



Japan Since Abe's Assassination: 2023's Topix Index-Level Appreciation & The Legacy Of Abenomics

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Trouble never sends a warning and the ensanguined assassination of former Japanese Prime Minister, Shinzō Abe at an election-campaign event on 8 July this year was both inconsolable and ominously marking the first Japanese head of government to be killed since the Second World War.

He was the most consequential politician of modern Japan and the pacesetter for the world's third largest economy since 2006; which became an extremely fragile epoch globally following the havoc of the [Great Recession](#) and also the human tragedy of the [2011 Fukushima nuclear disaster](#).

Cite:- [Positive thinkers stick with Abe](#), 12 April 2014
Watch:- [The Australian: Andrew Main & Australian Standfirst Discuss China & Japan in 2015](#), 29 May 2015

Cite:- [Investment Market In Focus: Japan's Bonds, Nikkei225, MOTHERS & Daiwa Non-Financial Indices](#), 20 January 2021

As an immediate protégé of Shinzō's, the current Prime Minister, [Kishida Fumio](#), secured a significant majority of seats in the upper house of Japan's legislature in the aftermath election on 10 July and his greater focus on equality and redistribution, which he dubbed, "[New Capitalism](#)", [was initially cast as an alternative to Shinzō's vision but in reality, it will be built on the foundations his predecessor laid out](#): the programme which began after Shinzō's 2012 thumping election victory, henceforth dubbed [Abenomics](#), [had three so-called "arrows" to dislodge Japan from its economic stagnation: flexible fiscal policy, monetary expansion and structural reforms](#).

Since the turmoil and added woes 2022 has levied on almost [all developed economies](#), the Kishida administration is on the cusp of a new economic cycle, [currently positioned towards the tail end of a ten-year market cycle](#) that was sparked by Abenomics.

Cite:- [Stick with Japan](#), 7 March 2015

Cite:- [Ignore Japan At Your Peril](#), 4 October 2017

Historically, it has usually been a change in fiscal or monetary policy and expectations of structural reform that have triggered the start of the upward phase of a new Japanese equity market cycle; with Abenomics in 2012, it was all three at once.

As Japan slid into deflation around 2000, management and unionists agreed to no base-pay hikes for more than a decade through 2013 [but it was only when Prime Minister Abe's return to power for a second term saw him intervene heavily in these talks](#), known as [Shunto](#), and his leadership ensured modest pay hikes, rekindling what was then desired, more wage inflation.

In 2023, news flow on individual labour union's Shunto wage requests will likely start to appear from mid-January and negotiations between each of the unions and management will begin in earnest.

News on the responses from management at each company should begin to emerge from around mid-February and the [Japanese Trade Union Confederation, dubbed, JTUC-RENGO](#) will

G7 FX interventions have been rare in recent decades

Date	Economy	Exchange Rate	Amount (\$bn)	Direction of Intervention	Unilateral vs Coordinated
11/12/1999	Japan	USD/JPY	5.8	Weaker JPY	Unilateral
6/10/99-4/3/00	Japan	USD/JPY, EUR/JPY	84.3, 5.7	Weaker JPY	Unilateral
9/22/2000	Eurozone	EUR/USD, EUR/JPY	1.4, 1.3	Stronger EUR	Coordinated
9/22/2000	US	EUR/USD	1.3	Stronger EUR	Coordinated
9/22/2000	Japan	EUR/JPY	1.3	Stronger EUR	Coordinated
11/3/2000	Eurozone	EUR/USD, EUR/JPY	2.5, 0.6	Stronger EUR	Unilateral
11/6/2000	Eurozone	EUR/USD	0.9	Stronger EUR	Unilateral
11/9/2000	Eurozone	EUR/USD, EUR/JPY	1.5, 0.7	Stronger EUR	Unilateral
9/17/01-9/28/01	Japan	USD/JPY, EUR/JPY	26.7, 0.6	Weaker JPY	Unilateral
5/22/02-6/28/02	Japan	USD/JPY, EUR/JPY	32.5, 0.2	Weaker JPY	Unilateral
1/15/03-3/16/04	Japan	USD/JPY	314.7	Weaker JPY	Unilateral
2/24/03-5/9/03	Japan	EUR/JPY	1.5	Weaker JPY	Unilateral
9/15/2010	Japan	USD/JPY	24.8	Weaker JPY	Unilateral
3/18/2011	Japan	USD/JPY	8.6	Weaker JPY	Coordinated
3/18/2011	Eurozone	EUR/JPY	1.0	Weaker JPY	Coordinated
3/18/2011	US	USD/JPY	1.0	Weaker JPY	Coordinated
3/18/2011	UK	GBP/JPY	0.2	Weaker JPY	Coordinated
3/18/2011	Canada	CAD/JPY	0.1	Weaker JPY	Coordinated
8/4/2011	Japan	USD/JPY	57.2	Weaker JPY	Unilateral
10/31/11-11/4/11	Japan	USD/JPY	116.3	Weaker JPY	Unilateral

Source: BoJ, MoF, Federal Reserve, ECB, BoC, Department of Finance Canada, BoE, HM Treasury

compile the requests from each labour union and release the collected data in early March.

The most closely watched Shunto date each year is around 15 March – the peak announcement day for wage hikes by large companies and circa one to two days after this announcement, the JTUC-RENGO releases the first round of the agreed wage hike date, and this will largely indicate the size of the Shunto wage increase in 2023; there is an expectation under the Kishida administration that these increases will be the highest since the early 1990's Japanese Crash, or "[Ushinawareta Jūnen](#)".

Why Shunto becomes material (apart from honouring the legacy of Shinzō) is it factors into the Bank of Japan's, or BOJ's, debt issuance considerations, which has become evermore topical since [Australia's RBA's absolute failure with Yield Curve Control, or YCC, 20-month experiment ended in November 2021 when intensifying inflation pressures across major economies triggered a global bond rout](#), signalling the flaws in attempting YCC without currency interventionism ([which only Japan and the BOJ dare try](#)).

Cite:- [Australia Begins Quantitative Easing](#), 17 March 2020

Cite:- [Australian REPO Operations, March 2020](#), 22 March 2020

Japan is a potential source of concern in this context, [her debt-to-GDP is running at more than two hundred percent, with much of that debt effectively rolling on an overnight basis given the effect of their massive Quantitative Easing, or QE on consolidated debt maturity](#); that's not a problem when interest rates are at the [Zero Lower Bound, or ZLB](#) but if Japan begins to import inflation given global inflation trends and given the strength of the Greenback, the BOJ must start fighting inflation, this could become quite problematic – many countries are facing the same issue but Japan is an extreme case that bears watching.

Cite:- [Nikkei225 Exodus](#), 12 September 2018

The BOJ is likely to change its YCC policy in March 2023 and if market participants expect long-term yields to rise slightly and not repeatedly, Japanese stocks would likely react positively to another confirmation of an end to deflation, as was the case the last two times the BOJ changed its YCC policy (in July 2018 and March 2021).

Notwithstanding, if the market expects yields to rise sharply and the BOJ to raise rates several times, the BOJ's ability to control the yield curve and its impact on the financial system would lead to a negative reaction in the stock market; the rise in long-term [Gilt](#) yields during the [previous Truss](#)

[administration](#) may have raised the hurdle for BOJ changes to its YCC policy and the timing of a US recession, a stock market pullback, and [the BOJ Governor change](#) could be noteworthy.

Cite:- [Japan Hit Hardest In Brexit Shock But Remains An Opportunity](#), 2 July 2016

Expecting the Japanese equity market to pull back further, along with other major markets, in the early part of 2023, owing to recession risks, but then rebound fully, the outlook for the Japanese equities market in 2023 assumes an initial period of sector rotation during the first half of the year as investors take profits on 2022 winners and position into sectors that have experienced some of the biggest 2022 [year-to-date](#) declines (such as Machinery and Electronic Appliances).

Following modest gains during this first half of 2023, expected Yen strengthening materialising during the latter end of 2023 will lead the [Technology-heavy](#) Topix market to move higher, as new foreign flows and continued corporate buying combine to produce a very favourable supply-demand dynamic, setting a Topix target near to 2200 and 30,000 for the Nikkei225, by Christmas 2023. In early 2023, when global equity markets face downward pressure, Japanese equities will display resilience thanks to Japanese companies' solid fundamentals mainly due to their economy's reopening, the residual benefits of the weak Yen for earnings and low valuations [tête-à-tête](#) post-Abenomics. Shinzō's support for a more stimulative monetary policy has also lasted beyond his tenure and the gargantuan purchases of bonds, subsequent policy to directly fix the yields of government bonds and other [Abenomics](#) interventions prevented Japan from falling back into deflation and now as inflation rises globally, the BOJ may find it harder to keep policy easy, pressuring Mr Kishida to pick a continuity candidate when Kuroda Haruhiko, Shinzō's central-bank governor, leaves office next April.

[Keeping It Simple: Japan](#), 25 April 2020

[Abenomics](#) indelible mark also extended to geopolitics, as the outpouring of tributes from world leaders following his death attests. Diplomats across the world now speak of Asia in terms of the "[Free and Open Indo-Pacific](#)", a coinage of Shinzō's.

The "[Quad](#)" grouping of America, Japan, India and Australia was another of his ideas, as well as the [Trans-Pacific Partnership, or TPP](#), a big Asian trade pact, survived America's withdrawal under Donald Trump largely thanks to Shinzō's leadership. An elegant solution, we all hope [Prime Minister Kishida Fumio's "New Capitalism"](#) succeeds in his mentors' memory.

Strangely, I was on a four-wheel drive expedition inside the Palestinian West Bank when I heard the deeply saddening news on 8 July, however thinking of Monsieur Abe that day and his legacy onwards, there is no better valediction better summed than his [own words of 2015, "Human security recognises the importance of individuals and that the key to ensuring growth in developing countries is to foster individual talent and abilities, build self-reliance and put people in a position to make a broader contribution to society. Growth must be inclusive and no one must be left behind."](#)

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