Mizuho Daily

Jul 14, 2026

Three Take-Aways

1) Trump's Hormuz toll and renewed US-Iran strikes sharply lifted disruption risks, driving a jump in oil prices and war-risk premium.

2) Waller's hawkish shift makes June CPI a key trigger for July hike pricing, keeping USD and real yields supported.

3) GPIF reallocation talk may slow JPY selling, but rate differentials, energy shocks and geopolitical outflow risks still limit JPY upside.

MACRO THEME: A 20% Toll

- Middle East risk has moved back to the centre of global markets after the **US launched a third consecutive night of strikes on Iran**, targeting air defences, coastal radar, missile and drone capabilities, and small boats.

- The **bigger market shock** came from Trump's decision to reinstate a **blockade on Iranian ships** transiting the Strait of Hormuz and **impose a 20% toll on other cargo using the waterway**.

- Iran's retaliation, including reported missile strikes on UAE tankers and US naval supply infrastructure, has raised the **risk of a prolonged disruption**.

- Oil markets reacted sharply, with **WTI surging 9.4% to US$78.1/bbl** and **Brent rising 9.6% to US$83.3/bbl**, as disruption risks around the Strait of Hormuz lifted the war-risk premium embedded in crude prices.

Waller Puts Near-term Hike Back in Play

- Fed Waller's hawkish pivot has put this week's June CPI firmly at the centre of the rates debate. His warning that another **hot core inflation print could require the FOMC to consider tightening "in the near term"** marks a meaningful shift in communication, especially as his concern is focused on core inflation rather than the recent Iran-driven energy shock.

- Markets responded by treating the **July FOMC as a live meeting**, with futures implying roughly a 45% probability of a hike. The repricing was evident in front-end Fed funds selling, a firmer USD, and higher US real yields.

- The key market takeaway is that the **CPI risk has become asymmetric.** One softer print may not be enough to fully unwind hike pricing, given Waller's emphasis that several months of lower core inflation would be needed to restore confidence.

- By contrast, another firm core reading could validate the hawkish repricing and lift terminal-rate expectations further.

- The Middle East oil shock complicates the inflation backdrop, but the Fed's focus remains on whether core services and broader underlying price pressures are re-accelerating. **This leaves the USD supported, real yields elevated, and risk assets vulnerable into CPI.**

Yields *(2Y: +7.6bp; 10Y: +6.3bp; 30Y: +4.4bp)*

Equities *(Nasdaq: -1.6%; S&P500: -0.8%; Dow: -0.3%)*

FX *(DXY: +0.3%)*

JPY: Stalling Bears, Not Seducing Bulls

- **FinMin Katayama flagging potential for GPIF** and other Japanese real money **reallocation (back) to JPY assets** may merely **stall JPY bears, not seduce the bulls**.

- To be sure, **GPIF re-allocation**, unleashes *compelling, fundamental, real (money) forces* **that will eventually underpin** the **JPY**.

- But nevertheless, the **JPY may remain challenged**, if not compromised by the intervening triple whammy of;

(a) Dynamic shifts in rate differentials/policy gaps that are **disadvantageous to JPY**, which *prolong JPY (and JGB) pain, deferring re-allocation* back to Japanese fixed income;

(b) Adverse energy shocks and accompanying financial liabilities/risk re-pricing that **pressure the external/BOP position**, along with the JPY and;

(c) Further geo-economic stress on JPY involving **extractive US global trade-security assaults on JPY**, including from lumpy and substantial outflows to "Pay America".

- Conceivably, the **GPIF may choose to time allocations strategically rather than impulsively swim against the tide** of **conspiring JPY and JGB pressures**, diluting any imminent backstop.

- For now, it **may take an exogeneous tail wind** – from a sharp dovish Fed inflection and/or de-escalation in geoeconomic risks – **to resoundingly boost the JPY**.

Malaysia State Elections: Stability Preferred

- Barisan Nasional (BN) secured a super majority at the Johor state elections winning 48 of 56 seats while the ruling party Pakatan Harapan's (PH) won 8 seats. While BN's win has renewed chatter on instability at the federal level, stability remains the likely preferred outcome at multiple levels.

- First, the results are arguably unsurprising given that Johor is known to be a BN stronghold amid personality and incumbent effects and as such, overconfidence ought to be checked.

- Second, with state level results not necessarily translating to the federal levels, BN may be in fact be reluctant to push for an early GE16 to avoid negative perceptions of triggering political instability which would then favour the incumbent. This is especially so with other parties losing their seats in the Johor state elections along with several candidates losing their deposits.

- Third, given these results, PM Anwar could potentially find it more favourable to continue the term of government allowing various economic initiatives to take effect rather than engender domestic instability amid global headwinds.

- On balance, these results imply marginal compression of the MYR risk premium in part due to post election clarity.

- Admittedly, even as the MYR may enjoy modest post state election backstop, the 1 August Negeri Sembilan state election poses another bump with political uncertainties.

- Potential political miscalculations though remain a tail risk to watch for.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(IN) CPI YoY (Jun)	4.4%	4.2%	3.9%
(IN) Exports/Imports YoY (Jun)	15.5%/31.0%	--	18.0%/20.6%
Today	**Actual**	**Exp.**	**Prior**
(US) CPI/Core YoY (Jun)		3.8%/2.9%	4.2%/2.9%
(US) Real Avg Weekly Earnings YoY (Jun)		--	-0.5%
(JP) Industrial Production MoM (May F)		--	0.5%
(IN) Wholesale Prices YoY (Jun)		9.2%	9.7%
(CH) Exports/Imports YoY (Jun)		19.0%/26.1%	19.4%/27.4%
(SG) GDP YoY/SA QoQ (2Q A)		5.5%/1.3%	6.0%/1.0%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	162.43	162.43	+0.46%	160.90	-	163.30
EURUSD	1.1381	1.1383	▼0.31%	1.1300	-	1.1470
GBPUSD	1.3348	1.3348	▼0.42%	1.3300	-	1.3490
AUDUSD	0.6918	0.6918	▼0.52%	0.6890	-	0.6990
DXY	101.2	--	+0.28%	100.3	-	101.5
USDCNY	6.7802	--	+0.08%	6.7500	-	6.8200
USDCNH	6.7851	6.7846	+0.05%	6.7500	-	6.8200
USDHKD	7.8377	7.8376	▼0.01%	7.8200	-	7.8500
USDSGD	1.2945	1.2945	+0.23%	1.2850	-	1.3000
USDKRW	1497	1498	+0.00%	1490	-	1520
USDTWD	32.20	--	+0.02%	31.90		32.40
USDINR	95.62	--	+0.31%	94.70	-	95.90
USDIDR	18105	--	+0.28%	17950	-	18200
USDMYR	4.070	4.071	▼0.07%	4.050		4.100
USDPHP	61.58	--	+0.10%	61.20	-	62.20
USDTHB	33.35	33.50	+0.09%	33.2	-	33.6
USDVND	26256	26257	▼0.05%	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)	4.285	4.625	7.6	6.3
JGB (JP)	1.439	2.776	2.1	4.4
Bunds (GE)	2.645	3.107	0.0	4.3
Gilts (UK)	4.347	4.970	12.8	9.9
AGB (AU)	4.477	4.859	2.5	2.3
SGS (SG)	1.595	2.137	2.2	2.0
CGB (CN)	1.243	1.735	0.6	0.4
KGB (KR)	3.640	4.225	0.0	0.0
SDL (IN)	6.150	6.731	3.5	1.7

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7515.34	-60.05	▼0.79%
Nasdaq (US)	25873.18	-408.43	▼1.55%
DJIA (US)	52498.64	-138.37	▼0.26%
N225 (JP)	67242.73	-1315.00	▼1.92%
STOXX50 (EU)	6271.02	1.05	+0.02%

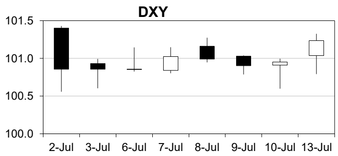
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,487.86	69.31	+0.52%
IRON ORE (CN)	98.44	0.21	▼0.36%
GOLD	4,002.39	-117.54	▼2.85%
SILVER	57.66	-0.04	▼1.46%
OIL (BRENT)	83.30	7.29	+9.59%
OIL (WTI)	78.14	6.73	+9.42%
NATURAL GAS	2.90	-2.21	▼3.69%

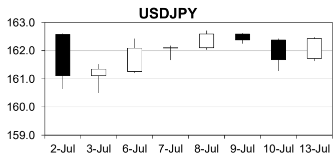
Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.92	184.89	+0.20%
GBP/JPY	216.807	216.812	+0.02%
JPY/SGD (100yen)	0.7968	0.797	▼0.24%
JPY/HKD (100yen)	4.8246	4.8252	▼0.48%
CNH/JPY	23.948	23.957	+0.37%
CNH/HKD	1.1561	1.156	▼0.07%
EUR/GBP	0.85275	0.85279	+0.08%
AUD/NZD	1.2031	1.2004	▼0.27%
EUR/CNH	7.7229	7.7229	▼0.26%
GBP/CNH	9.0557	9.0561	▼0.35%
CNY/HKD	1.1561	1.156	▼0.07%
EUR/HKD	8.9211	8.9215	▼0.32%
SGD/HKD	6.0549	6.0545	▼0.25%

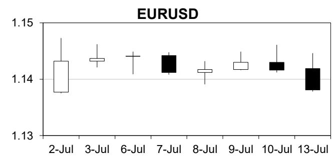
*Open is as at 8am HKT/SGT.

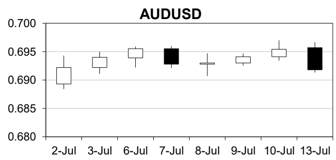
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5646.05	1.45	+0.03%
STI (SG)	5470.34	1.05	+0.02%
SHCOMP (CN)	3913.794	-82.37	▼2.06%
SZCOMP (CN)	2568.093	-107.40	▼4.01%
HSI (HK)	24213.72	38.60	+0.16%
SENSEX (IN)	77616.4	47.01	+0.06%
JSE (ID)	6037.842	113.48	+1.92%
KLSE (MY)	1698.44	6.95	+0.41%
PSE (PH)	6265.72	-20.98	▼0.33%
SET (TH)	1627.9	6.35	+0.39%
VNINDEX (VN)	1800.54	-0.02	▼1.52%

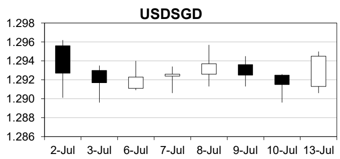
CHARTS

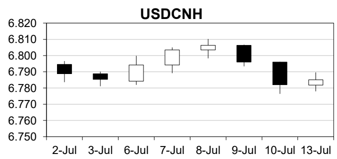


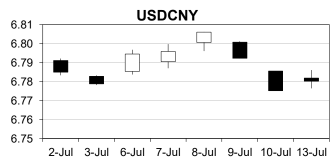


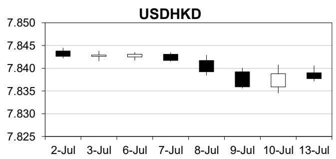


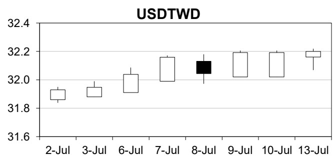


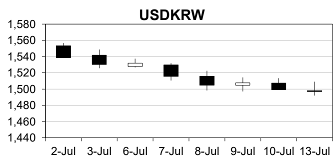


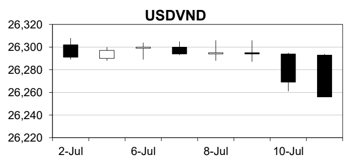


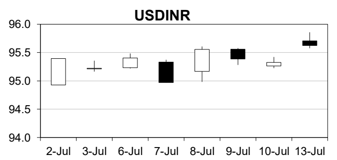


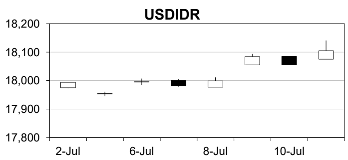


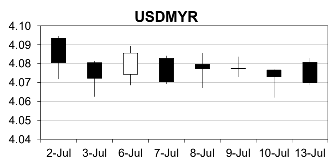


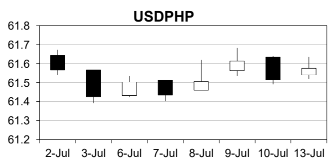


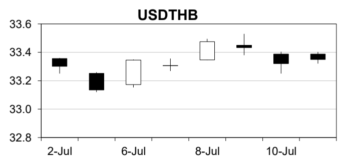


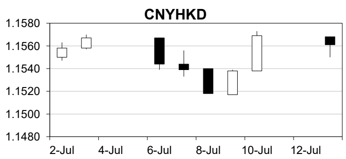


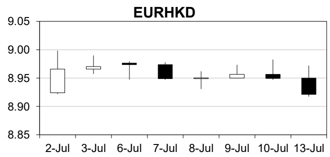


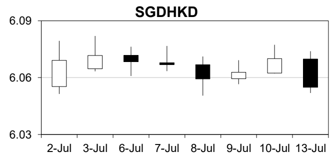


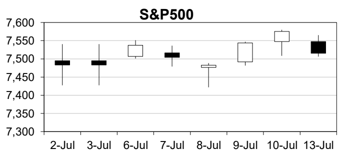


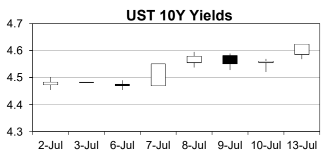


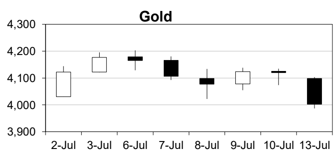


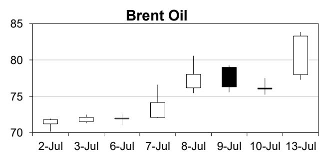












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