Mizuho Daily

Jun 29, 2026

Three Take-Aways

1) US and Iran exchanged military strikes over the weekend. Traffic in Strait of Hormuz disrupted even if not halted amid disputes on routes and fees.

2) Fed officials flagged inflation worries but refrained from stating hawkish rate trajectory. Watch for Kevin Warsh's speech at ECB's forum on Wednesday.

3) Thailand current account deficit to narrow in May though unfavourable seasonal effects from repatriation and tourism lull imply a delayed return to surplus position.

MACRO THEME: Many Strikes, Not Out

- Following reports of a cargo vessel being struck by an unknown projectile, **US and Iran continue to trade strikes over the weekend**.

- Specifically, US targeted missile storage and radar installations on Friday in response to the strike on the cargo vessel.

- Iran targeted US bases in Bahrain as well as a Qatari oil tanker on Saturday. In response, US central command hit more of Iranian surveillance infrastructure as well as other military sites ranging from drone storage to minelayer capabilities.

- With the Joint Maritime Information Center raising the security threat level to substantial and expanding the MINE DANGER AREA in the Strait of Hormuz, **Brent crude prices rose higher.**

- Notably, with talks between US-Iran set to be held on Tuesday in Qatar, it has been reported that these attacks will be halted, in turn backstopping risks sentiments. Nonetheless, US equities slipping last Friday reflected the still cautious mood with semiconductor stocks leading losses.

- To be clear, the increase in oil prices despite on-going talks is not unexpected as disputes over the routes and possible fees is likely continue to impart a **marginal risk premium to oil** amid higher insurance costs and increase in logistical complexities.

Concerns, Not Over-Reaction

- Meanwhile, Minneapolis Fed President Neel Kashkari said that he is concerned on inflation on an impression of broader inflationary pressure in the economy which is not only tied to the Middle East.

- Despite his warnings on Iran's ability to honor the agreement and reactions of oil and fertiziliser markets and **pencilling in one rate hike, he said that he is not in a rush to hike** and **does not have more rate increases in 2027.**

- Similarly, Barkin said that inflation numbers are too high, though added that being modestly restrictive is a reasonable place to be.

- Across the Atlantic, **ECB's Schnabel warned that inflation expectations have increased though there are no signs of wage pressures**, alluding to risks of wage-price spirals.

- With the ECB Forum in Sintra this week (29 June to 1 July), markets will have another chance to parse through **Fed Chair Kevin Warsh views on Wednesday.**

- At such a platform, it will not be unexpected of him to re-iterate the issues which his task forces are working on such as a smaller Fed balance sheet and the need to reform the Fed.

- In short, markets ought to be embracing hawkish vibes, though allusions to Greenspan considering his recent passing will continue to invite a wide spectrum of interpretation.

AI - Investments, Liquidity and Leverage

- In Korea**, President Lee is set to announce substantial investments from major conglomerates** today. These investments range from semiconductor fabs, chip packaging plants to NAND plants.

- These investments will provide further **impulse** to somewhat subdued aggregate **GDP growth** as well as encourage conversion of USD proceeds from their global earnings to fund capital expenditure, in turn providing a **modest backstop for the KRW** in the **medium term**.

- While real economic gains are touted from AI, markets remain cautious on equities fueled by the AI boom **as liquidity and leverage risks interact.**

- From the US to North Asia, markets and the authorities are increasingly concerned over the leverage financing that has driven the equities boom as domestic investors drive local bourses to record highs.

- Meanwhile, as the **risk mood softens, OpenAI is said to be considering a delay in their IPO** which would also imply a **delay in fund raising for their capex funding** with effects propagating downstream.

- Furthermore, increasing US intervention in the release of AI models may also raise questions on revenue growth as products are being restricted.

***Yields** (2Y: -3.1bp; 10Y: -2.3bp; 30Y: +0.4bp)*

***Equities** (Nasdaq: -0.2%; S&P500: +0.0%; Dow: -0.1%)*

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

Thailand Current Account: Seasonal Effects Weigh on Recovery

- **Thailand's current account deficit is likely to narrow** from the dismal US$7.6bn deficit in April to around US$3bn in May.

- Customs data revealed a **much smaller goods trade deficit** in May of US$5.7bn from US$10bn in April on stronger demand for computers, servers and parts and lower expenditure on fuel as global oil prices soften and energy needs may have been frontloaded.

- Nonetheless, on the services front, **visitor arrivals are a tad softer** (-0.9% MoM) in May reflecting in part seasonal effects and increase in travel costs even though the broader tourism recovery remains intact (3.5% YoY).

- Primary and secondary income balances are also likely to see a bigger deficit on **repatriation of foreign earning on dividend season** which compounds onto the deficit.

- All in, while a current account deficit remains unwelcomed for the THB, headline pessimism should not be over-extended given that these seasonal effects will fade.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) U. of Mich. Sentiment/Expectations (Jun F)	49.5/50.7	50.0/49.5	48.9/49.3
(US) U. of Mich. 1/5-10Yr Inflation (Jun F)	4.6%/3.3%	4.6%/3.3%	4.6%/3.4%
(US) Wholesale Inventories MoM (May)	0.3%	0.4%	0.6%
(SG) Industrial Production YoY (May)	13.0%	17.5%	17.6%

Today	Actual	Exp.	Prior
(US) Dallas Fed Manf. Activity (Jun)		--	0.4
(JP) Retail Sales YoY (May)		3.4%	2.8%
ECB Forum on Central Banking in Sintra			
(IN) Industrial Production YoY (May)		3.6%	4.9%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	161.74	161.80	▼0.03%	159.80	-	163.00
EURUSD	1.1384	1.1386	+0.12%	1.1300	-	1.1500
GBPUSD	1.3200	1.3197	+0.06%	1.3100	-	1.3300
AUDUSD	0.6896	0.6896	▼0.20%	0.6850	-	0.6980
DXY	101.4	--	▼0.07%	101.0	-	102.0
USDCNY	6.8004	--	+0.04%	6.7300	-	6.8300
USDCNH	6.8049	6.8032	+0.05%	6.7300	-	6.8300
USDHKD	7.8419	7.8420	+0.02%	7.8150	-	7.8500
USDSGD	1.2940	1.2946	▼0.18%	1.2880	-	1.3050
USDKRW	1538	1535	+0.00%	1515	-	1550
USDTWD	31.88	--	+0.11%	31.40	-	32.00
USDINR	94.40	--	+0.00%	94.00	-	95.20
USDIDR	17918	--	▼0.04%	17800	-	18100
USDMYR	4.089	4.090	▼0.72%	4.040	-	4.140
USDPHP	61.30	--	▼0.02%	60.60	-	62.00
USDTHB	33.36	33.40	+0.03%	33.0	-	33.6
USDVND	26298	26300	▼0.08%	26100	-	26500

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.093	4.371	-3.1	-2.3
JGB (JP)	1.401	2.605	-0.7	-1.9
Bunds (GE)	2.514	2.850	-1.1	-0.6
Gilts (UK)	4.122	4.731	0.9	3.2
AGB (AU)	4.414	4.718	-0.7	-1.0
SGS (SG)	1.556	1.997	-1.3	-2.1
CGB (CN)	1.239	1.724	-0.2	-0.7
KGB (KR)	3.648	4.122	-0.9	-2.1
SDL (IN)	5.954	6.769	0.0	0.0

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.14	184.23	+0.10%
GBP/JPY	213.461	213.527	+0.01%
JPY/SGD (100yen)	0.8	0.8001	▼0.12%
JPY/HKD (100yen)	4.848	4.8471	+0.05%
CNH/JPY	23.783	23.792	▼0.08%
CNH/HKD	1.153	1.1533	▼0.04%
EUR/GBP	0.86265	0.86277	+0.09%
AUD/NZD	1.222	1.2225	▼0.11%
EUR/CNH	7.7478	7.7464	+0.18%
GBP/CNH	8.9809	8.9782	+0.10%
CNY/HKD	1.153	1.1533	▼0.04%
EUR/HKD	8.9276	8.9293	+0.15%
SGD/HKD	6.0605	6.0578	+0.18%

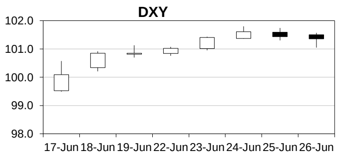
*Open is as at 8am HKT/SGT.

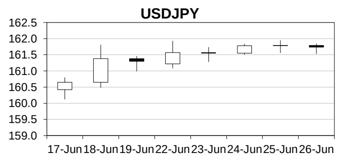
G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7354.02	-3.47	▼0.05%
Nasdaq (US)	25297.62	-60.98	▼0.24%
DJIA (US)	51876.11	-44.51	▼0.09%
N225 (JP)	69360.88	-3005.46	▼4.15%
STOXX50 (EU)	6221.55	-45.98	▼0.73%

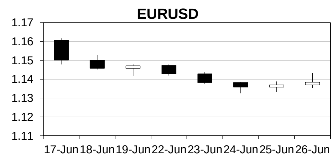
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5643.44	-10.74	▼0.19%
STI (SG)	5191.73	-27.23	▼0.52%
SHCOMP (CN)	4027.265	-93.02	▼2.26%
SZCOMP (CN)	2786.037	-90.08	▼3.13%
HSI (HK)	22671.86	-405.05	▼1.76%
SENSEX (IN)	77100.47	0.00	+0.00%
JSE (ID)	5896.134	-102.90	▼1.72%
KLSE (MY)	1667.74	3.92	+0.24%
PSE (PH)	6072.24	1.18	+0.02%
SET (TH)	1542.34	-16.21	▼1.04%
VNINDEX (VN)	1871.91	0.00	+0.47%

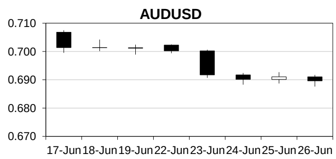
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,335.92	108.34	+0.82%
IRON ORE (CN)	100.26	-0.07	+0.31%
GOLD	4,088.74	62.01	+1.54%
SILVER	59.15	-0.02	▼0.49%
OIL (BRENT)	71.99	-3.27	▼4.34%
OIL (WTI)	69.23	-2.69	▼3.74%
NATURAL GAS	3.28	1.29	+2.23%

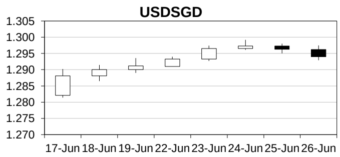
CHARTS

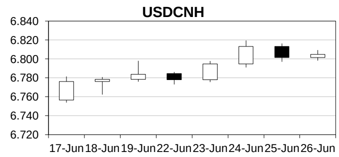


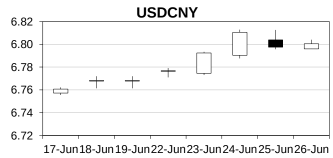


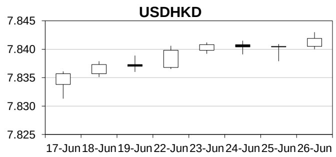


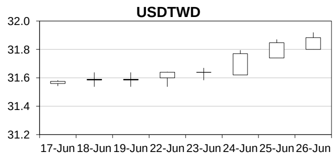


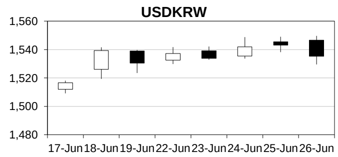


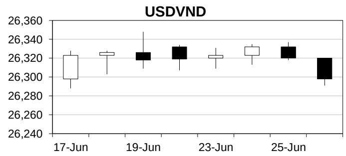


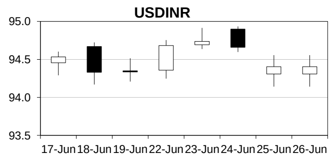


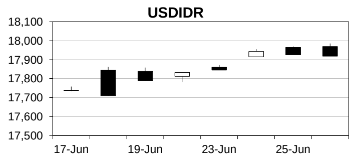


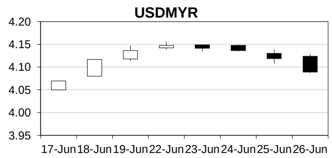


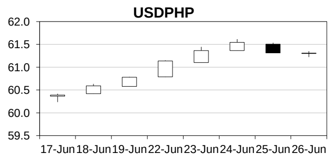


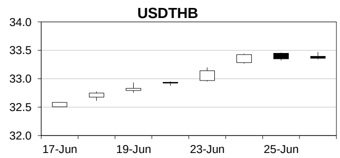


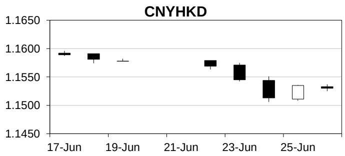


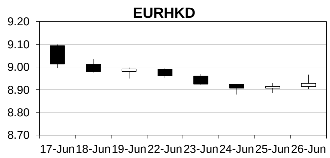


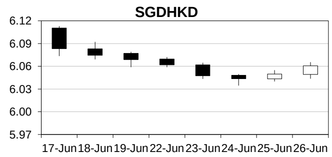


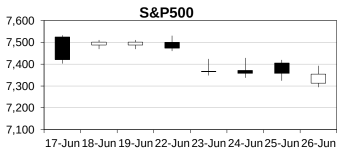


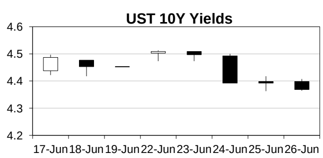


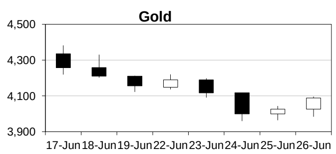


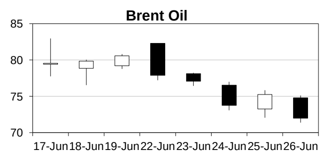












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