Mizuho Daily

Feb 04, 2026

Three Take-Aways

1) Divergence among Fed officials over future rate cuts underscored uncertainty around the US monetary policy path.

2) BoJ hike expectations have shifted forward, with April rate hike odds rising.

3) Hong Kong retail sales ended 2025 with clear 2H25 momentum, setting a firmer base for 2026 upside.

MACRO THEME: Rate Cut Uncertainty

- Richmond Fed President **Tom Barkin** framed last year's rate cuts as "insurance" for the labour market, stressing that the focus is now on completing the **"last mile" back to the 2% inflation target**.

- He noted fading policy uncertainty, steady demand, and easing price pass-through as consumers resist higher costs, though he cautioned that growth remains narrowly driven by AI-related investment and high-income spending, leaving the economy vulnerable to a pullback.

- In contrast, **Fed Governor Stephen Miran reiterated his dovish tone**, arguing that restrictive rates are no longer justified by underlying inflation dynamics and calling for **more than 100bp of cuts in 2026**, highlighting the divergence within the FOMC.

- On the political front, the **US House passed a funding package to end a partial government shutdown**, reducing near-term fiscal uncertainty, though risks linger around Department of Homeland Security funding later this month.

- Geopolitically, tensions in the Middle East resurfaced after a **US carrier shot down an Iranian drone**, supporting a modest rebound in oil prices. **Commodities broadly bounced**, with gold and silver up 6.1% and 7.4%, while copper gained on optimism around China's plans to expand strategic reserves.

***Yields** (2Y: -0.2bp; 10Y: -1.3bp; 30Y: -1.8bp)*

***Equities** (Nasdaq: -1.4%; S&P 500: -0.8%; Dow: -0.3%)*

***FX** (DXY: -0.2%)*

China: Reshaping Incentives

- The Ministry of Finance and State Taxation Administration **expanded the VAT scope for telecom services**, reclassifying core offerings and **raising the VAT rate to 9% from 6%**.

- The unexpected move weighed sharply on sector sentiment, triggering declines in share prices of **China Mobile, China Unicom and China Telecom**, all of which flagged **near-term revenue and margin pressure**.

- Rather than cushioning the impact, policymakers appear intent on **forcing efficiency gains**, encouraging operators to absorb costs and accelerate their pivot toward **cloud, AI and higher-value digital services**.

- Overall, these measures suggest China inclines to deploy **selective tax tools to reshape incentives** and steer the economy toward higher-quality growth.

Japan: April Hike Risk Rising

- Market expectations has decisively shifted toward an earlier BoJ rate hike, with **OIS now pricing a 75% odds to an April move**, a pull-forward from the prior baseline expectation of June.

- The repricing follows a notably **more hawkish Summary of Opinions**, which emphasized the urgency of addressing rising prices and the risks associated with prolonged policy accommodation.

- The weak yen has clearly become a central policy concern. **Board members repeatedly highlighted persistent pass-through from currency depreciation to prices**, suggesting that exchange-rate dynamics are now a first-order consideration in the reaction function. **This increases the cost of policy delay.**

- Importantly, **concerns about financial conditions constraining activity remain limited.** The Summary noted that overall funding conditions are still accommodative, and that firms' **interest burdens have largely been absorbed by solid business conditions**, lowering the hurdle for another hike.

- Taken together, **the bias has shifted from "gradualism" toward "timeliness"**.

- While June remains a fallback, the **risks now tilt toward April delivery**, especially if the yen stays weak and spring wage negotiations confirm inflation persistence.

Hong Kong: Retail Sales Stayed Strong

- **Hong Kong retail sales ended 2025 on a firmer note**, with December sales value rising **6.6% YoY to HKD 35.0bn**, broadly in line with November's performance, while **sales volume increased 5.1% YoY**.

- **Although both readings fell short of market expectations**, the data still point to a meaningful improvement in underlying demand, suggesting the **recovery seen in 2H25 remains intact**.

- Performance across categories remained uneven, with **spending concentrated in discretionary and tourism-related segments.** Jewellery, watches and valuable gifts (+14.3% YoY) and electrical goods (+58.9% YoY) led gains, while wearing apparel and department stores stayed under pressure.

- **Online retail continued to outperform**, surging 30.9% YoY in December and accounting for 8.8% of total sales, underscoring the **ongoing structural shift toward digital consumption.**

- For 2025 as a whole, retail sales grew 1.0% in value, with volumes broadly flat, highlighting **marked recovery in 2H25**.

(Retail sales growth in value: +6.3% in 2H25 vs. -1.4% in 1H25)

- Looking into 2026, retail sales growth should find additional support from **RMB appreciation**, which boosts mainland tourists' purchasing power, and signs that **mainland outbound travel is being redirected from Japan to Hong Kong** amid Sino–Japan political tensions, **potentially benefiting luxury, jewellery and high-ticket retail segments.**

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(KR) CPI/Ex Food and Energy YoY (Jan)	2.0%/2.0%	2.0%/1.9%	2.3%/2.0%
(AU) RBA Cash Rate Target	3.85%	3.85%	3.60%

Today	Actual	Exp.	Prior
(US) ADP Employment Change (Jan)		45k	41k
(US) ISM Services Prices Paid (Jan)		53.5/--	53.8/65.1
(EZ) CPI / Core YoY (Jan P)		1.7%/2.3%	1.9%/2.3%
(EZ) PPI YoY (Dec)		-2.2%	-1.7%
(CH) RatingDog China PMI Services (Jan)		52.0	52.0

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	155.75	155.80	+0.08%	152.00	-	156.00
EURUSD	1.1819	1.1816	+0.24%	1.1800	-	1.2100
GBPUSD	1.3697	1.3697	+0.23%	1.3500	-	1.3900
AUDUSD	0.7021	0.7022	+1.05%	0.6800	-	0.7100
DXY	97.4	--	▼0.20%	96.5	-	98.0
USDCNY	6.9385	--	▼0.10%	6.9000	-	7.0500
USDCNH	6.9351	6.9342	▼0.11%	6.9100	-	7.0500
USDHKD	7.8131	7.8133	+0.03%	7.7400	-	7.8500
USDSGD	1.2699	1.2701	▼0.18%	1.2620	-	1.2800
USDKRW	1451	1448	+0.00%	1425	-	1450
USDTWD	31.56	--	▼0.12%	31.00		31.70
USDINR	90.27	--	▼1.36%	90.00	-	92.70
USDIDR	16760	--	▼0.18%	16600	-	17000
USDMYR	3.932	3.931	▼0.34%	3.900		4.000
USDPHP	58.90	--	▼0.00%	58.30	-	59.80
USDTHB	31.54	31.66	▼0.10%	31.0	-	32.0
USDVND	26002	26002	▼0.05%	25700	-	26300

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.571	4.266	-0.2	-1.3
JGB (JP)	1.283	2.257	2.6	2.2
Bunds (GE)	2.117	2.890	0.5	2.3
Gilts (UK)	3.698	4.516	0.2	1.1
AGB (AU)	4.252	4.834	7.0	3.6
SGS (SG)	1.375	2.071	-0.2	1.1
CGB (CN)	1.374	1.812	-0.5	-0.2
KGB (KR)	2.961	3.598	0.0	0.0
SDL (IN)	5.805	6.724	-3.4	-4.2

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.1	184.08	+0.33%
GBP/JPY	213.351	213.385	+0.32%
JPY/SGD (100yen)	0.8153	0.8152	▼0.28%
JPY/HKD (100yen)	5.0152	5.0151	▼0.08%
CNH/JPY	22.43	22.453	+0.08%
CNH/HKD	1.126	1.1261	+0.13%
EUR/GBP	0.86279	0.86267	▼0.00%
AUD/NZD	1.1612	1.1624	+0.27%
EUR/CNH	8.1962	8.1931	+0.12%
GBP/CNH	9.4993	9.4974	+0.13%
CNY/HKD	1.126	1.1261	+0.13%
EUR/HKD	9.2341	9.2318	+0.27%
SGD/HKD	6.1518	6.1517	+0.21%

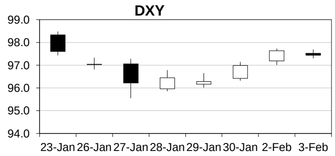
*Open is as at 8am HKT/SGT.

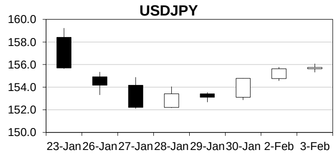
G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6917.81	-58.63	▼0.84%
Nasdaq (US)	23255.19	-336.92	▼1.43%
DJIA (US)	49240.99	-166.67	▼0.34%
N225 (JP)	54720.66	2065.48	+3.92%
STOXX50 (EU)	5995.35	-12.16	▼0.20%

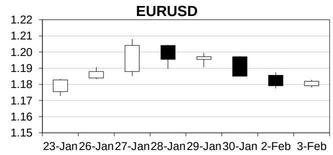
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,408.60	576.27	+4.49%
IRON ORE (CN)	101.75	-3.95	▼0.88%
GOLD	4,946.76	285.38	+6.12%
SILVER	85.16	0.07	+2.29%
OIL (BRENT)	67.33	1.03	+1.55%
OIL (WTI)	63.21	1.07	+1.72%
NATURAL GAS	3.31	5.89	+7.43%

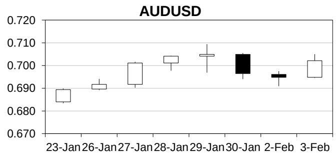
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5555.63	-16.32	▼0.29%
STI (SG)	4944.09	51.82	+1.06%
SHCOMP (CN)	4067.738	51.99	+1.29%
SZCOMP (CN)	2676.844	61.41	+2.35%
HSI (HK)	26834.77	59.20	+0.22%
SENSEX (IN)	83739.13	2072.67	+2.54%
JSE (ID)	8122.597	199.87	+2.52%
KLSE (MY)	1748.26	7.38	+0.42%
PSE (PH)	6401.96	104.88	+1.67%
SET (TH)	1336.11	14.69	+1.11%
VNINDEX (VN)	1813.4	0.00	+0.38%

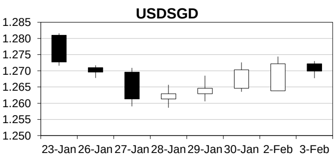
CHARTS

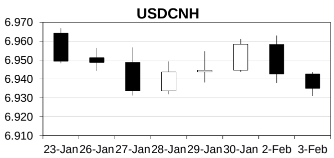


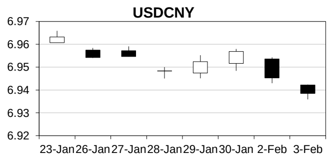


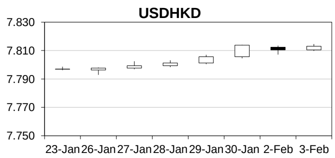


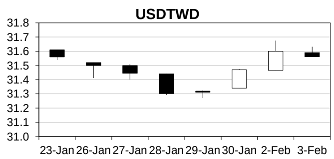


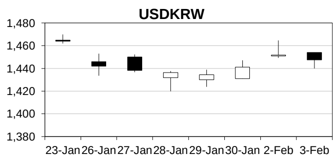


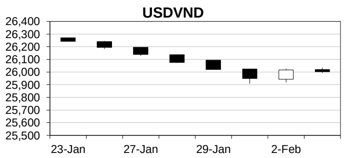


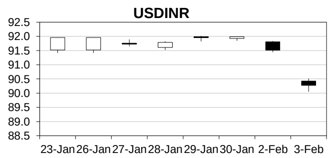


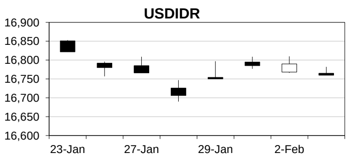


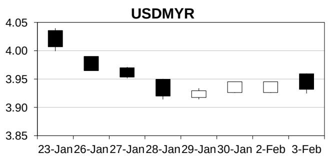


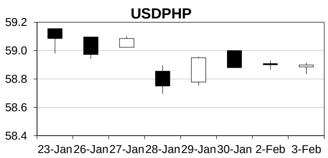


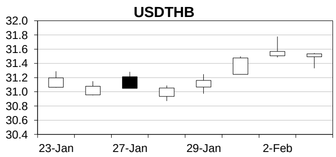


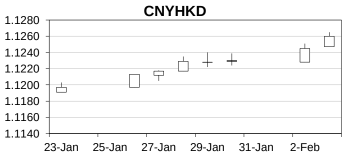


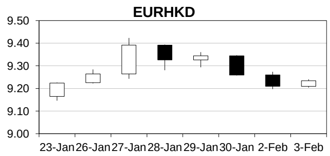


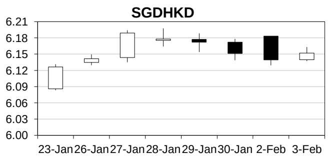


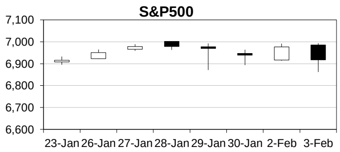


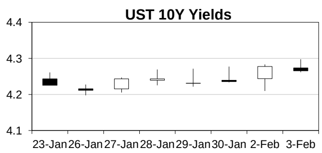


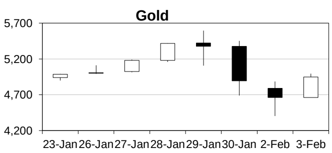


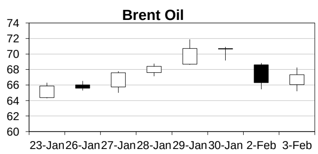












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