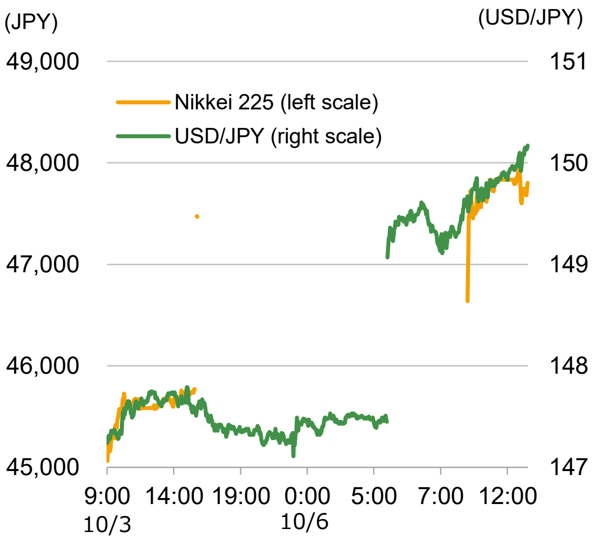
October 6, 2025

Takaichi Elected as New LDP President, Paving the Way for Japan's First Female Prime Minister

On Saturday, October 4, 2025, the Liberal Democratic Party held its leadership election, in which Sanae Takaichi, former Minister for Economic Security, and Shinjiro Koizumi, Minister of Agriculture, Forestry and Fisheries, advanced to the runoff. Takaichi secured victory by surpassing Koizumi in both parliamentary and regional votes, becoming the new party president. Although Koizumi's momentum appeared to wane toward the end of the campaign, markets had largely expected him to prevail, making the outcome a surprise for investors. With opposition parties struggling to unite, the new LDP president is widely expected to be elected prime minister in the upcoming Diet vote. This marks the first time a woman has assumed the LDP presidency, and if chosen as prime minister, Takaichi would become Japan's first female leader—a historic moment breaking the "glass ceiling."

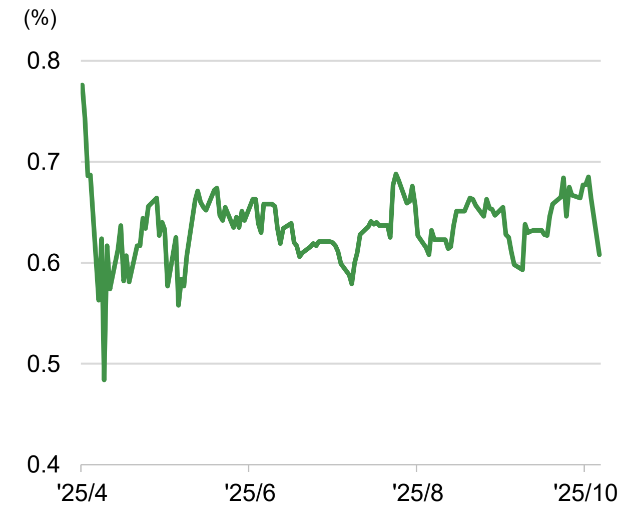
In the post-election market, expectations for continued fiscal expansion and accommodative monetary conditions have fueled active "Takaichi trades," characterized by a weaker Yen and rising stock prices. Takaichi advocates a policy of "responsible proactive fiscal management" centered on economic growth, while signaling acceptance of issuing deficit-financing bonds. Regarding the Bank of Japan's monetary stance, she remarked that "it is premature to feel reassured simply because cost-push inflation has ended deflation," emphasizing the importance of transitioning to demand-pull inflation driven by wage growth. These comments suggest a cautious approach toward early rate hikes by the BOJ. Against this backdrop, short-term interest rates are seen facing downward pressure, while super-long-term yields may come under upward pressure. However, as the LDP holds only a minority government, policy execution could hinge on cooperation with opposition parties, making future developments closely watched.

Nikkei 225 and USD/JPY



※ 3-minute chart. The latest value is at 13:30 on Oct.6, 2025
Source: Bloomberg, Complied by Daiwa Asset Management

Policy rate assumed by the market (end of 2025)



※ The latest value is at 13:30 on Oct.6, 2025
Source: Bloomberg, Complied by Daiwa Asset Management

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