

# Daiwa's View

## Dissolution of lower house in Sep is unlikely

- Supplementary budget is expected to be compiled by year-end, either way

FICC Research Dept.

Senior Fiscal Policy and  
Credit Analyst  
**Kouji Hamada**  
(81) 3 5555-8791  
kouji.hamada@daiwa.co.jp



Daiwa Securities Co. Ltd.

### Supplementary budget is expected to be compiled by year-end, either way

### Dissolution of lower house in Sep is unlikely

On the night of the day before yesterday and yesterday morning, several media outlets reported that [Prime Minister Yoshihide Suga had decided to dissolve the lower house before the presidential election of the Liberal Democratic Party of Japan \(LDP\) in September](#). However, yesterday morning Prime Minister Suga denied these reports at a press conference. I suspected that no prime minister would respond honestly to questions regarding the timing of dissolution of the lower house, but last night and this morning, several media outlets reported that Prime Minister Suga had promptly given up dissolving the lower house in September due to opposition within the party. In a TV program that aired on 29 August, it was reported that Minister of Health, Labour and Welfare, Norihisa Tamura had said that it would be difficult to withdraw the declaration of a state of emergency, which is currently set to remain in force until 12 September. Therefore, talk of the lower house being dissolved in September was unreasonable from the outset.

Even with no dissolution of the lower house in September, it is still highly likely that Prime Minister Suga will win the LDP presidential election to be held on 29 September, and that the general election will be held on 17 October, and there is a possibility that the LDP or ruling parties will fail to win enough seats for victory and Prime Minister Suga will resign. Therefore, of the four scenarios shown in the chart in yesterday's report, we have eliminated the first and third scenarios, which assumed dissolution of the lower house in September. The remaining scenarios are the second one, in which Prime Minister Suga is expected to stay in office after the lower house election, and the fourth one, in which he likely resigns and a new prime minister is elected (chart below). Compilation of the FY21 supplementary budget and revisions to the JGB issuance plan are likely to be made around late November in the case of the second scenario or around mid-December in the case of the fourth scenario. Things take longer in the fourth scenario than in the second one because of the need to elect a new LDP president after the lower house election, causing the schedule to be delayed accordingly. Either way, if the general election is held on 17 October, a supplementary budget is expected to be compiled by the end of the year.

### Assumed Patterns of Snap General Election and Date of Cabinet Decision on FY21 Supplementary Budget/FY22 Initial Budget

LDP presidential election before general election	After general election	LDP presidential election (before general election)	General election	LDP presidential election (after general election)	Extraordinary session of Diet after general election	FY21 supplementary budget*	FY22 initial budget*
② Victory of PM Suga	PM Suga stays in office	29-Sep	End of term 17-Oct	Not be held	Around late Oct	Around late Nov	Late Dec
④	Resignation of PM Suga/Election of new PM			Early Nov	Around mid-Nov	Around mid-Dec	Late Dec

Source: Compiled by Daiwa Securities.

\*Date of Cabinet decision, when JGB issuance plan is simultaneously revised/formulated.

**IMPORTANT**

This report is provided as a reference for making investment decisions and is not intended to be a solicitation for investment. Investment decisions should be made at your own discretion and risk. Content herein is based on information available at the time the report was prepared and may be amended or otherwise changed in the future without notice. We make no representations as to the accuracy or completeness. Daiwa Securities Co. Ltd. retains all rights related to the content of this report, which may not be redistributed or otherwise transmitted without prior consent.

**Ratings**

Issues are rated 1, 2, 3, 4, or 5 as follows:

- 1: Outperform TOPIX/benchmark index by more than 15% over the next 12 months.
- 2: Outperform TOPIX/benchmark index by 5-15% over the next 12 months.
- 3: Out/underperform TOPIX/benchmark index by less than 5% over the next 12 months.
- 4: Underperform TOPIX/benchmark index by 5-15% over the next 12 months.
- 5: Underperform TOPIX/benchmark index by more than 15% over the next 12 months.

Benchmark index: TOPIX for Japan, S&P 500 for US, STOXX Europe 600 for Europe, HSI for Hong Kong, STI for Singapore, KOSPI for Korea, TWII for Taiwan, and S&P/ASX 200 for Australia.

**Target Prices**

Daiwa Securities Co. Ltd. sets target prices based on its analysts' earnings estimates for subject companies. Risks to target prices include, but are not limited to, unexpected significant changes in subject companies' earnings trends and the macroeconomic environment.

**Disclosures related to Daiwa Securities**

Please refer to [https://lzone.daiwa.co.jp/l-zone/disclaimer/e\\_disclaimer.pdf](https://lzone.daiwa.co.jp/l-zone/disclaimer/e_disclaimer.pdf) for information on conflicts of interest for Daiwa Securities, securities held by Daiwa Securities, companies for which Daiwa Securities or foreign affiliates of Daiwa Securities Group have acted as a lead underwriter, and other disclosures concerning individual companies. If you need more information on this matter, please contact the Research Production Department of Daiwa Securities.

**Explanatory Document of Unregistered Credit Ratings**

This report may use credit ratings assigned by rating agencies that are not registered with Japan's Financial Services Agency pursuant to Article 66, Paragraph 27 of the Financial Instruments and Exchange Act. Please review the relevant disclaimer regarding credit ratings issued by such agencies at:

<https://lzone.daiwa.co.jp/l-zone/disclaimer/creditratings.pdf>

**Notification items pursuant to Article 37 of the Financial Instruments and Exchange Law**

(This Notification is only applicable to where report is distributed by Daiwa Securities Co. Ltd.)

If you decide to enter into a business arrangement with our company based on the information described in this report, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, our company will collect a trading commission\* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction. In some cases, our company also may charge a maximum of ¥2 million per year as a standing proxy fee for our deposit of your securities, if you are a non-resident.
- For derivative and margin transactions etc., our company may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements\*\*.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

\* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

\*\* The ratio of margin requirements etc. to the amount of the transaction cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with our company.

Corporate Name: Daiwa Securities Co. Ltd.

Registered: Financial Instruments Business Operator, Chief of Kanto Local Finance Bureau (Kin-sho) No.108

Memberships: Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association