



MAKING SENSE OF *THIS* WORLD

09 February 2026



R&R Weekly Column
By Brunello Rosa



Japanese Election: A Historic Landslide for Takaichi

Prime Minister Sanae Takaichi's high-risk decision to call a snap election has paid off spectacularly. The result is a decisive victory that reshapes Japan's political landscape and hands her one of the strongest mandates seen in years.

Despite heavy snowfall depressing turnout to 28.18 percent, the Liberal Democratic Party (LDP) secured a landslide, with projections of 274 to 328 seats in the 465-seat House of Representatives, up from 198 before the election. Together with coalition partner Japan Innovation Party, the ruling bloc is on track for at least 310 seats, delivering a two-thirds supermajority that allows it to override the upper house where it lacks control. This is the LDP's best performance since 2017 under Shinzo Abe, and a dramatic reversal after corruption-tainted setbacks in 2024 and 2025 left the party clinging to a narrow majority.

Takaichi, who became Japan's first female prime minister in October 2025, had pledged to resign only if her coalition lost its majority. Instead, calling an election just four months into her tenure strengthened her hand. The contrast with the opposition is stark. The newly formed Centrist Reform Alliance (CRA), created weeks before polling day through a merger of the Constitutional Democratic Party and Komeito, suffered a crushing defeat. Its expected seat count collapsed from 167–172 to between 37 and 91, potentially more than halving its representation. The scale of the loss may force co-leader Yoshihiko Noda to step aside, after a merger intended to arrest Japan's rightward drift instead backfired.

Smaller parties largely held their ground. Ishin is projected to maintain roughly 28–38 seats; the Democratic Party for the People remains broadly stable at 18–35; and the far-right Sanseito is set to expand from two seats to between five and 14, short of its ambitions but still a notable gain.

Agenda and risks ahead. Takaichi campaigned on an ambitious economic programme reminiscent of Abe's playbook: a temporary cut of the consumption tax on food to zero, costing about ¥5 trillion; a \$135 billion stimulus already in motion; and a record \$783 billion budget proposal for fiscal 2026. She insists fiscal sustainability remains a priority and has ruled out a major cabinet reshuffle. On foreign policy, she has signalled a more assertive posture toward China and Taiwan, comments that have already provoked diplomatic retaliation from Beijing.

The election consolidates power around Japan's first female prime minister and clears the path for bold moves on stimulus, tax relief, and security. Markets, however, remain wary: critics warn of fiscal overreach and the risk of a destabilising loss of confidence. Whether Takaichi can ease inflation while preserving credibility will determine not just the success of her programme, but the market's verdict on her premiership.

Our Recent Publications

- 📄 [Review: ECB Remains on Hold, In Spite of the Strong Euro](#), by Brunello Rosa and Nato Balavadze, 05 February 2026
- 📄 [Review: BoE Keeps Rates on Hold, While the MPC Remains Split in Half](#), by Brunello Rosa and Nato Balavadze, 05 February 2026
- 📄 [Turkey Fears a "Limited" War with Iran Would Never Stay Limited](#), by Gulf State Analytics, 04 February 2026
- 📄 [Preview: ECB On Hold in February, As a Strong Euro Keeps a Lid on Inflation](#), by Brunello Rosa and Nato Balavadze, 03 February 2026
- 📄 [Preview: BoE Pauses Easing Cycle, as Neutral Rate Approaches and the MPC Remains Divided](#), by Brunello Rosa and Nato Balavadze, 02 February 2026
- 📄 [Russia's Shadow War and Putin's Forever War](#), by Noel Therattil, 29 January 2026



Looking Ahead

The Week Ahead: QoQ GDP To Advance In EZ And UK; US Headline Inflation To Ease Off; US Unemployment To Remain Unchanged

In the US, in January, headline inflation rate is seen easing off to 2.5% y-o-y (*p*: 2.7%). In January, unemployment rate is expected to remain at 4.4%. NFPs are likely to increase by 70K (*p*: 50K).

In the EZ, in Q4, according to the preliminary estimate, GDP is likely to increase by 0.3% q-o-q (*p*: 0.3%) and 1.2% y-o-y (*p*: 1.4%).

In the UK, in Q4, according to the preliminary estimate, GDP growth rate is expected to advance by 0.2% q-o-q (*p*: 0.1%). In December, the economy is likely to rise marginally by 0.1% m-o-m (*p*: 0.3%). IP is seen stalling m-o-m (*p*: 1.1%).

The Quarter Ahead: Japan LDP Set For Majority; US-India Interim Trade Framework

Early results suggest Japan's ruling LDP–Japan Innovation Party coalition will secure a comfortable majority, winning up to 366 of 465 seats, broadly in line with forecasts. The outcome strengthens Prime Minister Sanae Takaichi's position following her decision to call early elections amid economic weakness and regional tensions.

The US and India have reached a framework for an interim trade deal, ending months of stalemate between the governments of Narendra Modi and Donald Trump. India will open its market to most US industrial goods and some food products, while Indian exports will face an 18% reciprocal tariff. New Delhi also said it intends to double imports from the US to about \$500bn over five years and ease non-tariff barriers, following US pressure linked to India's purchases of Russian oil.

Last Week's Review

Real Economy: Headline Inflation Eased Off In EZ; PMIs Rose In US And UK; ECB And BoE Kept Rates Unchanged

In the US, in January, S&P Global Manufacturing and Services PMIs rose to 52.4 (*c*: 51.9; *p*: 51.8) and to 52.7 (*c*: 52.5; *p*: 52.5). Composite PMI increased too to 53.0 (*c*: 52.8; *p*: 52.7). In February, Michigan Consumer Sentiment rose to 57.3 (*c*: 55.0; *p*: 56.4).

In the EZ, in January, according to flash estimates, headline and core inflation rates eased off to 1.7% y-o-y (*c*: 1.7%; *p*: 2.0%) and to 2.2% (*c*: 2.3%; *p*: 2.3%). In January, HCOB Manufacturing PMI is expected to increase to 49.5 (*c*: 49.4; *p*: 48.8). Services PMI fell to 51.6 (*c*: 51.9; *p*: 52.4). Composite PMI edged down to 51.3 (*c*: 51.5; *p*: 51.5)

In the UK, in January, S&P Global Manufacturing and Services PMIs rose to 51.8 (*c*: 51.6; *p*: 50.6) and to 54.0 (*c*: 54.3; *p*: 51.4). Composite PMI increased to 53.7 (*c*: 53.9; *p*: 51.4).

CBs Remained On Hold. In the EZ, the ECB kept its main policy rates i.e. its *i*) interest rate on the 'main refinancing operations' at 2.15%; *ii*) interest rate on the 'marginal lending facility' at 2.40%; and the key *iii*) 'deposit facility' at 2.00%. In the UK, the BoE kept its Bank Rate at 3.75%.

Financial Markets: Stocks Were Mixed; US Yields Declined; US Dollar Increased; Gold And Oil Prices Were Up

Market Drivers: US equity markets ended a volatile week mixed, with large-cap tech posting its worst performance since November amid AI disruption and overinvestment concerns. Treasury yields fell after an unexpected rise in jobless claims. In Europe, the STOXX Europe 600 hit a new intraday high, supported by improving eurozone economic optimism despite recent volatility.

Global Equities: declined w-o-w (MSCI ACWI, -0.1%, to 1042.82). The US S&P 500 index decreased (-1.0% w-o-w, to 6,932.30). In the EZ, share prices increased (Eurostoxx 50, +0.9% w-o-w, to 5,998.40) In EMs, equity declined (MSCI EMs, -1.4%, to 1,506.38). Volatility is virtually fell to 17.75 (VIX S&P 500, 52w avg.: 19.4; 10y avg.: 19.9).

Fixed Income: w-o-w, the 10-year US Treasury yields were down (-3 bps to 4.21%). The 2-year US Treasury yields declined (-3 bps to 3.50%). The German 10-year bund yields increased (+1 bp to 2.85%).

FX: w-o-w, the US Dollar Index declined (DXY, +0.7%, to 97.63; EUR/USD -0.3%, to 1.19). In EMs, currencies rose (MSCI EM Currency Index, -0.2% w-o-w, to 1,859.94).

Commodities: w-o-w, oil prices increased (Brent, -3.7% to 68.05 USD/b). Gold rose fell w-o-w (+3.7% to 4,979.80 USD/Oz).



[@RosaRoubini](#)



[Rosa & Roubini](#)



[Rosa&Roubini Associates](#)

For more information, please call us on +44 (0)207 1010 718 or send us an email to info@rosa-roubini-associates.com

www.rosa-roubini.com

75 King William Street, London EC4N 7BE, United Kingdom



Abbreviations, Acronyms and Definitions

| | | | |
|-------|---------------------------------------|---------|---|
| a | Actual | LN | Northern League, Italy |
| AKP | Justice and Development Party, Turkey | M5S | Five Star Movement, Italy |
| ann. | annualized | m-o-m | Month-on-month |
| ARS | Argentinian Peso | mb | Million barrels |
| avg. | Average | mb/d | Million barrels per day |
| bn | Billion | MENA | Middle East and North Africa |
| BoC | Bank of Canada | MHP | Nationalist Movement Party, Turkey |
| BoE | Bank of England | mn | Million |
| BoJ | Bank of Japan | MPC | Monetary Policy Committee |
| bpd | Barrels per day | NAFTA | North-American Free Trade Agreement |
| bps | Basis points | NATO | North Atlantic Treaty Organization |
| BS | Balance sheet | OECD | Organization for Economic Cooperation and Development |
| c | Consensus | Opec | Organization of Petroleum Exporting Countries |
| C/A | Current account | p | Previous |
| CB | Central bank | P2P | Peer-to-peer |
| CBB | Central Bank of Bahrain | PBoC | People's Bank of China |
| CBK | Central Bank of Kuwait | PCE | Personal Consumption Expenditures |
| CBT | Central Bank of Turkey | PE | Price to earnings ratio |
| CDU | Christian Democratic Union, Germany | PM | Prime minister |
| CNY | Chinese Yuan | PMI | Purchasing managers' index |
| CPI | Consumer Price Index | pps | Percentage points |
| DJIA | Dow Jones Industrial Average Index | pw | Previous week |
| DIEM | Dow Jones Emerging Markets Index | QCB | Qatar Central Bank |
| d-o-d | Day-on-day | QAR | Qatari Riyal |
| DXY | US Dollar Index | QE | Quantitative easing |
| EC | European Commission | q-o-q | Quarter-on-quarter |
| ECB | European Central Bank | RE | Real estate |
| ECJ | European Court of Justice | RBA | Reserve Bank of Australia |
| EIA | US Energy Information Agency | RRR | Reserve Requirement Ratio |
| EM | Emerging Markets | RUB | Russian Rouble |
| EP | European Parliament | SWF | Sovereign Wealth Fund |
| EPS | Earnings per share | tn | Trillion |
| EU | European Union | TRY | Turkish Lira |
| EUR | Euro | UAE | United Arab Emirates |
| EZ | Eurozone | UK | United Kingdom |
| Fed | US Federal Reserve | US | United States |
| FOMC | US Federal Open Market Committee | USD | United States Dollar |
| FRB | US Federal Reserve Board | USD/b | USD per barrel |
| FX | Foreign exchange | UST | US Treasury bills/bonds |
| FY | Fiscal Year | VAT | Value added tax |
| GCC | Gulf Cooperation Council | VIX | Chicago Board Options Exchange Volatility Index |
| GBP | British pound | WTI | West Texas Intermediate |
| GDP | Gross domestic product | WTO | World Trade Organisation |
| IMF | International Monetary Fund | w | Week |
| INR | Indian Rupee | w-o-w | Week-on-week |
| IPO | Initial public offering | y | Year |
| IRR | Iranian Rial | y-o-y | Year-on-year |
| JPY | Japanese yen | y-t-d | Year-to-date |
| k | thousand | ZAR | South African Rand |
| KSA | Kingdom of Saudi Arabia | 2y; 10y | 2-year; 10-year |

Rosa & Roubini Associates Ltd is a private limited company registered in England and Wales (Registration number: 10975116) with registered office at 75 King William Street, London EC4N 7BE, United Kingdom. VAT registration number GB 278 7297 39. **Analyst Certification:** We, Brunello Rosa and Nouriel Roubini, hereby certify that all the views expressed in this report reflect our personal opinion, which has not been influenced by considerations of Rosa&Roubini Associates's business, nor by personal or client relationships. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the views expressed in this report. **Disclaimer:** All material presented in this report is provided by Rosa & Roubini Associates-Limited for informational purposes only and is not to be used or considered as an offer or a solicitation to sell or to buy, or subscribe for securities, investment products or other financial instruments. Rosa & Roubini Associates Limited does not conduct "investment research" as defined in the FCA Conduct of Business Sourcebook (COBS) section 12 nor does it provide "advice about securities" as defined in the Regulation of Investment Advisors by the U.S. SEC. Rosa & Roubini Associates Limited is not regulated by the FCA, SEC or by any other regulatory body. Nothing in this report shall be deemed to constitute financial or other professional advice in any way, and under no circumstances shall we be liable for any direct or indirect losses, costs or expenses nor for any loss of profit that results from the content of this report or any material in it or website links or references embedded within it. The price and value of financial instruments, securities and investment products referred to in this research and the income from them may fluctuate. Past performance and forecasts should not be treated as a reliable guide of future performance or results; future returns are not guaranteed; and a loss of original capital may occur. This research is based on current public information that Rosa & Roubini Associates considers reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Rosa & Roubini Associates, its contributors, partners and employees make no representation about the completeness or accuracy of the data, calculations, information or opinions contained in this report. Rosa & Roubini Associates has an internal policy designed to minimize the risk of receiving or misusing confidential or potentially material non-public information. We seek to update our research as appropriate, but the large majority of reports are published at irregular intervals as appropriate in the author's judgment. The information, opinions, estimates and forecasts contained herein are as of the date hereof and may be changed without prior notification. This research is for our clients only and is disseminated and available to all clients simultaneously through electronic publication. Rosa & Roubini Associates is not responsible for the redistribution of our research by third party aggregators. This report is not directed to you if Rosa & Roubini Associates is barred from doing so in your jurisdiction. This report and its content cannot be copied, redistributed or reproduced in part or whole without Rosa & Roubini Associates' written permission.