Mizuho Daily

Jul 02, 2026

Three Take-Aways

1) US markets weakened overnight, as new Fed Chairman Kevin Warsh offered little forward guidance on this month's FOMC meeting, but reiterated his preference for reducing the Fed's balance sheet over the longer term.

2) Despite ID's inflation uptick, there are limited signs of pressures broadening beyond food and transportation. We expect BI to continue prioritising rupiah stability with more rate hikes.

3) China's June PMI survey points to tentative stabilization in domestic sentiment follwoing an interim US-Iran deal, reducing the urgency for broad-based monetary easing in the near term.

MACRO THEME: No Forward Guidance

- US markets weakened overnight, as Treasury yields moved higher and equities closed in negative territory.

- At yesterday's ECB's annual forum, Fed Chairman Kevin Warsh noted that price risks have eased in recent weeks, while reiterating the Fed's commitment to returning inflation to its 2% target.

- Warsh did not specify which price indicators he was monitoring. However, the recent decline in US energy and gasoline prices has likely contributed to the improvement in the inflation outlook, particularly as the US and Iran remain engaged in peace talks.

- While his remarks could be interpreted in both ways, Warsh declined to provide any "forward guidance" on whether a rate hike could be considered at the upcoming FOMC meeting.

- He also reaffirmed his preference for the Fed to further reduce the size of its bond portfolio. That said, he emphasized that any such move would only proceed after extensive public communication and would take more than 18 weeks to implement.

Divided ECB

- Eurozone inflation eased more than expected in June (see table below), but the ECB remains divided on its next policy move.

- While some ECB officials remain concerned that conflict-driven inflation pressures could still feed through to wages, food and services prices, others are encouraged by the sharp fall in oil prices and see limited risk of major second-round effects.

***Yields** (2Y: +0.2bp; 10Y: +1.4bp; 30Y: +1.7bp)*

***Equities** (Nasdaq: -0.7%; S&P500: -0.2%; Dow: +0.0%)*

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

Indonesia June CPI: Food and Transport Lead Inflation Higher

- Indonesia's June CPI came in at 3.3% YoY and 0.4% MoM, with both prints slightly exceeding market consensus.

- The main drivers of the YoY and MoM prints remained concentrated in food and transportation.

- The Food, Beverage and Tobacco component contributed 0.06%-pt to the MoM, primarily driven by higher prices for shallots, garlic and rice. Seasonal demand during the June Holiday period supported food price increases, while garlic prices were further pressured by rising global freight costs. Meanwhile, supply bottlenecks across the country contributed to higher shallot and rice prices.

- Transportation contributed 0.3%-pt to the MoM print largely reflecting higher prices of unsubsidised fuel following two rounds of price adjustments during June. Air transport fares also rose as the government implemented a revised fuel surcharge framework.

- Despite the upside surprise, there are limited signs of inflation broadening beyond food- and transport-related components. Additionally, the government has lowered the prices of unsubsidised fuel by 7-15% from 1 July which could help ease transport-related inflation pressures in the coming months.

- With inflation remaining within BI's target, we expect BI to continue prioritising rupiah stability with rate hikes on the table should IDR vulnerabilities persist.

China: June PMI Brings Tentative Relief

- China's official manufacturing PMI surprised to the upside in June, rising to 50.3. Contrary to our expectation of production-led improvement, the stronger headline print was driven by firmer demand.

- The new orders sub-index rose to 51.2, from 49.9 in May, while the production sub-index only improved modestly.

- Trade-related indicators also improved in June. Notably, the new export orders index returned to expansionary territory at 50.1, suggesting better trade sentiment following the US-Iran interim ceasefire agreement.

- Beneath the headline, the sectoral breakdown was broadly constructive. High-tech, equipment and consumer goods manufacturing all registered a better result in June.

- Manufacturing of basic raw materials was the only segment suffering from persistent headwinds, with its PMI down to a year-low of 47.1.

- By enterprise size, the strongest improvement came from medium-sized manufacturers, whose PMI rose to 50.5, matching its previous peak. PMI readings for both large and small manufacturers softened in June, broadly consistent with the limited moderation seen in RatingDog manufacturing PMI, which eased to 51.7 in June.

- Non-manufacturing sentiment also outperformed expectations, defying expectations of a contraction and rising to 50.2 in June.

- The improvement was led by services, where the PMI climbed to a ten-month high of 50.4, supported by stronger activity in sectors such as telecommunications and information technology.

- Meanwhile, the construction PMI improved to 49.0, indicating eased contraction.

- Overall, the June PMI survey points to tentative stabilization in activity, **reducing the urgency for broad-based monetary easing in the near term**, particularly against a backdrop of increased risk of further Fed tightening.

- We therefore **expect policy support to remain measured and targeted, with the policy mix skewed toward fiscal measures**.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) ISM Manufacturing/Prices Paid (Jun)	53.3/73.0	53.9/77.5	54.0/82.1
(EZ) CPI/Core YoY (Jun P)	**2.8%/2.4%**	**3.0%/2.5%**	**3.2%/2.6%**
(JP) Tankan Large All Industry Capex Estimate	11.5%	11.0%	3.3%
(JP) Tankan Large Mfg Index/Outlook (2Q)	22/17	36/29	36/29
(AU) Building Approvals MoM (May)	-1.1%	0.0%	-3.4%
(CH) RatingDog China PMI Mfg (Jun)	51.7	52.0	51.8
(ID) CPI/Core YoY (Jun)	3.3%/2.8%	3.2%/2.6%	3.1%/2.6%
(ID) Exports/Imports YoY (May)	-5.7%/22.2%	3.5%/18.0%	22.0%/22.5%
(KR) Exports/Imports YoY (Jun)	70.9%/30.1%	60.9%/24.5%	53.4%/20.7%
Today	**Actual**	**Exp.**	**Prior**
(US) Change in Nonfarm Payrolls (Jun)		**115k**	**172k**
(US) Initial Jobless Claims		218k	215k
(US) Unemployment Rate (Jun)		4.3%	4.3%
(EZ) Uemployment Rate (May)		6.3%	6.3%
(SG) Purchasing Managers/Electr. Sector Index (Jun)		--	51.0/51.9
(AU) Trade Balance (May)		A$2175m	A$1791m
(KR) CPI/Ex Food and Energy YoY (Jun)	3.2%/2.5%	3.2%/2.6%	3.1%/2.5%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	162.58	162.55	+0.02%	161.00	-	163.50
EURUSD	1.1377	1.1378	▼0.39%	1.1350	-	1.1500
GBPUSD	1.3275	1.3279	+0.10%	1.3150	-	1.3350
AUDUSD	0.6893	0.6890	▼0.38%	0.6850	-	0.6960
DXY	101.4	--	+0.20%	100.5	-	102.0
USDCNY	6.7909	--	+0.06%	6.7500	-	6.8200
USDCNH	6.7947	6.7933	+0.04%	6.7500	-	6.8200
USDHKD	7.8438	7.8437	+0.01%	7.8200	-	7.8500
USDSGD	1.2956	1.2957	+0.14%	1.2870	-	1.3050
USDKRW	1555	1550	+0.00%	1540	-	1560
USDTWD	31.89	--	+0.12%	31.60		32.10
USDINR	95.25	--	+0.61%	94.00	-	95.20
USDIDR	17948	--	+0.37%	17800	-	18000
USDMYR	4.094	4.094	+0.24%	4.050		4.110
USDPHP	61.62	--	+0.44%	61.00	-	61.80
USDTHB	33.39	33.33	+0.50%	33.0	-	33.5
USDVND	26302	26305	▼0.03%	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)	4.177	4.480	0.2	1.4
JGB (JP)	1.391	2.700	3.7	2.7
Bunds (GE)	2.508	2.878	-1.6	2.0
Gilts (UK)	4.124	4.756	-2.4	0.0
AGB (AU)	4.467	4.787	4.4	6.5
SGS (SG)	1.566	2.057	0.9	3.6
CGB (CN)	1.248	1.736	1.4	1.1
KGB (KR)	3.654	4.102	0.0	0.0
SDL (IN)	5.967	6.756	-1.9	0.6

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.98	184.94	▼0.38%
GBP/JPY	215.829	215.844	+0.12%
JPY/SGD (100yen)	0.7968	0.7971	+0.11%
JPY/HKD (100yen)	4.824	4.8256	▼0.01%
CNH/JPY	23.93	23.935	▼0.12%
CNH/HKD	1.1551	1.155	▼0.04%
EUR/GBP	0.85703	0.85684	▼0.50%
AUD/NZD	1.2153	1.2141	▼0.27%
EUR/CNH	7.7306	7.7294	▼0.36%
GBP/CNH	9.0205	9.0208	+0.16%
CNY/HKD	1.1551	1.155	▼0.04%
EUR/HKD	8.9242	8.9246	▼0.38%
SGD/HKD	6.0549	6.0536	▼0.12%

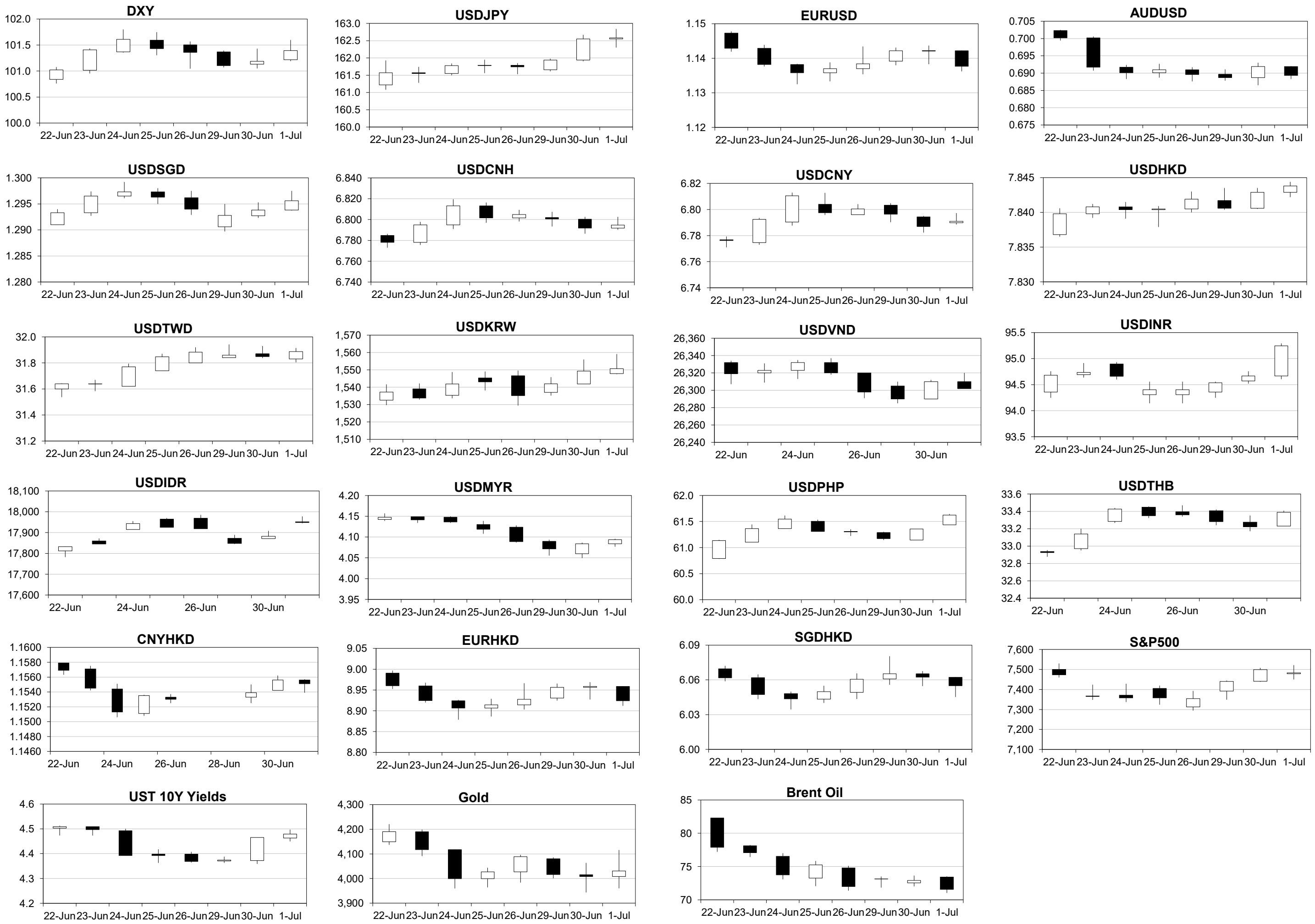
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7483.23	-16.13	▼0.22%
Nasdaq (US)	26040.03	-173.69	▼0.66%
DJIA (US)	52305.24	-13.96	▼0.03%
N225 (JP)	70474.96	412.64	+0.59%
STOXX50 (EU)	6282.5	-45.59	▼0.72%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5634.42	-0.63	▼0.01%
STI (SG)	5161.5	-9.15	▼0.18%
SHCOMP (CN)	4112.445	18.05	+0.44%
SZCOMP (CN)	2851.812	11.14	+0.39%
HSI (HK)	22881.02	0.00	+0.00%
SENSEX (IN)	76922.64	443.97	+0.58%
JSE (ID)	5695.116	51.92	+0.92%
KLSE (MY)	1656.83	-7.23	▼0.43%
PSE (PH)	6069.26	32.09	+0.53%
SET (TH)	1588.23	-3.01	▼0.19%
VNINDEX (VN)	1867.21	0.00	+0.39%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,249.24	-99.66	▼0.75%
IRON ORE (CN)	97.63	-2.42	▼2.56%
GOLD	4,030.65	22.63	+0.56%
SILVER	59.15	-0.05	▼1.68%
OIL (BRENT)	71.57	-1.35	▼1.85%
OIL (WTI)	68.58	-0.92	▼1.32%
NATURAL GAS	3.22	0.55	+0.93%

CHARTS



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