Mizuho Daily

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MIZUHO

Three Take-Aways

1) US equities rebounded with improvement in risk mood but better than expected consumer sentiment recovery belies a K shape recovery.

2) PM Takaichi's huge win sets tone for bullish equities but bearish JPY and JGB bets of 'Takaichi trade' may be misguided.

3) PM Anutin set for coalition talks after winning elections. Durability THB's initial gains from improved political clarity will depend on navigating tricky negotiations during government formation.

MACRO THEME: Rebounds and K Shaped

- Last Friday, **US equities rebounded** with the S&P 500 rising 2% led by the bruised semiconductor sector. Nonetheless, the tech sectors are certainly still nursing their wounds with the Nasdaq still around 2% lower for last week.

- Some support came through positive US macro data with the University of Michigan Survey reflecting better than expected consumer sentiments. Year ahead inflation expectations also showed a sharp decline to 3.5%.

- It should be noted that the consensus expectations were rather pessimistic and expected a decline from the January print. In short, this was more of a marginal improvement from January.

- Crucially, the report noted that the **improvement in sentiments came alongside widening wealth gaps**. Specifically, the top tercile (~33%) of stockholders saw sentiments improved by 50% relative to May 2025 which was a trough but for non-stock holders saw their sentiments continue to slide by 6% compared to the same point. A K shape recovery indeed.

Mandates

- Fed Vice Chair Jefferson said that he expects disinflation to resume this year but at the same time he also emphasizes that this comes after increased tariffs **pass through more fully to prices**. Productivity is said to be a possible driver to dampen inflation.

- Meanwhile, Bostic stressed **that inflation may become entrenched in people's mind** and change the way the economy evolves which justifies the need to keep policy in restrictive posture.

- In contrast, Daly perhaps sounded somewhat dovish continue to stress on labour market outcomes highlighting the possibility of a **no-hiring, more firing labour** market as she highlighted the need to watch **both sides of the mandate**.

Talks - Starts and Ends

- In the Middle East, with Iran saying that talks in the US had a good start, Brent crude prices turned softer sliding to below US$68/barrel.

- Cuba is also set to be ready for talks with the US amid energy shortages. While diplomatic talks are the best case, US President Trump's remark on the Iran talks provided a reminder that the military presence need not only be a leverage.

- He said that "If you remember Venezuela, we waited around for a while, and we're in no rush"

***Yields** (2Y: +4.8bp; 10Y: +2.7bp; 30Y: +1.0bp)*

***Equities** (Nasdaq: +2.2%; S&P 500: +2.0%; Dow: +2.5%)*

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

The "Takaichi Premium" with a Positive JPY & JGB Twist

- PM Takaichi's **commanding win** with the LDP's sweep (316 out of 465 seats) of the Lower House and a resounding supermajority for the ruling coalition are legitimate reason for Japan optimism – which corresponds to bullish equity markets. But the bearish JPY and JGB legs of the so-called "Takaichi trade" may be misguided, even if the prevailing instinct.

- For one, it is **erroneous to conflate sweeping fiscal mandate for impending profligacy** (related to JGB and JPY sell-off). Quite the opposite as PM Takaichi's political capital paves the way to avert sub-optimal fiscal compromises, providing clarity on fiscal sustainability.

- Second, **negative real JGB yields** alongside plans for growth-boosting industrial/defense rejuvenation ought to revive fiscal dynamism and avoid debt spirals.

- Finally, Japan's **significant holdings of foreign assets** (as the world's second largest net creditor) puts it in pole position to re-allocate back home to Japanese assets to the benefit of JPY, JGBs and equities.

- In concert, **bullish Japanese equities are primed to be met** with measured JPY rebound and some degree of pullback in JGB yields given exaggerated risk re-pricing. More so, **as BoJ independence risks are likely exaggerated**. And in fact, BoJ policy efficacy may be enhanced by the MoF's bolder interventions to backstop the JPY.

Thailand Elections: Essential Stability

- The **other incumbent** in Asia who also had a short tenure before calling for elections, PM Anutin's Bhumjaithai Party is set to win the elections in Thailand. Within the short four month term, his government saw the rollout of fiscal measures and also presided over exerting military pressures on Cambodia.

- Nonetheless, their **194 seats** (at time of writing) is insufficient for the majority and as such **coalition talks will be watched** this week.

- For now, People's Party has signalled that they will be in the opposition camp and as such the Bhumjaithai Party will likely form the next government with the Pheu Thai party.

- Given the **substantial lead in terms of seats, we expect the Bhumjaithai Party to soothe fears of fiscal profligacy** stemming from coalition partners if their short four month term is a reflective of the years ahead. As such, a steeper yield curve may be less attractive in the near term even though a mild steepening remains the base case if there are no measures for fiscal consolidation measures planned.

- These election outcomes are likely a positive for the THB at the start of this week and holding onto gains will be dependent on the process of coalition formation.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Consumer Credit (Dec)	$24b	$8b	$4.2b
(US) Uni of Mich Sentiment (Feb P)	57.3	55.0	56.4
(US) Uni of Mich 1Yr Inflation Expectations	3.5%	4.0%	4.0%
(VN) CPI YoY (Jan)	2.5%	3.1%	3.5%
RBI Repurchase Rate	**5.25%**	**5.25%**	**5.25%**

Today	Actual	Exp.	Prior
(AU) Household Spending YoY (Dec)	5.0%	5.8%	6.0%
(MY) Industrial Production YoY (Dec)		4.5%	4.3%
(TW) Exports/Imports (Jan)		56.7%/42.8%	43.4%/14.9%
(JP) Labour/Real Cash Earning YoY (Dec)	2.4%/-0.1%	3.2%/0.8%	1.7%/-1.6%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	157.22	157.25	+0.11%	155.00	-	158.00
EURUSD	1.1815	1.1825	+0.32%	1.1700	-	1.1900
GBPUSD	1.3611	1.3609	+0.59%	1.3500	-	1.3900
AUDUSD	0.7013	0.7035	+1.24%	0.6900	-	0.7100
DXY	97.6	--	▼0.20%	96.5	-	98.0
USDCNY	6.9358	--	▼0.04%	6.9000	-	7.0500
USDCNH	6.9301	6.9307	▼0.15%	6.9100	-	7.0500
USDHKD	7.8133	7.8130	▼0.01%	7.7400	-	7.8500
USDSGD	1.2713	1.2712	▼0.32%	1.2620	-	1.2800
USDKRW	1464	1463	+0.00%	1440	-	1480
USDTWD	31.69	--	+0.09%	31.30		32.00
USDINR	90.66	--	+0.34%	90.00	-	92.70
USDIDR	16866	--	+0.21%	16600	-	17000
USDMYR	3.948	3.949	▼0.01%	3.900		4.000
USDPHP	58.59	--	▼0.22%	58.30	-	59.80
USDTHB	31.65	31.45	▼0.49%	31.1	-	32.0
USDVND	25966	25966	+0.00%	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)	3.500	4.208	4.8	2.7
JGB (JP)	1.275	2.222	-0.5	-0.8
Bunds (GE)	2.082	2.841	-0.9	-0.1
Gilts (UK)	3.617	4.514	-3.7	-4.4
AGB (AU)	4.254	4.826	-3.2	-3.1
SGS (SG)	1.330	1.984	-0.9	-2.3
CGB (CN)	1.358	1.806	-0.4	-0.4
KGB (KR)	3.013	3.699	2.0	2.5
SDL (IN)	5.768	6.736	4.9	8.9

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6932.3	133.90	+1.97%
Nasdaq (US)	23031.21	490.62	+2.18%
DJIA (US)	50115.67	1206.95	+2.47%
N225 (JP)	54253.68	435.64	+0.81%
STOXX50 (EU)	5998.4	72.70	+1.23%

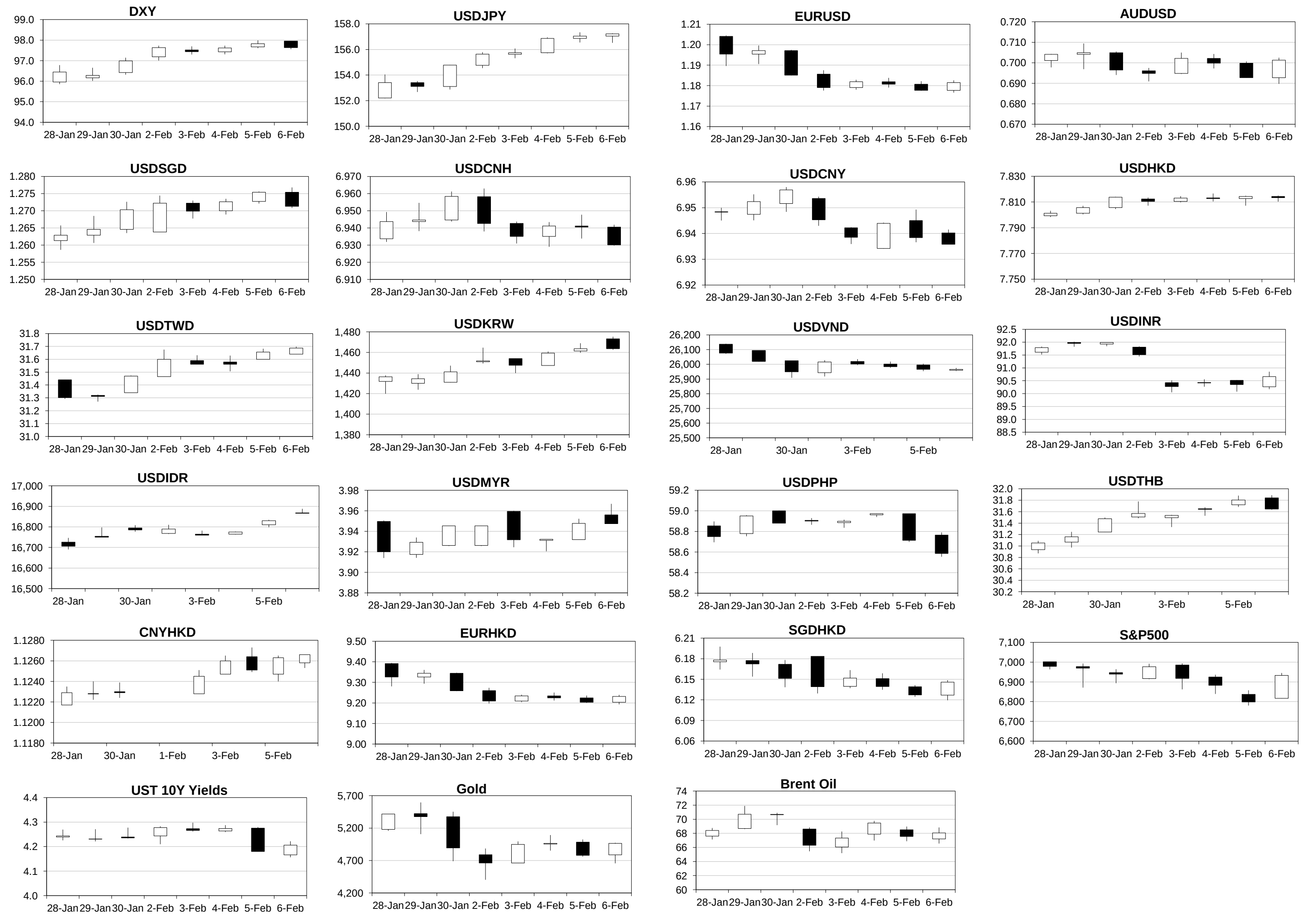
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	12,923.05	97.63	+0.76%
IRON ORE (CN)	99.58	-6.04	▼1.31%
GOLD	4,964.36	185.31	+3.88%
SILVER	77.84	-0.09	▼2.48%
OIL (BRENT)	68.05	0.50	+0.74%
OIL (WTI)	63.55	0.26	+0.41%
NATURAL GAS	3.42	6.92	+9.76%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	185.74	185.96	+0.45%
GBP/JPY	213.956	213.993	+0.69%
JPY/SGD (100yen)	0.8089	0.8083	▼0.37%
JPY/HKD (100yen)	4.9693	4.9683	▼0.13%
CNH/JPY	22.65	22.675	+0.19%
CNH/HKD	1.1266	1.1265	+0.03%
EUR/GBP	0.86807	0.86894	▼0.28%
AUD/NZD	1.1657	1.1663	+0.14%
EUR/CNH	8.189	8.1956	+0.19%
GBP/CNH	9.4321	9.4316	+0.44%
CNY/HKD	1.1266	1.1265	+0.03%
EUR/HKD	9.232	9.2389	+0.31%
SGD/HKD	6.146	6.1462	+0.31%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5579.71	31.49	+0.57%
STI (SG)	4934.41	-41.46	▼0.83%
SHCOMP (CN)	4065.583	-10.33	▼0.25%
SZCOMP (CN)	2649.572	-1.08	▼0.04%
HSI (HK)	26559.95	-325.29	▼1.21%
SENSEX (IN)	83580.4	266.47	+0.32%
JSE (ID)	7935.26	-168.62	▼2.08%
KLSE (MY)	1732.83	1.81	+0.10%
PSE (PH)	6390.91	8.87	+0.14%
SET (TH)	1354.01	7.78	+0.58%
VNINDEX (VN)	1755.49	-0.02	▼1.52%

CHARTS



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