Mizuho Daily

Dec 16, 2025

Three Take-Aways

1) Internal divergence in the FOMC heighten volatility and make upcoming data critical for shaping rate expectations.

2) China's November data broadly undershoot expectations, signaling that post-stimulus support is fading.

3) The BoT is poised to cut 25bp as growth remain weak.

MACRO THEME: Debate Continues

- The debate over the policy rate path persists. New York Fed President Williams views recent cuts as **positioning policy "well" for 2026**, balancing inflation and employment risks.

- Boston Fed's Collins struck a more cautious tone . She described **her vote for the December cut as a "close call**", noting risks shifted only slightly toward easing.

- In contrast, Governor Miran argues policy remains **overly restrictive**, calling for a faster pace of easing to avoid nonlinear labor market deterioration.

- While Williams and Collins leaned towards a data-dependent pause after the December decision, Miran advocates accelerated easing to preempt labor market weakness.

- **This split, combined with the upcoming appointment of the next Fed chair , could lead to repricing of Fed funds futures** as markets weigh the risk of a dovish pivot versus a prolonged hold.

- Divergence within the FOMC complicates forward guidance, making **near-term data releases**, especially labor and inflation, **critical for shaping rate expectations**.

- **Expect heightened volatility** in rates and FX as markets digest mixed policy signals and leadership uncertainty.

***Yields** (2Y: -2.0bp; 10Y: -1.1bp; 30Y:+0.1bp)*

***Equities** (Nasdaq: -0.6%; S&P 500: -0.2%; Dow: -0.1%)*

***FX** (DXY: -0.1%)*

China: November Undershoot

- Economic data came in weaker than expected in November, reinforcing signs that the post-stimulus lift is losing steam.

- **Retail sales** rose just 1.3% YoY in November, **the slowest since 2022**, as the impact of trade-in subsidies faded.

- **Investment remained a clear drag.** FAI dropped 12% YoY, driven by persistent property-sector stress and tighter local-government balance-sheet constraints.

- Credit figures also pointed to soft domestic demand, with bank lending slowing and household loans contracting again.

- While total social financing surprised on the upside, the increase was driven mainly by government and corporate bond supply, contributing to recent rising in long-end CGB and corporate yields.

- Overall, **the data set confirms a loss of momentum into year-end** and is consistent with our growth forecasts that moderating to around 4% YoY in 4Q25.

Bank of Thailand: Further Support Needed

- For the BoT's upcoming policy decision on 17 December, we expect them to cut the policy rate by 25bp to support growth. Since the previous meeting (8 Oct), economic conditions have not shown much discernible improvement.

- **Private consumption** for October showed a **marginal uptick** to 4.1% YoY from 3.8% YoY but this is primarily due to low base effects and relatively higher spending of Thai tourists abroad. This is revealed by all **underlying components ranging from non-durables to services showing a slower growth or deeper contraction**.

- For businesses, **private investment in October also saw a sharp decline** of 7.9% YoY as they cut back on spending for machinery and equipment in October.

- Exports growth has also softened on lower demand for electronics products and electrical equipment.

- Furthermore, **financial conditions also remain weak** with NPLs rising and loan growth contracting.

- The THB has also outperformed gain 2% since their previous meeting which alleviate concerns about currency depreciation.

- On balance, given that this rate cut will be a widely expected one, the THB weakness from the rate cut may not be excessive.

- That said, the wider BoT-Fed spread may retain USDTHB buoyancy around 32 levels, after the buout of gold driven gains fade.

Japan: Business Sentiment Solidifies

- 4Q25 Tankan showed a clear **improvement in business sentiment**, with large manufacturers' confidence rising to 15, the highest level in four years.

- Non-manufacturing sentiment stayed strong at 34, highlighting **resilient service-sector demand and a healthy economic backdrop**.

- Firms reported **limited fallout from US tariff actions**, and confidence improved after the US tariff reduction in September.

- **Yen weakness continues to aid exporters but raise service-sector costs**. Corporates now assume USD/JPY at 147.06 for FY25, compreaed to 145.68 a quarter ago.

- **Capex plans remained firm**, with large firms projecting 12.6% YoY growth in FY25.

- **Inflation expectations stayed elevated**, with firms seeing CPI at 2.4% in five years, suggesting **underlying price momentum remains intact.**

- With tariff uncertainty easing and wage discussions strengthening, **conditions for BOJ normalization are gradually aligning**, though **risks from worsening Japan–China relations** bear watching.

- Overall, **the survey's resilience strengthened conviction for a December hike**, pushing the implied probability up to 93.4%.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(CH) Used/New Home Prices MoM (Nov)	-0.7%/-0.4%	--	-0.7%/-0.5%
(CH) Industrial Production YoY (Nov)	4.8%	5.0%	4.9%
(CH) Retail Sales YoY (Nov)	1.3%	2.9%	2.9%
(IN) Exports/Imports YoY (Nov)	19.4%/-1.9%	--	-11.8%/16.6%
(JP) Tankan Large Mfg Index (4Q)	15.0	15.0	14.0

Today	Actual	Exp.	Prior
(US) Change in Nonfarm Payrolls (Nov)		50k	--
(US) Average Hourly Earnings YoY (Nov)		3.6%	--
(US) Unemployment Rate (Nov)		4.5%	--
(US) Retail Sales Adv./Ex Auto and Gas MoM (Oct)		0.1%/0.4%	0.2%/0.1%
(EZ) Manufacturing/Services PMI (Dec P)		49.9/53.3	49.6/53.6
(JP) Manufacturing/Services PMI (Dec P)		--	48.7/53.2
(GE) ZEW Survey Expectations (Dec)		38.4	38.5
(IN) Manufacturing/Services PMI (Dec P)		--	56.6/59.8

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	155.23	155.02	▼0.37%	154.50	-	158.00
EURUSD	1.1753	1.1754	+0.11%	1.1600	-	1.1800
GBPUSD	1.3376	1.3380	+0.04%	1.3200	-	1.3500
AUDUSD	0.6641	0.6642	▼0.17%	0.6600	-	0.6700
DXY	98.3	--	▼0.09%	98.0	-	99.0
USDCNY	7.0480	--	▼0.10%	7.0500	-	7.1500
USDCNH	7.0433	7.0423	▼0.14%	7.0400	-	7.1700
USDHKD	7.7821	7.7820	▼0.03%	7.7600	-	7.8200
USDSGD	1.2895	1.2896	▼0.18%	1.2890	-	1.3050
USDKRW	1469	1469	+0.00%	1452	-	1485
USDTWD	31.38	--	+0.66%	30.90		31.60
USDINR	90.73	--	+0.35%	89.50	-	91.00
USDIDR	16668	--	+0.17%	16500	-	16800
USDMYR	4.093	4.093	▼0.11%	4.050	-	4.120
USDPHP	59.08	--	▼0.02%	58.50	-	59.60
USDTHB	31.43	31.48	▼0.51%	31.4	-	32.2
USDVND	26316	26316	+0.03%	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)	3.503	4.174	-2.0	-1.1
JGB (JP)	1.062	1.952	0.1	0.6
Bunds (GE)	2.149	2.852	-0.3	-0.4
Gilts (UK)	3.746	4.495	0.4	-2.1
AGB (AU)	3.997	4.726	-3.0	-0.2
SGS (SG)	1.445	2.171	-2.2	-3.4
CGB (CN)	1.405	1.854	1.0	1.7
KGB (KR)	2.912	3.415	0.0	0.0
SDL (IN)	5.794	6.593	0.0	0.0

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	182.43	182.2	▼0.28%
GBP/JPY	207.626	207.41	▼0.35%
JPY/SGD (100yen)	0.8307	0.8319	+0.22%
JPY/HKD (100yen)	5.0137	5.0202	+0.36%
CNH/JPY	22.042	21.994	▼0.19%
CNH/HKD	1.1042	1.1041	+0.08%
EUR/GBP	0.87861	0.87848	+0.07%
AUD/NZD	1.1489	1.1479	+0.24%
EUR/CNH	8.2781	8.2775	▼0.04%
GBP/CNH	9.4223	9.4226	▼0.09%
CNY/HKD	1.1042	1.1041	+0.08%
EUR/HKD	9.1467	9.147	+0.07%
SGD/HKD	6.0352	6.0344	+0.17%

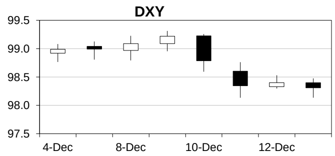
*Open is as at 8am HKT/SGT.

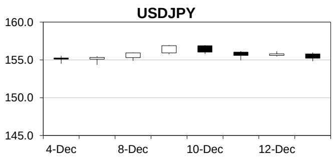
G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6816.51	-10.90	▼0.16%
Nasdaq (US)	23057.41	-137.76	▼0.59%
DJIA (US)	48416.56	-41.49	▼0.09%
N225 (JP)	50168.11	-668.44	▼1.31%
STOXX50 (EU)	5752.52	31.81	+0.56%

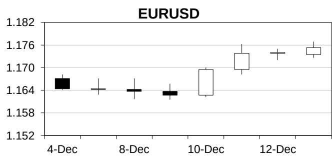
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	11,651.11	115.42	+1.00%
IRON ORE (CN)	105.77	-0.28	▼0.26%
GOLD	4,305.01	5.38	+0.13%
SILVER	64.09	-0.10	▼2.46%
OIL (BRENT)	60.56	-0.56	▼0.92%
OIL (WTI)	56.82	-0.62	▼1.08%
NATURAL GAS	4.01	2.13	+3.43%

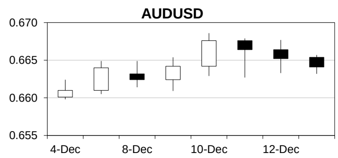
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5252.9	52.88	+1.02%
STI (SG)	4589.17	2.72	+0.06%
SHCOMP (CN)	3867.921	-21.43	▼0.55%
SZCOMP (CN)	2454.417	-18.99	▼0.77%
HSI (HK)	25628.88	-347.91	▼1.34%
SENSEX (IN)	85213.36	-54.30	▼0.06%
JSE (ID)	8649.662	-10.84	▼0.13%
KLSE (MY)	1643.72	5.91	+0.36%
PSE (PH)	6058.02	21.30	+0.35%
SET (TH)	1273.4	19.30	+1.54%
VNINDEX (VN)	1646.01	0.00	▼0.05%

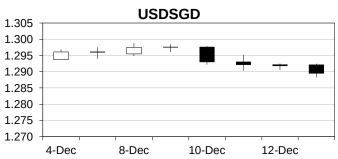
CHARTS

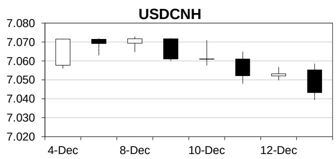


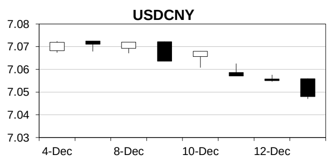


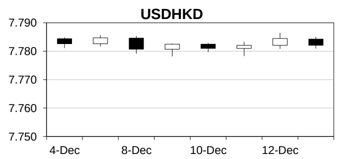


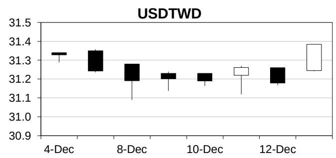


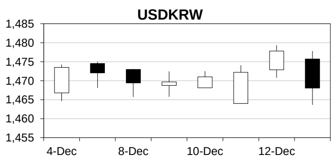


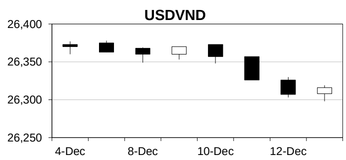


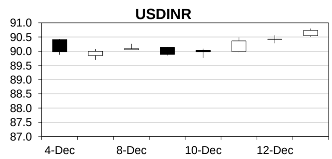


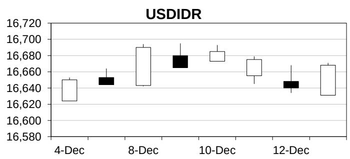


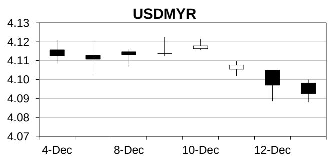


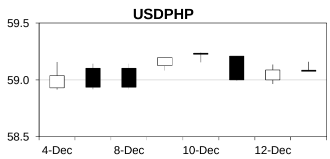


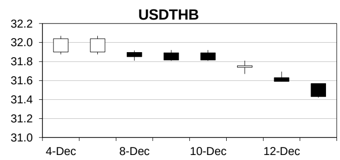


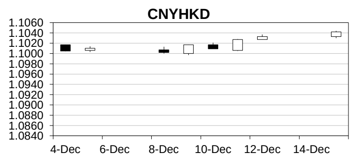


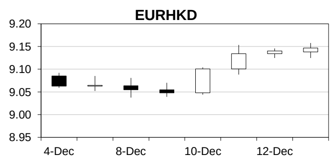


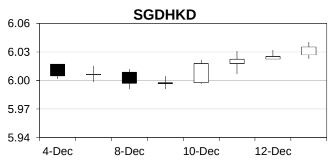


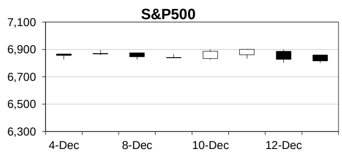


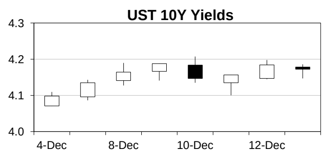


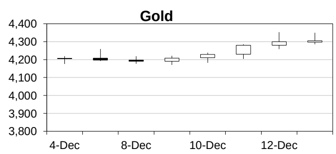


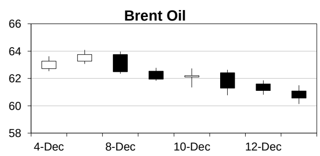












RESEARCH TEAM
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