

CONTENTS

Feature Articles

This month's focus: **“Household Portfolio Management Hereafter—Conditions For “From Savings to Investment” To Be Realized”**

Overview *Masaharu Usuki* 2

Articles

Savings and Portfolios of Japanese Households Amid an Aging Society
..... *Tokuo Iwaisako* 6

This paper gives an overview of recent savings in Japan, as well as asset holdings and portfolio selection of households using the life-cycle model as a benchmark. The life-cycle model predicts that as population aging progresses there will be (1) a diminishing/negative savings rate and (2) shift from risky assets to safe assets in household portfolios. However, detailed analysis based on micro data reveals that a decrease in savings rate by age-groups to a considerable extent explains the decline in Japanese household savings since the 1990s. Neither savings nor household asset holdings are really declining with age. As for share of stocks of household portfolios, there is no decline due to age. As a result, as far as data for the past 20 years is concerned, population aging has a positive effect on household asset holdings and the proportion of stocks in household assets.

Trends in Abenomics and Household Asset Allocation in Japan
..... *Sachiko Miyamoto, CMA* 15

Abenomics introduced policies aimed at steadily increasing household assets in Japan. These policies consist of two aspects: to support household asset accumulation and to encourage intergenerational asset transfer. These policies together with the BOJ's negative interest rate policy that started from 2016, have affected the allocation of household assets. This paper overviews trends in Abenomics and household asset allocation in recent years and analyzes the important issues for Japanese household assets going forward, namely future policies and effects of an aging population.

Outlook for FinTech and Household Asset Investments—Comparative Perspective of Legal Systems and Retail Financial Assets between US and Japan

..... *Mikiharu Noma, Tsutomu Fujita* 25

With the advance of FinTech, it is anticipated that the retail financial business will change dramatically. Japanese household assets tend to be biased towards risk-free assets, very different from the United States where individuals actively invest in risk assets. In the future, FinTech will change money flows, and redirect individual financial assets invested mainly in safe assets to risk assets including Japanese stocks.

Shift from Savings to Investment by Japanese Households—FSA’s Introduction of Fiduciary Duties to its Monitoring Policy the Key?

..... *Yumiko Nagasawa* 36

Contrary to our expectations, investment trusts have failed to prompt Japanese households to shift from savings to investments since the Big Bang, which should have created new financial flows. The distribution of investment trusts is controlled by companies such as major banks and big securities houses, which prefer to produce/sell such products since they bring higher commissions and fees. They are suspected of giving priority to their own interests over those of their customers, which probably results in reducing returns to customers. In 2014, the FSA decided to revise its inspection policy by demanding financial institutions fulfill their fiduciary duties, which is expected to enable Japanese households to more confidently utilize the services of companies selling investment trusts and thus create new financial flows.

Prospects

AI Era and Security Analysts *Tsuyoshi Kawata, CMA* 46

Economic and Industrial Analysis

Principle of Equity Analysts in a Changing World *George Iguchi, CMA* 51

Point of View *Yoshio Okubo* 60

Article

Accounting Fraud and Future Returns

..... *Akinobu Shuto / Naoto Oshiro, CMA / Mingzi Song* 64

We examine the relationship between accounting fraud risks measured by the model of Song, *et al.* [2016] and future stock returns. The results show that the degree of accounting fraud risks has significant negative correlation with future stock returns even after controlling for other factors affecting stock returns including accrual anomaly. We also find that investment strategy taking into account the combination of accounting fraud risks and accruals generates higher stock returns.

| | | |
|--------------|--|----|
| Book Reviews | | |
| | <i>Sanae Ono / Tadashi Nunami / Katsuyuki Tokushima, CMA</i> | 76 |
| SAAJ News | | 84 |