Mizuho Daily

Oct 29, 2025

MIZUHO

Three Take-Aways

1) Markets were buoyed as optimism about cutting tech (AI) conspired with hopes of US-China cutting a deal, which was riding on "feel good" ASEAN Summit.

2) Conspicuously adding to the tailwinds are bets of a (25bp) Fed cut, with QT termination possibly in tow. And a 25bp BoC cut could lean in.

3) Tomorrow, the BoJ is poised to hold off on a hike given underlying household fragilities and latent JPY risks threaten to cause greater harm.

MACRO THEME: Making the Cut

- Markets appear to be **buoyed** as **hopes of US-China cutting a trade deal** juxtaposed against anticipated **boost from Fed cut** *potentially further amped up by QT termination.*

- Moreover, **optimism about cutting tech** around AI was **accentuated** as Nvidia's Jensen Huang struck more partnerships, flagged revenues to hit $0.5trln, ***dismissing emerging AI bubble concerns***.

- *To be sure*, not everything was hunky dory, with *soft spots* showing up *in US consumer* and *manufacturing surveys.*

- But the big picture was one of **macro conditions making the cut for constructive risk sentiments** to **take a gentle lead in** markets.

- And this was on display in the *tech-led buoyancy in US equities* (Nasdaq: +0.8% vs. S&P500: +0.2%), with a *modest dip in the Greenback* (0.1%) and *10Y UST yields* (-0.4bp to 3.976).

FOMC: The Goldilocks Cut-QT Combo

As covered in our FOMC Watch* (in yesterday's edition of this report), a **follow-up** (from Sep FOMC) **25bp, "risk management" cut** is the **optimal** policy move.

In fact, this could be a **"Goldilocks" proposition *if*** the 25bp cut is **complemented by QT termination**.

Point being, the Fed would be able to ***deepen policy accommodation*** **whilst averting perceptions of** bearish **economic view** and/or **independence compromised**.

Admittedly, the **accompanying communique** (statement and presser) will probably **dial down perceptions of unmitigated dovish pivot**.

Specifically in reference to two-sided, opposing risks (to both inflation and jobs) that will defer to data-dependence.

Nonetheless, such a **conditional dovish stance** is **a feature**, not a bug, that *underpins market confidence about the Fed's independence/credibility* and *relative economic resilience.*

USD & USTs: Against this "Goldilocks" scenario, it is likely that *USD may soften to accommodate risk, not slump on Fed. UST yields also a tad softer* across the curve.

Yields *(2Y: -0.2bps; 10Y -0.4bp; 30Y -1.2bp)*

- UST yield curve flattened.

Equities *(Nasdaq: +0.8%; S&P 500: +0.2%; Dow: +0.3%)*

FX *(DXY: -0.1%)*

On the back of hawkish Bullock comments, AUD is testing 66 cents after CPI outperformance.

- GBP underperformed as plausible productivity downgrades renew focus on fiscal woes.

US-China: Low-Hanging Fruits (Sweet Enough)

Ahead of the **Trump-Xi meeting** at the sidelines of the **APAC Summit in Korea**, markets have **reasons to retain optimism *but* not (over-)indulge in exuberance**. Fact is, the **agreements prepped are** the **low-hanging fruits** for both sides to find ***interim relief from excessive self-harm, not a panacea***.

From mutual dial-back of *shipping levies,* to the *TikTok deal* (for finalization), to *Chinese purchase of soy, removing US exports curbs/ China's rare earths,* to tackling *Fentanyl* issues.

There was **nothing contentious that required severe economic trade-offs**. Most have been ***agreed to in-principle*** and *in some cases,* was *aligned with economic self-interest.*

So, yes, **markets may rightly cheer dialogue pursuing mutual interests** and **sensible compromises** that avert greater economic pain. But there should be **no illusions about**, and *attendant exuberance betting on,* **ending US-China antagonism**, which is entrenched zero-sum game calculus underpinning the race for exclusive tech, energy, resource and economic supremacy.

BoJ Watch: Do No Harm

- The first rule for any policy maker is ***"do no harm"***. We think the *BoJ will heed* this *and stay on hold. Admittedly,* signs of *sticky inflation* and *healthy wage gains juxtaposed against a weak JPY, argue for a hike.*

But growing **conviction about**, and **commitment to**, **another hike** should **not** be conflated with an **imminent action**. Not just because dangerously ***fragile confidence*** overstates demand-/wage-aspects of price pressures.

- Nor even due to ***latent upside JPY volatility*** if hasty BoJ hikes collide with sharper-than-expected dovish pivot by the Fed. And to be sure, the latter is a *potentially acute policy threat* entailing disproportionate, adverse income and balance sheet shocks.

- Instead, it is the fact that **hiking in the midst of prevailing political** and wider **economic policy uncertainty** may ultimately prove ***counterproductive***.

JPY: Notably, ***despite the BoJ's hike*** JPY could remain pressured on fiscal risks. Which squanders the efficacy of a hike now.

JGB Yields: Whereas pre-existing upside pressures on (long-end) JGB yields **on fiscal/political risks** unduly amplify the economic costs of this hike.

Upshot: ***Given the clear scope for BoJ patience*** amid economic fragilities, geo-political threats and political uncertainties, the **BoJ should not rush into a hike at the risk of harm**.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(KR) GDP YoY (3Q A)	1.7%	1.5%	0.6%
(IN) Industrial Production YoY (Sep)	4.0%	2.9%	4.0%
(US) Durable Goods Orders (Sep P)	Delayed	0.0	--
(US) Conf. Board Consumer Confidence	94.6	93.4	95.6

Today	Actual	Exp.	Prior
(AU) CPI/Trimmed Mean YoY (3Q)	3.2%/3.0%	3.0%/2.7%	2.1%/2.7%
FOMC Rate Decision		3.75%-4.00%	4.00-4.25%
(US) Wholesale Inventories MoM (Sep P)		-0.2%	--

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	152.11	151.87	▼0.50%	149.50	-	153.50
EURUSD	1.1651	1.1655	+0.05%	1.1550	-	1.1710
GBPUSD	1.3272	1.3276	▼0.48%	1.3250	-	1.3400
AUDUSD	0.6585	0.6584	+0.44%	0.6550	-	0.6650
DXY	98.7	--	▼0.12%	97.0	-	99.4
USDCNY	7.0992	--	▼0.13%	7.0900	-	7.1500
USDCNH	7.0960	7.0951	▼0.19%	7.0900	-	7.1700
USDHKD	7.7696	7.7690	+0.02%	7.7600	-	7.8200
USDSGD	1.2939	1.2936	▼0.22%	1.2750	-	1.3050
USDKRW	1432	1432	+0.00%	1415	-	1445
USDTWD	30.62	--	▼0.29%	30.30	-	31.00
USDINR	88.27	--	+0.03%	87.00	-	89.50
USDIDR	16605	--	▼0.06%	16500	-	16800
USDMYR	4.198	4.196	▼0.32%	4.180	-	4.250
USDPHP	59.14	--	+0.38%	58.20	-	59.30
USDTHB	32.45	32.34	▼0.79%	32.4	-	33.1
USDVND	26320	26321	+0.07%	26250	-	26600

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.491	3.977	-0.2	-0.4
JGB (JP)	0.933	1.638	-0.6	-2.8
Bunds (GE)	1.972	2.622	0.2	0.7
Gilts (UK)	3.767	4.399	-0.8	-0.1
AGB (AU)	3.425	4.173	4.3	-1.0
SGS (SG)	1.407	1.821	-0.7	-0.6
CGB (CN)	1.452	1.809	-2.3	0.6
KGB (KR)	2.577	2.955	1.8	-0.4
SDL (IN)	5.783	6.536	2.0	-1.0

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6890.89	15.73	+0.23%
Nasdaq (US)	23827.49	190.03	+0.80%
DJIA (US)	47706.37	161.78	+0.34%
N225 (JP)	50219.18	-293.14	▼0.58%
STOXX50 (EU)	5704.35	-6.71	▼0.12%

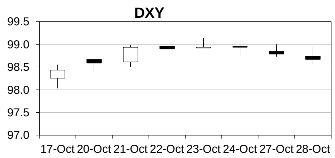
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	11,018.96	13.80	+0.13%
IRON ORE (CN)	105.75	0.81	+0.09%
GOLD	3,952.14	-30.07	▼0.76%
SILVER	47.06	-0.10	▼2.82%
OIL (BRENT)	64.40	-1.22	▼1.86%
OIL (WTI)	60.15	-1.16	▼1.89%
NATURAL GAS	3.35	0.21	+0.44%

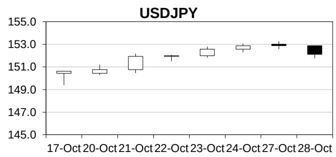
Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	177.23	177	▼0.45%
GBP/JPY	201.895	201.608	▼0.97%
JPY/SGD (100yen)	0.8506	0.8518	+0.28%
JPY/HKD (100yen)	5.1085	5.1157	+0.52%
CNH/JPY	21.427	21.392	▼0.32%
CNH/HKD	1.0945	1.0943	+0.16%
EUR/GBP	0.87793	0.87793	+0.54%
AUD/NZD	1.1388	1.1389	+0.21%
EUR/CNH	8.2677	8.2693	▼0.14%
GBP/CNH	9.4174	9.4191	▼0.66%
CNY/HKD	1.0945	1.0943	+0.16%
EUR/HKD	9.0529	9.0548	+0.08%
SGD/HKD	6.0056	6.0057	+0.24%

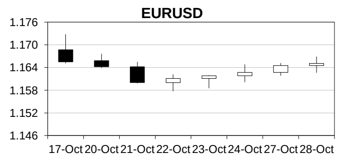
*Open is as at 8am HKT/SGT.

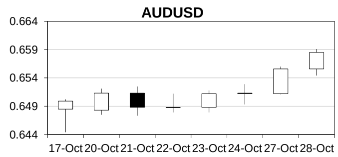
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5239.02	19.71	+0.38%
STI (SG)	4450.36	10.06	+0.23%
SHCOMP (CN)	3988.224	-8.72	▼0.22%
SZCOMP (CN)	2516.969	-5.81	▼0.23%
HSI (HK)	26346.14	-87.56	▼0.33%
SENSEX (IN)	84628.16	-150.68	▼0.18%
JSE (ID)	8092.629	-24.52	▼0.30%
KLSE (MY)	1613.56	-4.82	▼0.30%
PSE (PH)	5953.16	19.40	+0.33%
SET (TH)	1314.28	-9.24	▼0.70%
VNINDEX (VN)	1680.5	0.02	+1.69%

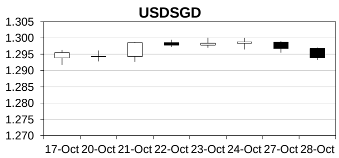
CHARTS

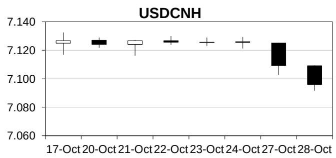


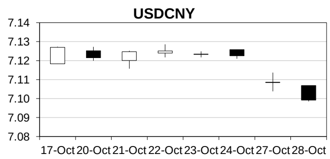


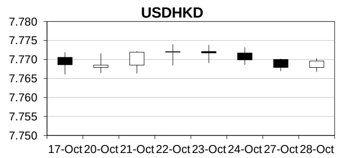


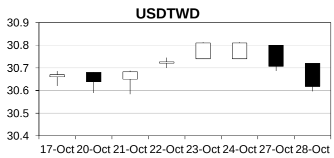


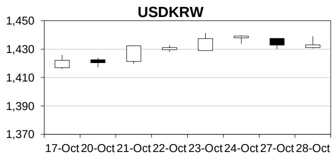


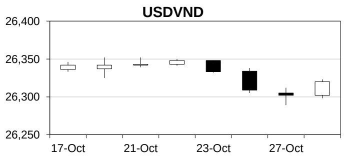


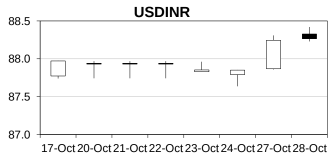


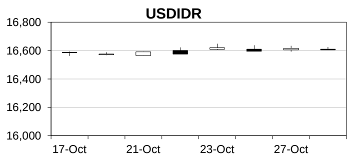


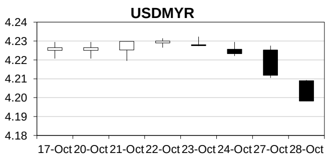


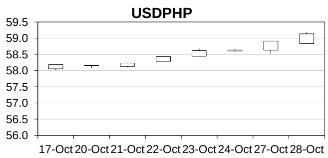


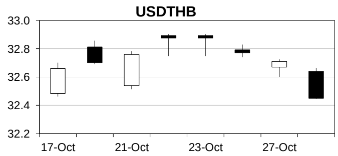


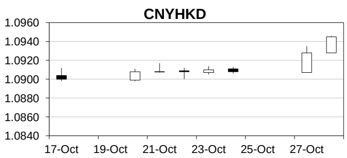


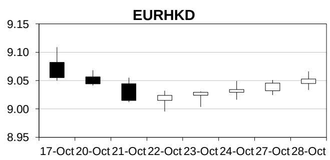


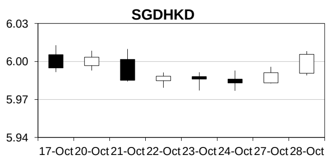


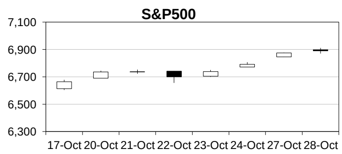


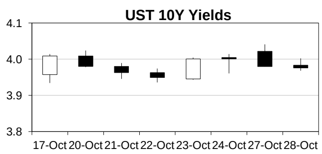


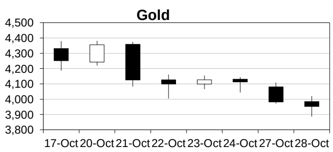


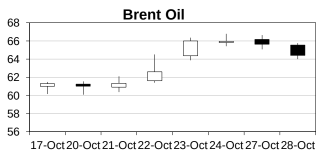












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