



A different ending for Japan's election gamble

Not all snap elections turn out the same way...

A right of centre Prime Minister calls an election before the end of the government's term to take advantage of rising poll numbers and seeming disarray amongst the opposition parties. What could possibly go wrong?

In the UK, the answer was close to everything. Japan, as often happens, is a different matter. Last month, Prime Minister Shinzo Abe went to the polls a year early, seeking a mandate to continue his tough stance to North Korea and "Abenomics", his three-part economic policy (which includes a sales tax hike in 2019).

Initially, it looked as if Abe had miscalculated, but by the time the polls closed on 22 October, he and his coalition partners had secured a "super majority" – more than two thirds of the seats in the House of Representatives. Abe could now become Japan's longest-serving prime minister, as the next election is four years away, after the Tokyo Olympics.

The news of Abe's victory was welcomed by the Japanese stock market, which is relieved that "Abenomics" will continue. Economists expect this will mean more financial stimulus, with ultra-low interest rates for the foreseeable future. Such a backdrop ought to be good news for Japanese shares, which have risen over the past five years that Abe has been in power.

However, research suggests that that most investors, both inside and outside, have so far been unenthusiastic about Japanese companies. The lack of interest is even more surprising given that Japan represents about 8% of global stock markets and has marginally outperformed the world average over the past five years. Abe's victory and the certainty it brings could mark a rekindling of interest.

If you are one of those who has paid little attention to Japan in recent years, why not talk to us about your options on investing in the world's fourth largest stock market?

The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.