Mizuho Daily

May 20, 2026

Three Take-Aways

1) Longer end UST yields surged to decade highs as war-fuelled energy price inflation and fiscal deficit concerns drove a global bond selloff.

2) Trump's renewed strike threats on Iran increased prospects for hostilities while VP Vance struck a constructive tone for negotiations, but the chasm between US' and Iran's positions remain too wide to cross.

3) Malaysia inflation edged up to 1.9% in April, with a benign inflation outlook that is likely to reach the upper end of 2% in 2026, keeping BNM on hold along with a more muted MYR outperformance.

MACRO THEME: Price of War

- US 10Y and 30Y Treasury yields surged to above 4.5% and 5% respectively, as inflation and mounting fiscal deficit concerns stemming from the ongoing US-Iran war drove a broad-based global bond market selloff. Bond markets fell across Europe and Japan, while the selloff spilled over to US equity markets, leading major indices lower.

- The higher yields, if proved persistent, could be a drag for the US economy, with an increase in borrowing costs for households and corporations, since the 10Y UST yields serves as a benchmark for housing mortgages and corporate loans.

- Additionally, higher UST yields will translate to a stronger dollar, a headwind for EM-Asia currencies, particularly for current account deficit economies such as India, Philippines and Indonesia where higher global rates could amplify capital outflow risks.

US-Iran Conflict: Renewed Threats

- Brent crude climbed to above US$110/barrel as President Trump has threatened to resume strikes on Iran within days as part of the push for a deal to end the war.

- Vice President Vance offered a more constructive tone, suggesting both sides want a deal and that restarting the military campaign is not the preferred path while NATO is discussing the possibility of helping ships pass through Hormuz if it is not reopened by early July.

- As flagged previously, while there is will for negotiations to achieve a resolution to the conflict, the chasm between US' and Iran's positions remain too wide to cross.

- Meanwhile at the G7 meetings, Treasury Secretary Bessent called on allies to aggressively enforce sanctions, even as the US issued a third 30-day general licence waiver extending to 17 June allowing sales of Russian seaborne crude to vulnerable nations .

- The political cost of the conflict could be approaching a turning point domestically, as the Republican-led Senate advanced a war powers resolution procedural vote. Although the resolution would need House approval and survive a president veto, it is a symbolic effort to pressure Trump to end the war.

***Yields** (2Y: +7.4bp; 10Y: +7.9bp; 30Y: +5.8bp)*

***Equities** (Nasdaq: -0.8%; S&P500: -0.7%; Dow: -0.6%)*

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

Indonesia: Multi-Front Stabilisation Battle

- Indonesia's budget deficit narrowed to 0.64% of GDP in April from 0.93% in March, an improvement likely due to seasonality effects, and FinMin Purbaya has reiterated the budget deficit will not exceed 3% of GDP assuming global oil prices average US$100/barrel in 2026.

- Indonesia is also said to be considering setting up a new state commodity export control entity to be supervised by sovereign wealth fund Danantara, to crack down on under-invoicing and to maximise FX inflows to repatriate dollar receipts, which could be a structural support for the rupiah if implemented effectively.

- While these are potentially positive developments that could offer some reprieve for the IDR that has continued to depreciate to record weakness against the USD (-1.4% vs last Friday), markets will likely need to see more durable improvements in its fiscal position before sentiments improve for the rupiah.

Malaysia April CPI: Not A Return to 4+%

- Malaysia's April CPI came in within expectations at 1.9%, edging up from last month's 1.7% and approaching its 2016-2019 average. Transport was the main contributor to the uptick, contributing 0.3%-pt to the delta, mainly due to a higher unsubsidised fuel prices and an increase in public transport prices.

- We expect its inflation outlook to remain benign, reaching the upper end of 2% in 2026 but below the 4% inflation figures reached during the Russia-Ukraine conflict in 2022, with the fuel subsidy regime in place for RON95

- For one, food inflation has remained rather contained for now (Food At Home was unchanged MoM), compared to the shock in 2022 that had a more severe impact on global supplies of grains and fertilisers as Ukraine was a major grain producer. Simply put even as we factor in the impact on food inflation due to disruptions to fertilisers, the impact is unlikely to reach a similar level.

- Second, there was an artificial lift in 2022 figures due to base effects from electricity rebates and discounts given by the government in 2021 to help businesses and households cope with the COVID pandemic.

- Third, price ceiling is unlikely to be lifted especially with diesel prices being priced at market in peninsular Malaysia compared to during 2022-24. Furthermore, there is likely limited appetite for fuel price adjustments given potential early elections.

- Given the still benign inflation outlook for inflation, and likely moderation in growth in H2 2026, we expect BNM to remain on hold for rest of 2026.

- However, we expect more muted outperformance from the MYR due to growing doubts over its resilience to elevated oil prices with the surging of its monthly fuel subsidy bill surging to RM$7b (from pre-conflict of RM$0.7b) that risks derailing its ongoing fiscal consolidation efforts. That said, while these headlines drag in the near-term, longer-term revenue windfalls are likely to offset these woes on aggregate.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Pending Home Sales MoM (Apr)	1.4%	1.0%	1.7%
(EZ) Trade Balance SA (Mar)	3.5b	--	6.5b
(JP) GDP SA QoQ (1Q P)	**0.5%**	**0.4%**	**0.3%**
(JP) Tertiary Industry Index MoM (Mar)	-0.2%	-0.5%	-0.7%
(AU) RBA Minutes of May Policy Meeting			
(MY) CPI YoY (Apr)	**1.9%**	**1.9%**	**1.7%**
(PH) BoP Overall (Apr)	-$2124m	--	-$2600r

Today	Actual	Exp.	Prior
(EZ) CPI/Core YoY (Apr F)		3.0%/2.2%	3.0%/2.2%
(US) FOMC Meeting Minutes			
(CH) 1/5-Year Loan Prime Rate	3.00%/3.50%	3.00%/3.50%	3.00%/3.50%
(ID) BI-Rate		5.0%	4.8%
(MY) Exports/Imports YoY (Apr)		**10.2%/3.0%**	**8.3%/10.4%**
(TW) BoP Current Account Balance (1Q)		--	$69930m
(TW) Export Orders YoY (Apr)		42.6%	65.9%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	159.07	159.03	+0.16%	158.20	-	160.00
EURUSD	1.1605	1.1608	▼0.44%	1.1550	-	1.1650
GBPUSD	1.3395	1.3398	▼0.29%	1.3250	-	1.3500
AUDUSD	0.7107	0.7107	▼0.85%	0.7050	-	0.7180
DXY	99.3	--	+0.14%	98.7	-	100.0
USDCNY	6.8136	--	+0.20%	6.7600	-	6.8300
USDCNH	6.8169	6.8166	+0.26%	6.7600	-	6.8300
USDHKD	7.8333	7.8330	+0.04%	7.8150	-	7.8500
USDSGD	1.2823	1.2819	+0.28%	1.2730	-	1.2870
USDKRW	1512	1508	+0.00%	1495	-	1520
USDTWD	31.66	--	+0.33%	31.50		31.90
USDINR	96.54	--	+0.19%	96.10	-	97.10
USDIDR	17705	--	+0.28%	17550	-	17800
USDMYR	3.977	3.9790	+0.05%	3.950		4.000
USDPHP	61.75	--	+0.01%	61.30	-	62.20
USDTHB	32.65	32.69	+0.02%	32.4	-	33.0
USDVND	26357	26357	+0.00%	26200	-	26550

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.120	4.667	7.4	7.9
JGB (JP)	1.431	2.780	2.3	5.5
Bunds (GE)	2.755	3.191	4.9	4.4
Gilts (UK)	4.506	5.128	3.4	3.0
AGB (AU)	4.695	5.060	-5.6	-5.4
SGS (SG)	1.633	2.175	-0.8	0.1
CGB (CN)	1.255	1.743	-0.5	-0.7
KGB (KR)	3.606	4.219	0.5	-1.3
SDL (IN)	6.373	7.110	0.2	-2.1

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.62	184.6	▼0.26%
GBP/JPY	213.094	213.068	▼0.12%
JPY/SGD (100yen)	0.8061	0.8061	+0.16%
JPY/HKD (100yen)	4.9246	4.9255	▼0.10%
CNH/JPY	23.342	23.337	▼0.21%
CNH/HKD	1.1495	1.1495	▼0.18%
EUR/GBP	0.86643	0.8664	▼0.14%
AUD/NZD	1.2179	1.2183	▼0.18%
EUR/CNH	7.9119	7.9127	▼0.18%
GBP/CNH	9.1309	9.1329	▼0.03%
CNY/HKD	1.1495	1.1495	▼0.18%
EUR/HKD	9.0907	9.0925	▼0.40%
SGD/HKD	6.1095	6.1105	▼0.25%

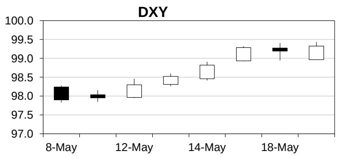
*Open is as at 8am HKT/SGT.

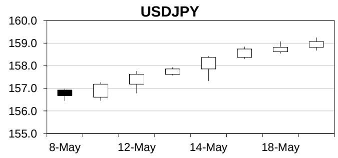
G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7353.61	-49.44	▼0.67%
Nasdaq (US)	25870.71	-220.02	▼0.84%
DJIA (US)	49363.88	-322.24	▼0.65%
N225 (JP)	60550.59	-265.36	▼0.44%
STOXX50 (EU)	5851.16	2.16	+0.04%

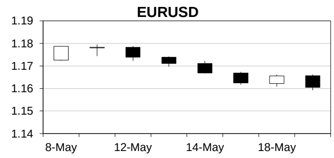
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5543.09	1.85	+0.03%
STI (SG)	5072.34	75.59	+1.51%
SHCOMP (CN)	4169.538	38.01	+0.92%
SZCOMP (CN)	2877.166	14.73	+0.51%
HSI (HK)	25797.85	122.67	+0.48%
SENSEX (IN)	75200.85	-114.19	▼0.15%
JSE (ID)	6370.679	-228.56	▼3.46%
KLSE (MY)	1727.27	-0.44	▼0.03%
PSE (PH)	5896.8	-44.72	▼0.75%
SET (TH)	1516.69	-1.05	▼0.07%
VNINDEX (VN)	1912.93	-0.01	▼0.78%

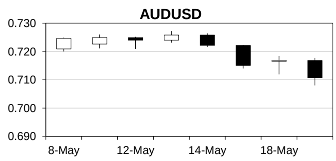
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,333.90	-198.28	▼1.47%
IRON ORE (CN)	109.66	-1.25	▼0.31%
GOLD	4,482.61	-84.06	▼1.84%
SILVER	73.73	0.09	+2.98%
OIL (BRENT)	111.28	-0.82	▼0.73%
OIL (WTI)	107.77	-0.89	▼0.82%
NATURAL GAS	3.11	-3.98	▼5.13%

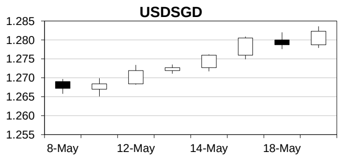
CHARTS

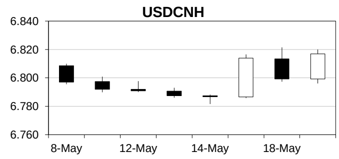


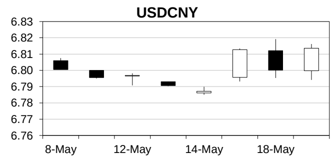


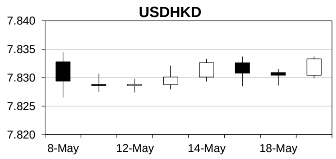


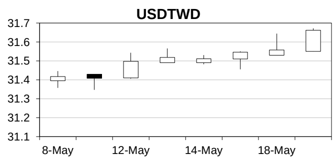


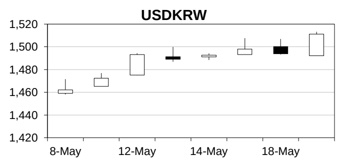


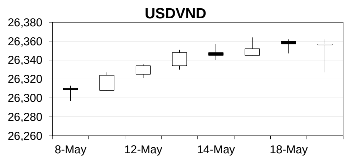


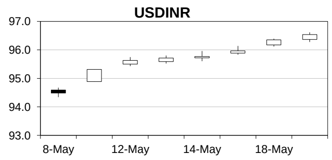


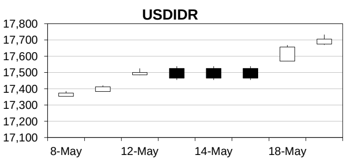


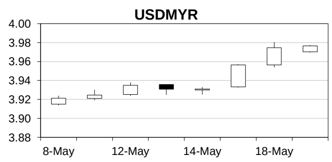


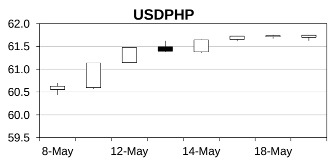


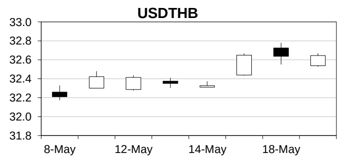


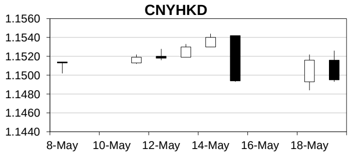


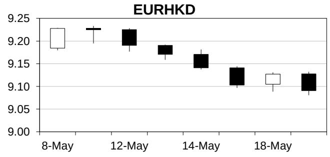


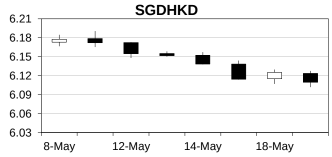


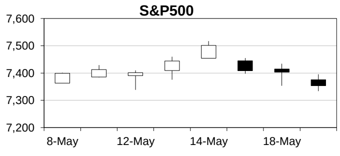


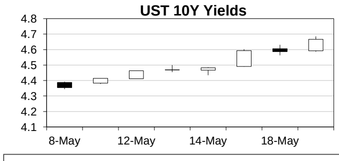


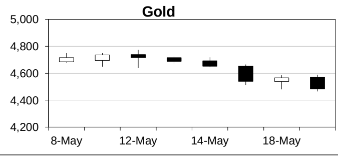


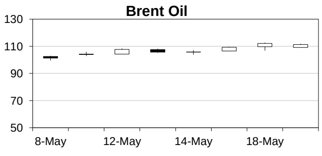












RESEARCH TEAM
Vishnu Varathan | Serena Zhou | Tan Boon Heng | Johnny Wong | Ng Jing Wen

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