



## Impact of “Cabinet Approval Rating” fall on the Japanese equity market

PM Abe’s long term government seemed almost certain as Liberal Democratic Party (LDP) had a landslide victory in the House of Representative’s general election in October 2017 and PM Abe was expected to be re-elected as the president of LDP for the third time this September. However, “Cabinet Approval Rating” has plummeted recently and foreign investors sold off the Japanese equity seeing it as a negative news to the market. Fall of “Cabinet Approval Rating” was due to discovery of alteration of the Financial Ministry’s documents submitted to Diet deliberations discussing on shady 2016 sales of state-owned land to school operator “Moritomo Gakuen”.

### Point 1

## “Cabinet Approval Rating” plummeted due to suspicion of people over state-owned land deal with “Moritomo Gakuen”

- “Cabinet Approval Rating” is plummeting due to strong suspicion of people over state-owned land deal with “Moritomo Gakuen”. 4 major mass medias announced that the “Cabinet Approval Rating” on 18<sup>th</sup> March 2018 has fallen by 9 to 14% from the previous approval rating down to 30% level. At the same time, disapproval rating rose sharply. However, approval rating of LDP fell marginally without contributing to push up that of opposition parties.

### Point 2

## Fall of “Cabinet Approval Rating” for the third time For the first two times, approval rating recovered after elections

- Under the current government, this is the third time to experience sharp fall of “Cabinet Approval Rating”. The first fall was when package of security bills, partly lifting long-standing ban on collective self-defense, passed the Diet in 2015. The second fall was in July 2017 when probe was launched against suspicious approval process of school operator “Kake Gakuen” and that over state-owned land deal with Moritomo Gakuen.
- LDP suffered a crushing defeat in Tokyo metropolitan assembly election in July 2017 right after the second fall of approval rating. However, LDP saw a landslide victory in the House of Representative’s general election in October 2017 and “Cabinet Approval Rating” recovered, too.

### Future Outlook

## Trend of “Cabinet Approval Rating” needs to be watched in order to forecast the Japanese equity market

- Looking back at how the Japanese equity market behaved during spring to summer of 2017 when “Cabinet Approval Rating” had fallen with the similar background of the recent fall, Nikkei 225 was capped and was shaky during this period. Later, Nikkei 225 entered into bull market trend and recovered 24,000 level on 23<sup>rd</sup> January 2018 with the rise of “Cabinet Approval Rating” after the landslide victory of LDP in the House of Representative’s general election.
- Currently, the Japanese stock market continues to be shaky due to uncertainty over trade friction between US and China in addition to fall of “Cabinet Approval Rating”. In order to forecast direction of the Japanese stock market, we need to carefully watch movement of “Cabinet Approval Rating” which will respond to the way PM Abe and government officials handle Moritomo Gakuen issues.



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