
JAPAN POLITICS—STORM IN A TEACUP

Jesper Koll – Senior Advisor
03/22/2017

Japanese prime minister Shinzo Abe has seen a drop in his approval rating from 60%–65% to 55%–60% in recent weeks. This is due to accusations regarding a fixed real estate acquisition, where a school with a very nationalist agenda and close ties to Abe and his wife supposedly got to buy public land for its development at a discount. The good news is that Abe is highly unlikely to be directly involved, a fact that should be confirmed this Thursday, when Parliament will hear sworn testimony from the people involved.

That being said, this Thursday (March 23, 2017) should mark the climax of the “scandal,” and the bottom line is that the prime minister is highly likely to maintain his steadfast grip on power until 2021. However, there is some speculation that Abe might call a snap election sometime in April or May. We think this unlikely but do note that his popularity is still very high and that the opposition parties are in disarray.

Clear speak: Even in the unlikely event of a snap election, Abe and his Liberal Democratic Party (LDP) are likely to hold on to their two-thirds supermajority. The opposition will probably call for a vote of no-confidence, which would very likely be defeated, given the LDP’s control of Parliament. Note that the LDP is completely united behind Abe—it just extended Abe’s potential term limit from two to three (while the scandal was already in full swing).

For financial markets, Thursday’s parliamentary testimony should prove important. If, as we suspect, Abe is cleared from the accusations, his team will be able to again focus full-time on its economic policy agenda (from which they have been distracted in the past month due to the scandal). Note here that the heavy lifting on the U.S.–Japan economic and trade policy agreements will start mid-April, with Vice-President Pence due to visit Japan.

In contrast, the risk scenario of Abe being forced to call an election should imply only modest [risk-off](#) adjustment, in our view. This is because of the high likelihood of a strong Abe victory at the polls.

Important Risks Related to this Article

Investments focused in Japan increase the impact of events and developments associated with the region, which can adversely affect performance.

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

For more investing insights, check out our [Economic & Market Outlook](#)

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.

DEFINITIONS

Risk-on/risk-off: refers to changes in investment activity in response to perceived risk. During periods when risk is perceived as low, investors tend to engage in higher-risk investments. When risk is perceived as high, investors tend to gravitate toward lower-risk investments.