

THE WEEK AHEAD, 13 FEBRUARY 2026

Japan: What Takaichi's landslide victory means

Japan's ruling Liberal Democratic Party (LDP), led by Prime Minister **Sanae Takaichi**, won an historic 316 out of 465 seats in the Lower House snap election on 8 February. The LDP alone has managed to secure a two-third supermajority in the Lower House that can overrule any decisions by the opposition-controlled Upper House. Including the LDP's junior ruling coalition partner Japan Innovation Party (JIP), the combined 352 seats (316 by the LDP, 36 by the JIP) marked a massive improvement from its previous tally of 233 seats (199 by the LDP, 34 by the JIP) acquired in the October 2024 Lower House Election.

Post election, we expect Takaichi may swiftly submit her cabinet's Fiscal Year (FY) 2026 budget as soon as the new Lower House reconvenes. This is to avoid delay beyond the start of the new fiscal year on 1 April. Given the Lower House's constitutional supremacy over

budgetary matters, the LDP's control over it ensures that even if the Upper House (in which the ruling coalition lacks majority) objects or amends the budget, the Lower House can override it within 30 days.

After passing the budget, we expect Takaichi will focus on the contentious **consumption tax cut on food**. On the campaign trail, Takaichi backed a temporary two-year suspension of the food and beverage tax, pledging not to resort to deficit-financing bonds and instead pointing to potential subsidy cuts or non-tax revenue sources. But given the LDP's landslide victory, Takaichi now faces less pressure to accommodate her junior ruling coalition partner's nor the opposition's demands on the policy. She could have more leeway to potentially delay or scale back the tax cut, perhaps limiting it to certain food items or introducing an early sunset clause. Market will closely watch Takaichi's decision on the tax cut and its financing, which can be red-flags for potential fiscal slippage and sensitive to the superlong-end JGB markets.

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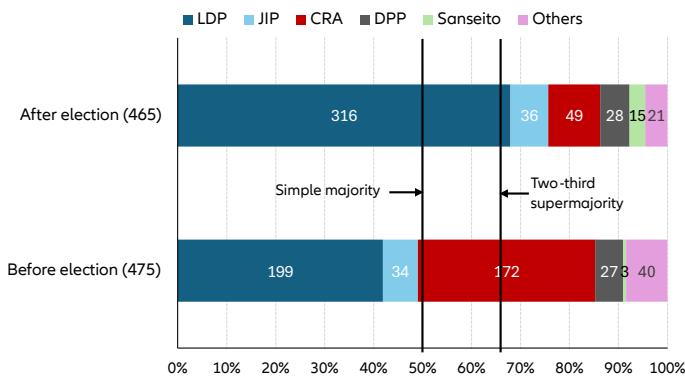


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Takaichi's victory also represents a strong mandate on her foreign policy and the LDP's defense strategy. We expect the Takaichi's administration to progressively raise Japan's **defense spending** to underscore her more hawkish stance on security issues.

Over the medium-term, we think Takaichi's landslide victory will be (1) **positive for equities** (due to reduced taxation/increased government spending); (2) **negative for Japanese government bonds** (JGBs, due to concern over fiscal slippage); and (3) **negative for the Japanese Yen** (JPY, due to fiscal concern and delayed monetary normalization). We maintain our call for the Bank of Japan (BoJ) to raise its policy uncollateralized overnight rate by 50bp to 1.25% by end-2026 to diffuse market pressures on the superlong-end JGBs and the JPY.

Japan's Lower House Election result



Note: LDP=Liberal Democratic Party, JIP=Japan Innovation Party, CRA=Central Reform Alliance (Constitutional Democratic Party of Japan + Komeito), DPP=Democratic Party for the People. "Before election" is based on parliamentary caucus, not listed party at time of candidacy.

Sources: Japan's Lower House, Barclays, AllianzGI Economics & Strategy, as of February 2026.

The week ahead

Next week will mainly feature the **U.S.'s** economic sentiment indicators, durable goods orders and price indices, along with **Europe's** economic sentiment indicators and **Japan's** gross domestic product (GDP) and consumer price index (CPI) inflation data.

In the **U.S.**, the release of the February New York Federal Reserve (Fed) Manufacturing Survey on Tuesday shall reflect the latest momentum in manufacturing activities. We will also see the release of the February Philadelphia Fed Business Sentiment Index on Wednesday and the February Purchasing Manager Indices (PMI) and the February University of Michigan Sentiment Index on Friday. The February National Association of Home Builders (NAHB) Housing Market Index will be released on Tuesday, while the December durable goods orders and the latest building permits and housing starts numbers will be released on Wednesday. Friday will see the U.S.'s fourth-quarter advanced GDP report and the December personal consumption expenditure (PCE) price indices.

In the **euro area**, the December industrial production report will be released on Monday. Economic sentiment indices such as the February consumer confidence index and PMI will be released on Thursday and Friday, respectively.

In **Japan**, the fourth-quarter 2025 GDP report will be released on Monday. Market is expecting a rebound in the quarterly annualized sequential growth rate to 1.6% from the contraction in the prior quarter. The January export and import growth figures will be released on Wednesday, while the January nationwide CPI inflation report will be released on Friday.

Wish you all landslide profit gains this week,

Christiaan Tuntono.

UPCOMING POLITICAL EVENTS 2026

16–17 February	EZ	Ecofin
8 March	DE	State elections in Baden-Württemberg
8 March	DE	Local elections in Bavaria
15 March	DE	Local elections in Hesse

Calendar Week 08

Monday			Consensus	Previous
JN	GDP QQ Annualised	Q4	1.6%	-2.3%
EC	Industrial Production YY	Dec	--	2.5%
Tuesday				
GE	CPI Final YY	Jan	--	2.1%
GE	HICP Final YY	Jan	--	2.1%
UK	ILO Unemployment Rate	Dec	--	5.1%
UK	Employment Change	Dec	--	82k
GE	ZEW Economic Sentiment	Feb	--	59.6
GE	ZEW Current Conditions	Feb	--	-72.7
US	NY Fed Manufacturing	Feb	--	7.70
US	NAHB Housing Market Indx	Feb	--	37
Wednesday				
JN	Exports YY	Jan	--	5.1%
JN	Imports YY	Jan	--	5.3%
JN	Trade Balance Total Yen	Jan	--	105.7B
UK	Core CPI YY	Jan	--	3.2%
UK	CPI YY	Jan	--	3.4%
US	Durable Goods	Dec	--	5.3%
US	Durables Ex-Transport	Dec	--	0.4%
US	Building Permits: Number	Dec	--	1,411M
Thursday				
US	Philly Fed Business Indx	Feb	--	12.6
EC	Consumer Confid. Flash	Feb	--	-12.4
US	Initial Jobless Clm	9 Feb, w/e	--	--
US	Cont Jobless Clm	2 Feb, w/e	--	--
Friday				
JN	CPI, Core Nationwide YY	Jan	--	2.4%
JN	CPI, Overall Nationwide	Jan	--	2.1%
CN	Loan Prime Rate 1Y	Feb	--	3.00%
CN	Loan Prime Rate 5Y	Feb	--	3.50%
GE	Producer Prices YY	Jan	--	-2.5%
UK	Retail Sales YY	Jan	--	2.5%
EC	HCOB Mfg Flash PMI	Feb	--	49.5
EC	HCOB Services Flash PMI	Feb	--	51.6
EC	HCOB Composite Flash PMI	Feb	--	51.3
US	Core PCE Price Index YY	Dec	--	2.8%
US	PCE Price Index YY	Dec	--	2.8%
US	GDP Advance	Q4	--	4.4%
US	Core PCE Prices Advance	Q4	--	2.9%
US	S&P Global Mfg PMI Flash	Feb	--	52.4
US	S&P Global Svcs PMI Flash	Feb	--	52.7
US	U Mich Sentiment Final	Feb	--	57.3

The calendar data for the current week comes directly from LSEG Datastream. They are published in the week in which "The Week Ahead" appears. These are economic data that come from official sources. Where available, the previous figure is collected together with the consensus estimate. The consensus estimate is collected by LSEG Datastream through a survey of analysts and economists. It is the average of all estimates submitted.

If not mentioned otherwise data and information sources are from LSEG Datastream.

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