Mizuho Daily

MIZUHO

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Three Take-Aways

1) US job data surprised to the upside overnight, though clouded by the usual volatility surrounding the Thanksgiving holiday.

2) The Himalayan rift between the CNH and INR movements suggests no guarantee of ubiquitous AxJ currency rallies, despite a soft USD outlook into 2026.

3) The CNH rally appears driven by seasonal flows, narrowing rate differentials, and easing trade uncertainty, while the PBoC is leaning against it to prevent one-way expectations.

MACRO THEME: Holiday Cloud

- US initial jobless claims dropped to a three-year low of 191,000 during Thanksgiving week, defying expectations of a weakening labor market.

- However, weekly claims data often exhibit high volatility around holidays, so caution is warranted.

- Moreover, although announced layoffs by US companies were halved from the previous month, falling to 71,321 in November, this remains the highest November tally in three years.

- Against those mixed job signals, National Economic Council Director Kevin Hassett remarked that a consensus appears to have formed among FOMC members for a 25-basis-point rate cut at the upcoming December meeting.

- Note that Hassett is now widely seen as the frontrunner in Trump's search for the next Fed Chair.

***Yields** (2Y: +3.8bp; 10Y: +3.5bp; 30Y: +2.4bp)*

***Equities** (Nasdaq: +0.2%; S&P 500: +0.1%; Dow: -0.1%)*

***FX** (DXY: +0.14%)*

- JPY and AUD were the only two G10 currencies gained against USD.

What the (CNH-INR) Himalayan Rift Reveals

- The **stark divergence between the CNH and INR** – the Himalayan rift – in trends and direction of travel is **emblematic of wider AxJ divergence** that is **likely to remain entrenched**.

- A *resounding bearish USD* trend (down 8-9%) that *has not lifted all AxJ* suggests far for nuanced factors at work.

- So, a **softer USD outlook** into 2026, **underpinned by Fed rate cuts**, **will not guarantee ubiquitous AxJ rallies**.

- What's more, **a "deal" with the US** could lend some strength but is **no guarantee of currency shine either**.

- Crucially, **even on familiar real spread dynamics AxJ prospects are highly variable**, **dependent on a conspiracy of** *relative policy shifts*, *fiscal dominance risks* and *(geo-)political uncertainty*.

- The upshot is, **amid lagged effects of tariffs** (masked by front-running and delays) colliding with *differentiated vulnerabilities* and *risk sensitivities,* **divergent AxJ performance will *defy mean reversion*** and ***convergence***.

China: Leaning Against a RMB Rally

- The renminbi has staged a notable rally since late last week, **led by gains in the CNH,** which recently traded at a premium of over 40 pips over the CNY and reached its strongest level in more than a year.

- Beyond the trade truce, seasonal factors also come into play.

- Chinese exporters typically convert their US dollar earnings into renminbi before year-end, although this year's flows appear stronger than usual.

- Narrowing US-China interest rate spreads and a wide trade surplus both contributed to the flows. China's trade surplus has reached USD 965 billion YTD, up 22% from the same period last year.

- In response to the unusual strength, the PBoC is leaning against the rally by setting a reference rate 0.1–0.2% weaker than its model suggests—a rare move since the introduction of the counter-cyclical factor in 2017.

China: Dwindling Trade Headwinds

- **China's trade outlook has likely improved amid easing trade tensions,** with November data (8 Dec) showing modest YoY gains in both exports and imports.

- Following the Trump-Xi meeting, Beijing increased purchases of US agricultural products and started to export licenses for rare-earth mineral. On the US side, Fentanyl tariffs have been halved, and additional port fees on Chinese vessels suspended.

- These measures are expected to **partially revive bilateral trade flows**.

- Supporting this trend, trade-related PMI indicators signal dwindling headwinds. Both the new export orders index and the import index rebounded from October lows, reaching 47.6 and 47.0, respectively, in November.

RBI Preview: Window Of Opportunity

- *Despite macro-/rupee-stability risks,* **this window of opportunity** and justifications **for a measured 25bp RBI cut remains compelling** to us.

- To be sure*, **unremitting rupee weakness**,* requiring RBI intervention to avert a test on 90 USD/INR, ***raises the bar for any RBI cut****.*

- Nonetheless, the case for a cut remains solid. And the window of opportunity for one has cracked open rather invitingly.

- First, the **USD slipping**, *albeit modestly,* from a bullish outburst 19-25 Nov **could modestly alleviate incremental rupee pressures**.

- Second, **inflation falling further**, **provides ample scope for a cut**. **October's 0.3% CPI was** well below the 4+/-2%-pts target.

- Admittedly, the **sharp drop in inflation** being **mainly food-driven reveals a reversal in the pipeline**.

- Point being, the Fed is on course for a cumulative 175bp of cuts from late 2024, whereas the RBI lags with just 100bp so far.

- Moreover, **India's longer rates turning higher since the last cut in June** suggests weaker rate cut transmission. And the **current window of macro-opportunity** makes a compelling case for seizing it.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(AU) Trade Balance	A$4385m	A$4500m	A$3938m
(AU) Household Spending YoY	5.6%	4.6%	5.1%
(US) Initial Jobless Claims	191k	220k	216k
(US) Challenger Job Cuts YoY	23.5%	48.0%	175.3%
(EZ) Retail Sales YoY	1.5%	1.3%	1.0%

Today	Actual	Exp.	Prior
(IN) RBI Repurchase Rate		5.25%	5.50%
(KR) BoP Current Account Balance (Oct)		--	$13467
(PH) CPI YoY (Nov)		1.7%	1.7%
(TW) CPI/Core YoY (Nov)		1.50%	1.48%
(US) Un. Of Mich. Sentiment (Dec)		52.0	51.0
(US) U. of Mich. 1 Yr/5-10Yr inflation (Dec)		4.4%/3.4%	4.5%/3.4%
(EZ) GDP SA YoY (3Q T)		1.4%	1.4%
(JP) Leading Index CI/Coincident Index (Oct)		109.3/115.0	108.6/114.6

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	155.10	155.15	▼0.10%	154.50	-	158.00
EURUSD	1.1644	1.1642	▼0.23%	1.1500	-	1.1700
GBPUSD	1.3327	1.3322	▼0.19%	1.3000	-	1.3400
AUDUSD	0.6610	0.6606	+0.14%	0.6500	-	0.6700
DXY	99.0	--	+0.14%	98.5	-	100.5
USDCNY	7.0719	--	+0.11%	7.0600	-	7.1500
USDCNH	7.0716	7.0714	+0.20%	7.0500	-	7.1700
USDHKD	7.7826	7.7821	▼0.02%	7.7600	-	7.8200
USDSGD	1.2961	1.2966	+0.19%	1.2900	-	1.3050
USDKRW	1474	1473	+0.00%	1447	-	1485
USDTWD	31.33	--	▼0.01%	30.80		31.60
USDINR	89.98	--	▼0.23%	89.00	-	90.10
USDIDR	16650	--	+0.17%	16500	-	16800
USDMYR	4.113	4.113	▼0.22%	4.110	-	4.180
USDPHP	59.04	--	+0.22%	58.20	-	59.30
USDTHB	32.04	32.04	+0.35%	31.8	-	32.4
USDVND	26370	26371	▼0.01%	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)	3.524	4.099	3.8	3.5
JGB (JP)	1.018	1.934	0.9	4.5
Bunds (GE)	2.071	2.770	1.7	2.4
Gilts (UK)	3.728	4.434	-1.3	-1.3
AGB (AU)	3.985	4.702	7.5	5.8
SGS (SG)	1.379	2.006	1.9	0.0
CGB (CN)	1.408	1.851	-0.4	1.5
KGB (KR)	2.881	3.376	0.0	0.0
SDL (IN)	5.822	6.513	-0.1	0.2

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6857.12	7.40	+0.11%
Nasdaq (US)	23505.14	51.05	+0.22%
DJIA (US)	47850.94	-31.96	▼0.07%
N225 (JP)	51028.42	1163.74	+2.33%
STOXX50 (EU)	5718.08	23.52	+0.41%

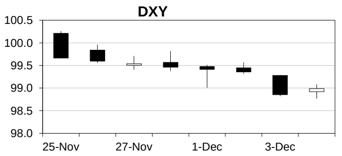
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	11,500.44	-75.44	▼0.65%
IRON ORE (CN)	107.90	3.00	+0.05%
GOLD	4,207.62	4.54	+0.11%
SILVER	57.14	0.07	+1.36%
OIL (BRENT)	63.26	0.59	+0.94%
OIL (WTI)	59.67	0.72	+1.22%
NATURAL GAS	5.06	-1.37	▼2.33%

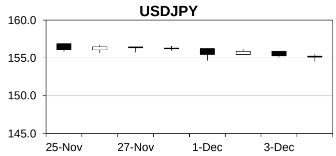
Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	180.61	180.63	▼0.33%
GBP/JPY	206.69	206.683	▼0.30%
JPY/SGD (100yen)	0.8353	0.8357	+0.24%
JPY/HKD (100yen)	5.0166	5.0159	+0.05%
CNH/JPY	21.916	21.94	▼0.20%
CNH/HKD	1.1005	1.1005	▼0.13%
EUR/GBP	0.87379	0.87393	▼0.03%
AUD/NZD	1.1473	1.1471	+0.35%
EUR/CNH	8.2346	8.2325	▼0.04%
GBP/CNH	9.424	9.4202	▼0.01%
CNY/HKD	1.1005	1.1005	▼0.13%
EUR/HKD	9.0626	9.0599	▼0.25%
SGD/HKD	6.0045	6.0019	▼0.21%

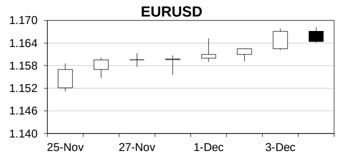
*Open is as at 8am HKT/SGT.

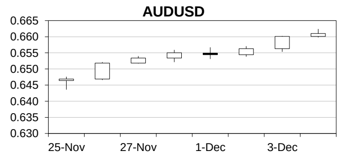
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5234.31	10.79	+0.21%
STI (SG)	4535.14	-19.38	▼0.43%
SHCOMP (CN)	3875.793	-2.21	▼0.06%
SZCOMP (CN)	2438.533	-2.44	▼0.10%
HSI (HK)	25935.9	175.17	+0.68%
SENSEX (IN)	85265.32	158.51	+0.19%
JSE (ID)	8640.196	28.41	+0.33%
KLSE (MY)	1621.07	-1.77	▼0.11%
PSE (PH)	5887.58	-18.26	▼0.31%
SET (TH)	1273.77	-1.05	▼0.08%
VNINDEX (VN)	1737.24	0.00	+0.32%

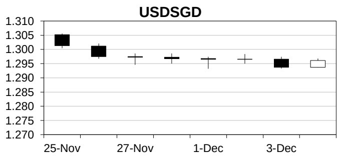
CHARTS

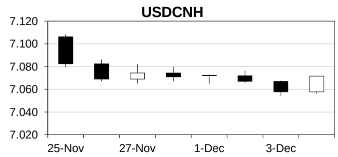


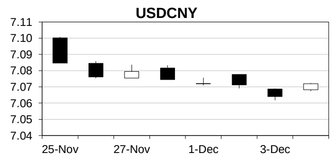


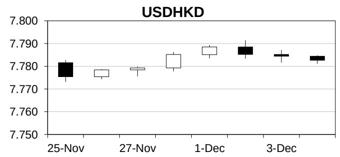


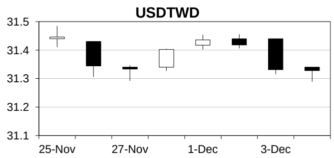


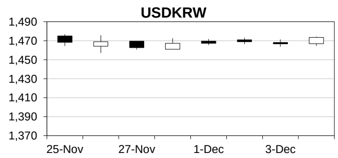


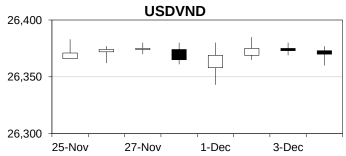


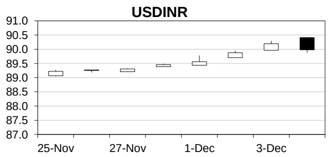


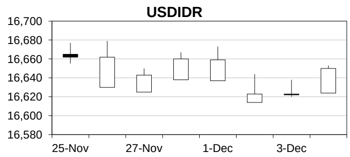


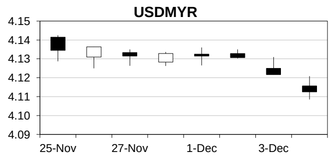


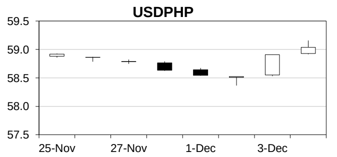


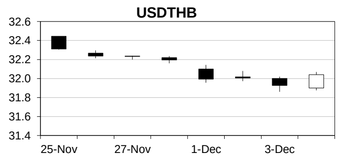


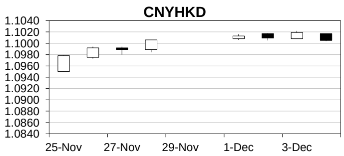


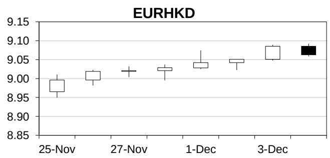


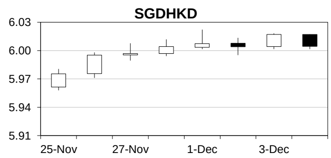


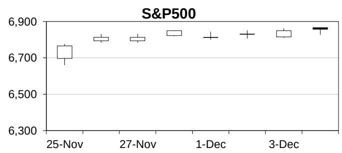


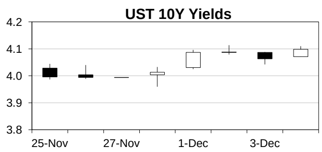


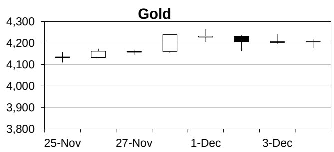


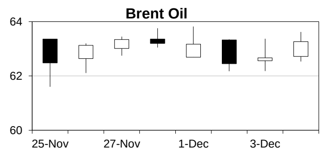












RESEARCH TEAM
Vishnu Varathan | Serena Zhou | Tan Boon Heng | Johnny Wong