Mizuho Daily

Oct 07, 2025

Three Take-Aways

1) RIsk sentiments were buoyed by the AMD-OpenAI deal but skeptics continue to warn of circular AI chip deals.

2) UST yields creeped up alongside warnings from Fed officials about inflation being away from tariffs.

3) Despite US shut down, USD has retained traction amid fading "risk-on" drag, JPY and EUR woes as well as a diminished case for imminent Fed easing.

MACRO THEME: **Tighter Relations?**

- **Risk sentiment last night was buoyed by AMD's deal with OpenAi** for which AMD will supply OpenAI with 6 gigawatts of AMD GPUs. AMD is said to expect gains of tens of billions of dollars in revenue. Consequently, the Nasdaq led gains among US equities indices as AMD share price soared. Nonetheless, with OpenAI receiving warrants of AMD shares on various milestones, **circular financing concerns** inevitably remains.

- Meanwhile, UST **yields continue to creep higher** as Fed officials continue the hawkish leaning tones with Kansa City President Jeff Schmid saying that **inflation is still too high** and **monetary policy should lean against demand growth** to allow space for supply to growth and relieve prices pressures in the economy.

- The tariff front had new developments with the President Trump announcing on social media that the US is set to impose **25% tariff rates on imported heavy trucks** effective on 1 November. On a more positive note, Brazil **President Luiz Inacio Lula da Silva and Trump is said to have a very good phone call** and both sides are displaying a thawing of tensions though no concrete deals have been made yet but a meeting at the ASEAN summit has been floated as a possibility.

- Across the Atlantic, **EUR has a setback from both the dismal retail sales print as well as continued political instability in France**. Specifically, French Prime Minister Sebastien Lecornu resigned a day after Macron's new government had a majority of senior members from previous cabinets. In turn, French-German yields spreads soared. President Macron has given his outgoing PM **48 hours to salvage these fracture political relations.**

- In Asia, **Vietnam GDP growth yet again outperformed** to reach 8.2% YoY amid stronger than expected manufacturing output as companies ramp up production ahead of various tariff deadlines. Nonetheless, this outturn certainly does not translate to VND outperformance as low reserve coverage imply that the growth will continue to be a mere backstop amid asymmetric VND trajectory.

- Meanwhile, in the Philippines, the stock index staged a sharp underperformance which also saw the PHP depreciated 0.8% amid on-going corruption probes and ahead of the BSP decision this week.

Yields ***(2Y: +1.2bp; 10Y: +3.4bp; 30Y: +3.7bp)***

- UST yields rose across the curve in a bear steepener.

Equities ***(Nasdaq: +0.7%; S&P 500: +0.4%; Dow: -0.1%)***

- Even as Nasdaq led gains, Dow slipped.

FX ***(DXY: +0.4%)***

- USD was rather mixed among G10 peers with gains accentuated by JPY losses with the USD/JPY climbing to above 150. EUR is hovering around 1.17. AUD retained traction above 66 cents. USD/SGD retraced back towards 1.29 after failing to test mid-1.29.

Why the USD Has Dismissed the Shutdown

- Buoyant USD Defying Shutdown: A **buoyant USD despite the US shutdown** has probably wrong-footed some and intrigued many insofar as it **flies in the face of received wisdom that the USD weakens into shutdowns**. Point being, and as keen observers will rightly suggest, US shutdowns typically result in a softer USD (alongside a drop in yields and a rise in equities).

- Shutdown (USD) Sell-off Exaggerated: But while a **decline in the USD during the shutdown is by and large true**, **assuming enduring USD weakness** resulting **from a shutdown is misguided**. In fact, evidence of fading USD weakness suggests that USD sell-off narratives may be exaggerated looking past the actual shutdown.

- Less Compelling to be Aggressively Bearish on USD: Specifically, recent **evidence from comparable** (and meaningfully longer) **shutdowns** in December 2018 and October 2013) suggest that **USD declines were considerably reversed within 2 weeks out of the shutdown** (see Charts below). And so, the ***case to go big on bearish USD bets is less compelling***.

- Specific USD Buoyancy Factors for 2025 Shutdown: Crucially, there are **specific** *"this time it's different"* **factors at work**, which conspire to provide **grounds for the Greenback to defy expectations of a pullback from the shutdown**.

1. Lack of "Risk On" Dollar Drag: Given **more precarious geoeconomic risk sentiments** amid **more deeply entrenched US political risks**, **prospects for a more unimpeded "risk on"** into, and emerging from, the shutdown may be **compromised**. And consequently **hobbling "risk on" pullback in the Greenback**.

2. Coincident EUR & JPY Woes Propping Up USD: What's more, coincident headwinds to JPY (from a conspiracy of loose fiscal and monetary policy expectations after LDP elections) and EUR woes on French political upheaval also lend relative buoyancy to the USD.

3. Counterintuitive Dial-Back in Imminent Fed Easing: Finally, and crucially, the **knee-jerk to associate shutdown disruptions with a more dovish (at the margin) Fed** is now **turned on its head** – thereby **backstopping, if not buoying the USD**. Specifically, compelling evidence of a *surge in equities and bonds* (significantly softer yields) following a *shutdown suggest easier financial conditions,* which is perversely, ***consistent with diminished case for imminent easing***. **Especially as the Fed struggles to find evidence to justify deeper cuts sooner**. Delayed data releases also add to the case for deferred cuts.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(EZ) Retail Sales YoY (Aug)	1.0%	1.3%	2.2%
(VN) GDP YoY (3Q)	8.2%	7.2%	8.0%
(VN) CPI YoY (Sep)	3.4%	3.4%	3.2%
(VN) Exports/Imports YoY (Sep)	24.7%/24.9%	15.2%/16.0%	14.5%/17.7%
(TH) CPI/Core YoY (Sep)	-0.7%/0.6%	-0.6%/0.8%	-0.8%/0.8%

Today	Actual	Exp.	Prior
(JP) Housing Spending YoY (Aug)		1.2%	1.4%
(JP) Leading Index C (Aug P)		107.10	106.10
*(US) Trade Balance (Aug)		-$61.0b	-$78.3b
(PH) CPI YoY (Sep)		1.9%	1.5%

*Might be delayed due to US Government Shutdown

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	150.35	150.34	+1.95%	147.50	-	150.00
EURUSD	1.1711	1.1710	▼0.26%	1.1600	-	1.1800
GBPUSD	1.3485	1.3485	+0.04%	1.3400	-	1.3550
AUDUSD	0.6617	0.6616	+0.20%	0.6520	-	0.6650
DXY	98.1	--	+0.39%	97.0	-	99.0
USDCNY	7.1224	--	+0.00%	7.0900	-	7.1500
USDCNH	7.1441	7.1430	+0.11%	7.0900	-	7.1700
USDHKD	7.7828	7.7830	+0.01%	7.7600	-	7.8200
USDSGD	1.2917	1.2912	+0.23%	1.2750	-	1.3000
USDKRW	1406	1411	+0.00%	1395	-	1415
USDTWD	30.38	--	+0.00%	30.10		30.60
USDINR	88.79	--	+0.01%	87.60	-	89.50
USDIDR	16554	--	+0.08%	16500	-	16800
USDMYR	4.215	4.215	+0.18%	4.180	-	4.250
USDPHP	58.35	--	+0.80%	57.90	-	58.80
USDTHB	32.45	32.47	+0.17%	32.0	-	32.7
USDVND	26365	26366	▼0.04%	26300	-	26600

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.589	4.154	1.2	3.4
JGB (JP)	0.899	1.683	-3.6	2.6
Bunds (GE)	2.003	2.718	-1.2	2.1
Gilts (UK)	3.987	4.735	2.5	4.7
AGB (AU)	3.497	4.333	0.0	0.0
SGS (SG)	1.509	1.905	1.9	0.0
CGB (CN)	1.428	1.859	0.0	0.0
KGB (KR)	2.524	2.963	0.0	0.0
SDL (IN)	5.686	6.519	0.3	0.8

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	176.07	176.05	+1.66%
GBP/JPY	202.758	202.726	+1.98%
JPY/SGD (100yen)	0.8591	0.8589	▼1.69%
JPY/HKD (100yen)	5.1769	5.1769	▼1.91%
CNH/JPY	21.069	21.109	+1.81%
CNH/HKD	1.0928	1.0929	+0.03%
EUR/GBP	0.86852	0.8684	▼0.29%
AUD/NZD	1.1326	1.1329	+0.01%
EUR/CNH	8.3689	8.365	▼0.16%
GBP/CNH	9.6313	9.632	+0.13%
CNY/HKD	1.0928	1.0929	+0.03%
EUR/HKD	9.1152	9.1139	▼0.25%
SGD/HKD	6.0264	6.0277	▼0.21%

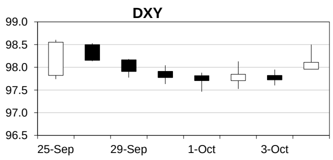
*Open is as at 8am HKT/SGT.

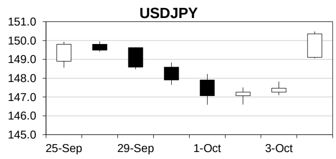
G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6740.28	24.49	+0.36%
Nasdaq (US)	22941.67	161.16	+0.71%
DJIA (US)	46694.97	-63.31	▼0.14%
N225 (JP)	47944.76	2175.26	+4.75%
STOXX50 (EU)	5628.72	-22.99	▼0.41%

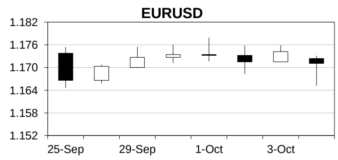
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5125.18	-8.23	▼0.16%
STI (SG)	4421.71	9.76	+0.22%
SHCOMP (CN)	3882.777	0.00	+0.00%
SZCOMP (CN)	2519.422	0.00	+0.00%
HSI (HK)	26957.77	-183.15	▼0.67%
SENSEX (IN)	81790.12	582.95	+0.72%
JSE (ID)	8139.894	21.59	+0.27%
KLSE (MY)	1638.09	3.03	+0.19%
PSE (PH)	6000.32	-108.54	▼1.78%
SET (TH)	1285.64	-7.97	▼0.62%
VNINDEX (VN)	1695.5	0.03	+3.02%

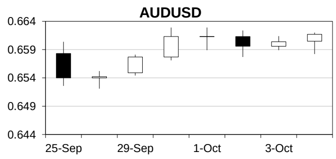
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	10,613.06	-77.28	▼0.72%
IRON ORE (CN)	104.08	-1.22	+0.04%
GOLD	3,960.98	74.44	+1.92%
SILVER	48.51	0.03	+0.99%
OIL (BRENT)	65.47	0.94	+1.46%
OIL (WTI)	61.69	0.81	+1.33%
NATURAL GAS	3.36	0.51	+1.06%

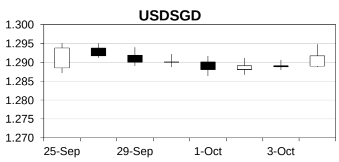
CHARTS

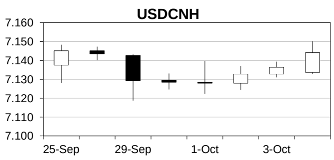


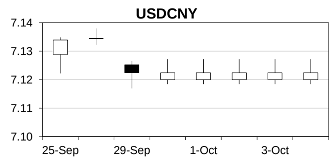


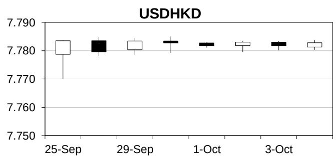


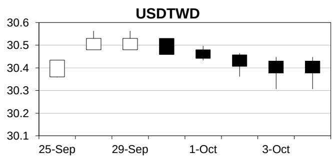


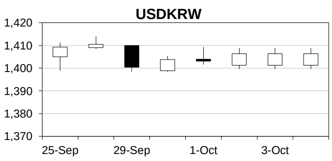


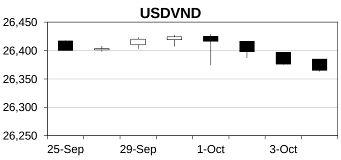


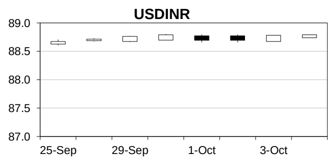


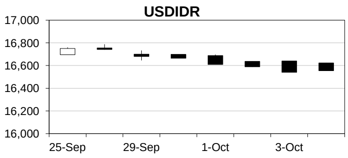


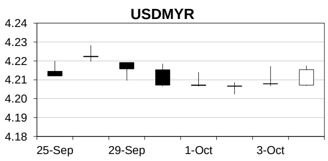


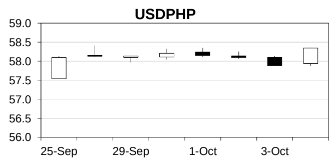


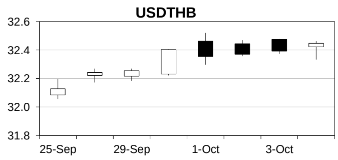


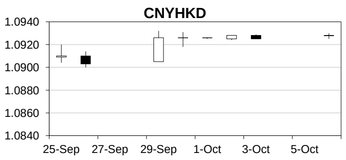


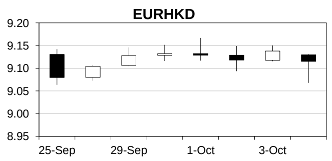


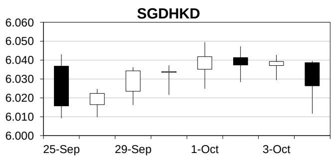


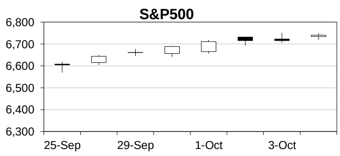


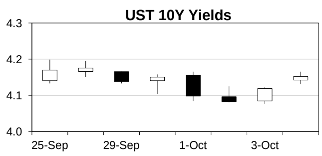


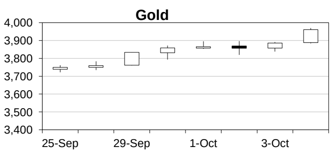


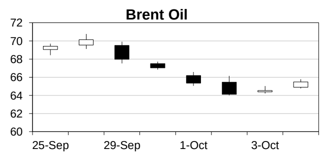












RESEARCH TEAM
Vishnu Varathan | Serena Zhou | Tan Boon Heng