Mizuho Daily

Jul 03, 2026

Three Take-Aways

1) June's weak payrolls and downward revisions shifted markets toward growth concerns, weakening the dollar and supporting a front-end Treasury rally.

2) Yen strength was driven by a sudden squeeze in short-yen positions on renewed intervention risk.

3) Thailand's FY2027 budget aims for consolidation, but optimistic revenue assumptions and growth support trade-offs leave deficit risks skewed higher.

MACRO THEME: Payrolls Miss

- **June payrolls delivered a clear downside surprise** and shifted the market narrative from sticky inflation and Fed tightening toward a more conventional growth-scare framework.

- **Headline nonfarm payrolls rose just 57k, well below consensus of 113k, while April and May were revised down by a combined 74k, materially weakening the recent hiring trend.** The unemployment rate fell to 4.2%, but this was not a sign of labour-market strength. Instead, it reflected **a drop in labour-force participation to 61.5%, the lowest since 2021**.

- **The sector details also looked soft.** Private payrolls rose by only 49k, while leisure and hospitality shed 61k jobs, pointing to weaker seasonal hiring and **softer services-sector momentum, despite some short-term support from World Cup-related demand.** Wage growth was more benign, with average hourly earnings rising 0.3% MoM and 3.5% YoY, in line with expectations.

- The labour market appears to be shifting to slower hiring, even as employers continue to retain existing staff. **For the Fed, the report reduces the urgency to hike**. The market reaction was consistent with a dovish repricing. The US dollar weakened, while the front end of the Treasury curve rallied as near-term hike expectations were pared back.

A Sudden Squeeze in Yen Shorts

- The yen strengthened sharply yesterday, with USD/JPY retreating from the 162.5 area toward 161 level.

- The immediate trigger was a **Reuters report suggesting that the MoF may shift toward intervening without its usual pre-signalling**, raising the risk for investors holding short-yen positions.

- The move was amplified by the fact that USD/JPY had recently traded around levels associated with previous intervention episodes, keeping traders highly sensitive to the risk.

- **Notably, Japanese officials have so far not commented on today's sharp decline in USD/JPY**, leaving markets to interpret the move mainly through the lens of intervention risk rather than any confirmed policy action.

- That said, the sudden yen strength came as a surprise, and its **durability remains uncertain**. US-Japan rate differentials remain wide, carry demand is still intact, and sustained yen appreciation would likely require a more hawkish shift from the BoJ.

***Yields** (2Y: -3.9bp; 10Y: +0.5bp; 30Y: +1.5bp)*

***Equities** (Nasdaq: -0.8%; S&P500: +0.01%; Dow: +1.1%)*

***FX** (DXY: -0.5%)*

Thailand Budget FY2027: A Brief Look at Projections

- Thailand's FY2027 budget targets consolidation but they may underdeliver, with **deficit risks skewed to the upside** as revenue assumptions, particularly for personal income taxes, appear optimistic.

- **Revenue execution is the key vulnerability**, with projected 13% growth in personal income taxes setting a high bar even as reforms ought to enable better than expected outturns from previous years, while the expected rebound in indirect taxes remains contingent on consumption and tourism strength.

- Spending restraint provides only partial offset, as modest expenditure growth and continued compression in public investment risk undermining growth support, raising the likelihood of fiscal slippage above the 3.9% target.

- **Market implications skew toward higher term premia and a tentative THB recovery**, with fiscal slippage risks reinforcing a **bearish bias at the long end of the curve**, while THB appreciation is likely to remain episodic and contingent on external inflows and vulnerable to volatile risk sentiments amid wild swings in gold prices.

Vietnam: Goldilocks and Hot Porridge

- **Vietnam's 2Q GDP is expected to grow around 7.4% YoY**, supported by resilient manufacturing and services activity. The moderation from 1Q's 7.8% growth likely reflects a softer trade balance, as imports of technology and electronic components surged.

- The rise in imports is not necessarily a concern, as it likely reflects demand from the semiconductor cycle and investment-related capex. Consistent with this, **industrial production grew more than 9% YoY on average in April–May. FDI inflows remain healthy**, although slower growth in disbursements relative to commitments suggests investment momentum may be normalizing.

- Domestic demand remains robust, with **retail sales averaging nearly 12% YoY growth** over April–May, supported by consumer spending and tourism-related services. Tourism continues to recover strongly, **with visitor arrivals rising 19.7% YoY over April–May**, led by Asian and Russian tourists.

- **The key risk is a shift from a Goldilocks environment toward overheating**, as core inflation remains firm despite subdued headline inflation due to lower fuel prices.

- **Policymakers continue to target 10% GDP growth**, but have acknowledged that retail sales and international visitor arrivals remain below official targets. The growth push is also evident in the SBV's calls for lower lending rates and proposals to ease funding rules.

- Overall, near-term data should remain supportive, though **overheating risks, financial stability concerns and El Niño-related impacts** warrant close monitoring.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Change in Nonfarm Payrolls (Jun)	**57k**	**113k**	**172k**
(US) Initial Jobless Claims	215k	218k	215k
(US) Unemployment Rate (Jun)	4.2%	4.3%	4.3%
(EZ) Uemployment Rate (May)	6.2%	6.3%	6.3%
(SG) Purchasing Managers/Electr. Sector Index (Jun)	51.3/52.2	--	51.0/51.9
(AU) Trade Balance (May)	-A$3018m	A$2175m	A$1791m
(KR) CPI/Ex Food and Energy YoY (Jun)	**3.2%/2.5%**	**3.2%/2.6%**	**3.1%/2.5%**
Today	**Actual**	**Exp.**	**Prior**
(CH) RatingDog China PMI Services (Jun)		53.0	54.4
(VN) Trade Balance (Jun)		-$2250m	-$5210m
(VN) Exports/Imports YoY (Jun)		20.0%/35.0%	18.0%/33.8%
(VN) Industrial Production/Retail Sales YoY (Jun)		--	8.8%
(VN) GDP YoY (2Q)		7.0%	7.8%
(VN) CPI YoY (Jun)		5.5%	5.6%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	161.11	161.44	▼0.90%	161.00	-	163.50
EURUSD	1.1432	1.1423	+0.48%	1.1350	-	1.1500
GBPUSD	1.3346	1.3339	+0.53%	1.3150	-	1.3350
AUDUSD	0.6922	0.6915	+0.42%	0.6850	-	0.6960
DXY	100.9	--	▼0.53%	100.5	-	102.0
USDCNY	6.7849	--	▼0.09%	6.7500	-	6.8200
USDCNH	6.7888	6.7895	▼0.09%	6.7500	-	6.8200
USDHKD	7.8426	7.8429	▼0.02%	7.8200	-	7.8500
USDSGD	1.2927	1.2927	▼0.22%	1.2870	-	1.3050
USDKRW	1546	1538	+0.00%	1520	-	1560
USDTWD	31.93	--	+0.13%	31.60		32.10
USDINR	95.40	--	+0.16%	94.00	-	95.50
USDIDR	17994	--	+0.26%	17800	-	18100
USDMYR	4.081	4.081	▼0.32%	4.050		4.110
USDPHP	61.57	--	▼0.09%	61.00	-	61.80
USDTHB	33.30	33.23	▼0.26%	33.0	-	33.5
USDVND	26291	26293	▼0.04%	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)	4.138	4.485	-3.9	0.5
JGB (JP)	1.386	2.700	-0.5	0.0
Bunds (GE)	2.495	2.903	-1.3	2.5
Gilts (UK)	4.116	4.775	-0.9	1.9
AGB (AU)	4.481	4.821	1.4	3.4
SGS (SG)	1.571	2.077	0.3	2.0
CGB (CN)	1.241	1.739	-0.7	0.3
KGB (KR)	3.726	4.206	0.0	0.0
SDL (IN)	5.930	6.718	-3.7	-3.8

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.17	184.4	▼0.44%
GBP/JPY	215.012	215.345	▼0.38%
JPY/SGD (100yen)	0.8019	0.8007	+0.64%
JPY/HKD (100yen)	4.8675	4.8581	+0.90%
CNH/JPY	23.733	23.79	▼0.82%
CNH/HKD	1.1558	1.1557	+0.06%
EUR/GBP	0.85653	0.85632	▼0.06%
AUD/NZD	1.2151	1.2149	▼0.02%
EUR/CNH	7.7615	7.7553	+0.40%
GBP/CNH	9.0603	9.0565	+0.44%
CNY/HKD	1.1558	1.1557	+0.06%
EUR/HKD	8.9659	8.9586	+0.47%
SGD/HKD	6.0691	6.0671	+0.23%

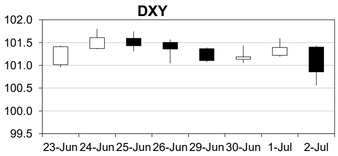
*Open is as at 8am HKT/SGT.

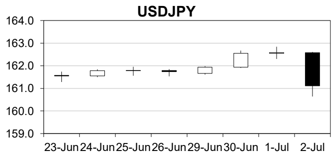
G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7483.24	0.01	+0.00%
Nasdaq (US)	25832.67	-207.36	▼0.80%
DJIA (US)	52900.07	594.83	+1.14%
N225 (JP)	68733.15	-1741.81	▼2.47%
STOXX50 (EU)	6360.47	77.97	+1.24%

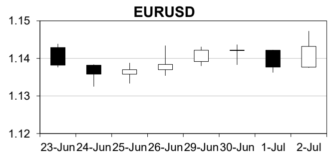
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5719.53	85.11	+1.51%
STI (SG)	5217.15	55.65	+1.08%
SHCOMP (CN)	4028.904	-83.54	▼2.03%
SZCOMP (CN)	2771.62	-80.19	▼2.81%
HSI (HK)	23055.03	174.01	+0.76%
SENSEX (IN)	77502.12	579.48	+0.75%
JSE (ID)	5744.556	49.44	+0.87%
KLSE (MY)	1661.83	5.00	+0.30%
PSE (PH)	6125.72	56.46	+0.93%
SET (TH)	1593.56	5.33	+0.34%
VNINDEX (VN)	1866.35	0.00	▼0.05%

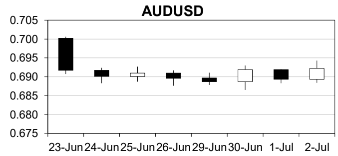
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,287.60	38.36	+0.29%
IRON ORE (CN)	98.34	-1.61	+0.73%
GOLD	4,122.35	91.70	+2.28%
SILVER	60.91	-0.02	▼0.75%
OIL (BRENT)	71.80	0.23	+0.32%
OIL (WTI)	68.69	0.11	+0.16%
NATURAL GAS	3.20	1.77	+2.99%

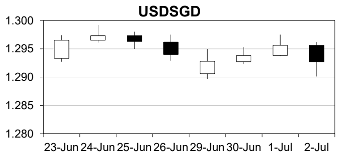
CHARTS

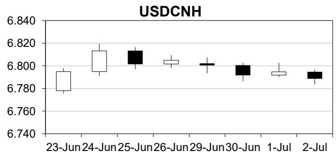


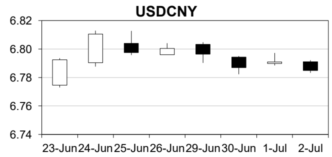


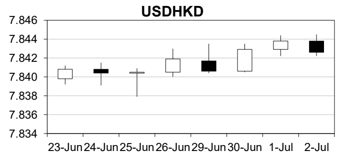


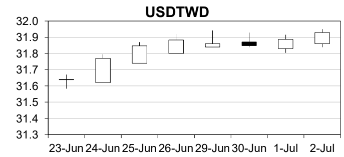


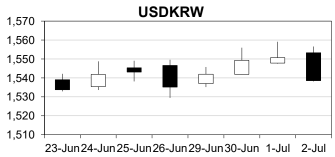


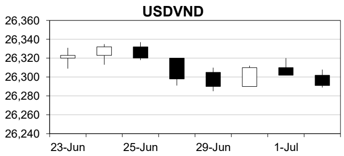


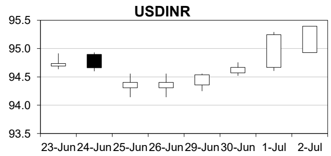


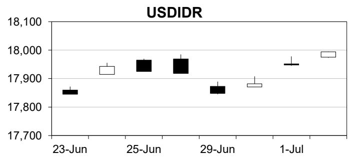


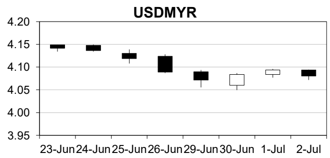


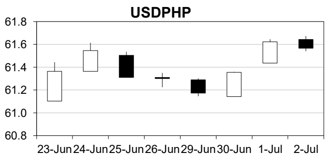


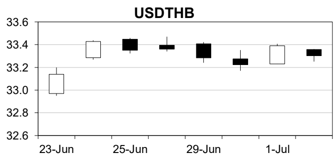


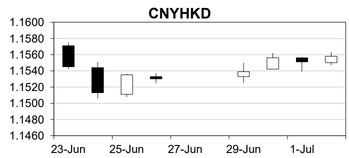


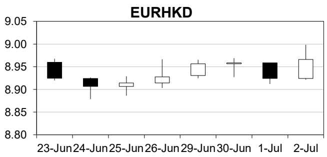


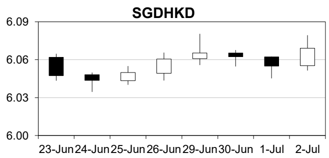


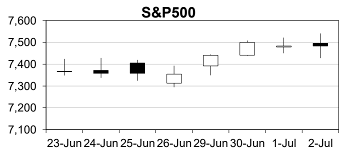


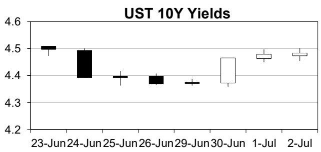


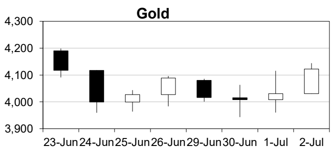


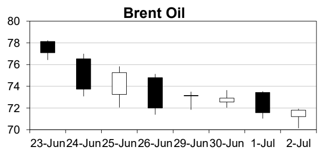












RESEARCH TEAM
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