Mizuho Daily

Jul 16, 2026

Three Take-Aways

1) Softer-than-expected US PPI data reinforced the disinflation narrative and reduced expectations of a July Fed rate hike, supporting equities while pressuring UST yields and the dollar.

2) Fed officials remain divided, reflecting uncertainty over whether AI-driven demand and Middle East-related supply shocks will keep inflation elevated.

3) The escalating US-Iran conflict continues to pose a material upside risks to energy prices, with sustained disruptions potentially reversing recent disinflation trend, complicating both monetary and fiscal policy decisions.

MACRO THEME: Fragile Disinflation

- US equities advanced while UST yields and the dollar declined on softer-than-expected June PPI data.

- PPI data came in under expectations and showed signs of deceleration in both headline and core prints, driven largely by lower energy prices. On a MoM basis, final demand goods prices declined 1.4% with nearly two-thirds of the decline attributable to a 12% drop in gasoline prices.

- Meanwhile, final demand services prices were firmer and rose 0.2% with more than 60% of the increase stemming from higher trade services margins. Fuel and lubricant retailing margins accounted for roughly half of the advance, highlighting pockets of persistence beneath the softer headline readings.

- This has prompted markets to further scale back expectations of a July Fed rate hike. That said, the data largely reflects conditions before the current Hormuz flare-up, which may prove less durable should oil prices remain elevated.

Fed: Mixed Signals

- Overnight, Fed officials offered differing views.

- Fed Chair Warsh downplayed AI-related price increases as necessarily inflationary, arguing a one-time price adjustment can be offset by a supply response, and differs from geopolitical shocks, which tend to constrain supply. While acknowledging near-term price pressures, he said the Fed will debate whether these prove persistent.

- In contrast, Governor Cook struck a more hawkish tone, saying the balance of risks has shifted toward inflation as AI capex and Middle East-linked supply shocks persist, and that she is "prepared to act" absent clearer evidence of disinflation.

- Meanwhile, New York Fed President Williams characterised monetary policy as "well positioned", noting that prices for energy and related goods have peaked. He expects inflation to moderate, allowing rates to eventually move lower.

Continued Hormuz Escalation

- While markets welcomed softer inflation data, ongoing tensions in the Middle East remain an upside risk to energy prices and inflation expectations with oil prices supported near US$85/barrel.

- The US launched more airstrikes on Iran, hitting missile storage and launch sites near Hormuz, marking the fifth consecutive day of attacks.

- Trump said Iran wants to meet for talks even as Tehran has not confirmed this, while VP Vance ruled out ground troops but described the strategy as combining economic leverage with military pressure.

- The International Maritime Organisation warned Hormuz remains too dangerous for commercial transit and the European Union Aviation Safety Agency reinstated guidance for airlines to avoid airspace of countries in the Middle East amid the flare-up.

- Iran has signaled Hormuz will remain effectively contested until its conditions are met. While stopping short of formally withdrawing from its existing agreement commitments, Tehran stated it has "no reason to remain committed" if it derives no benefit from the arrangement.

- With the administration's recent notification to Congress triggering a fresh 60-day authorisation window for military operations and Congressional Republicans pushing to fund a potentially extended campaign, risks appear skewed toward a protracted disruption rather than a rapid resolution.

***Yields** (2Y: -5.9bp; 10Y: -4.2bp; 30Y: -2.6bp)*

***Equities** (Nasdaq: +0.6%; S&P500: +0.4%; Dow: +0.3%)*

***FX** (DXY: -0.4%)*

Oil Shock: Elusive Relief & Illusory Comfort

- Imminent and comprehensive oil shock relief remains **elusive** given a **highly-unstable "Iran -Hormuz crisis"**, prone to *non-linear escalation* and *compounding pain.*

- In fact, *regardless of "Iran-Hormuz" news cycle,* **effective relief from off-peak crude prices** is exaggerated, if not overwhelmingly **illusory**.

- Point being, the ***known*, unprecedented supply cushion nearing exhaustion may inevitably give way to unknown supply/incentive shifts** that may be *less sanguine.* Specifically, it will be **hard to reproduce**, and **harder to sustain**, the **perfect coincidence of;**

a. bloated oil-on-water;

b. record global strategic reserve drawdown and;

c. exceptional "China shock absorption"

- Worse yet, **as the "Iran-Hormuz" crisis prolongs**, **snowballing pressures for inescapable payback** threaten to **intensify late-stage pain** (price shock) *as cushion flips on replenishment.*

- What's more, **exceptionally elevated "delivery premium"** (from *shipping* and *insurance*) mean **effectively delivered barrels** are **considerably more expensive *than "on-screen" crude*.**

- Crucially, unusually **exorbitant cracks**, (even for conflict), further **significantly amplify** – doubles in the case of diesel – the ***ultimate energy shock*** (that matters for the real economy).

- Inevitably, this may result in *sharper policy trade-offs* (both fiscal and monetary) and potentially entail *further pipeline risk re-pricing* (potentially more acutely for EM Asia).

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Empire Manufacturing (Jul)	15.6%	9.2	5.7
(US) PPI Final Demand/Ex Food and Energy Y	5.5%/4.7%	6.2%/5.1%	6.0%/4.6%
(EZ) Industrial Production WDA YoY (May)	-1.2%	-0.4%	0.4%
(JP) Core Machine Orders YoY (May)	-1.9%	12.3%	15.6%
(JP) Tertiary Industry Index MoM (May)	1.1%	0.4%	1.3%
(US) Fed Releases Beige Book			
(CH) GDP YoY (2Q)	**4.3%**	**4.5%**	**5.0%**
(CH) Industrial Production/Retail Sales YoY	5.3%/1.0%	4.6%/-0.1%	4.5%/-0.6%
(CH) New/Used Home Prices MoM (Jun)	-0.15%/-0.32%	--	-0.20%/-0.26%
(CH) FAI/Property Investment YTD YoY (J	-5.7%/-18.0%	-5.0%/-16.8%	-4.1%/-16.2%
(KR) Unemployment Rate SA (Jun)	2.7%	2.8%	2.8%
Today	**Actual**	**Exp.**	**Prior**
(US) Initial Jobless Claims		--	215k
(US) Philadelphia Fed Business Outlook (Jul)		--	1030.0%
(US) Retail Sales Adv/Ex Auto and Gas MoM (Jun)		0.3%/0.5%	0.9%/0.5%
(EZ) Trade Balance SA (May)		--	1.3b
(KR) BOK Base Rate	**2.75%**	**2.75%**	**2.50%**

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	162.19	162.07	▼0.04%	160.90	-	163.30
EURUSD	1.1463	1.1470	+0.38%	1.1390	-	1.1400
GBPUSD	1.3540	1.3540	+1.12%	1.3450	-	1.3460
AUDUSD	0.7004	0.7009	+0.42%	0.6950	-	0.7050
DXY	100.5	--	▼0.43%	99.9	-	101.1
USDCNY	6.7682	--	▼0.05%	6.7500	-	6.8200
USDCNH	6.7687	6.7670	▼0.08%	6.7500	-	6.8200
USDHKD	7.8390	7.8385	+0.02%	7.8200	-	7.8500
USDSGD	1.2890	1.2885	▼0.17%	1.2820	-	1.2950
USDKRW	1486	1487	+0.00%	1475	-	1500
USDTWD	32.21	--	+0.05%	32.00		32.40
USDINR	96.26	--	+0.06%	95.70	-	96.70
USDIDR	18067	--	▼0.14%	17950	-	18250
USDMYR	4.080	4.068	+0.04%	4.040		4.100
USDPHP	61.68	--	▼0.06%	61.20	-	62.20
USDTHB	33.61	33.58	+0.26%	33.3	-	33.8
USDVND	26256	26256	▼0.02%	26100	-	26400

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.136	4.549	-5.9	-4.2
JGB (JP)	1.429	2.685	0.1	-2.3
Bunds (GE)	2.738	3.120	-1.1	0.8
Gilts (UK)	4.311	4.937	-3.4	-3.9
AGB (AU)	4.509	4.900	-1.2	-1.0
SGS (SG)	1.633	2.199	-1.6	-0.6
CGB (CN)	1.263	1.733	2.0	0.1
KGB (KR)	3.764	4.334	0.0	0.0
SDL (IN)	6.181	6.774	3.1	-2.0

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	185.93	185.9	+0.35%
GBP/JPY	219.583	219.443	+1.07%
JPY/SGD (100yen)	0.7947	0.7949	▼0.14%
JPY/HKD (100yen)	4.8332	4.8362	+0.06%
CNH/JPY	23.947	23.954	+0.00%
CNH/HKD	1.1583	1.1583	+0.10%
EUR/GBP	0.84668	0.84712	▼0.72%
AUD/NZD	1.1973	1.1986	▼0.20%
EUR/CNH	7.7594	7.7617	+0.31%
GBP/CNH	9.1635	9.1625	+1.02%
CNY/HKD	1.1583	1.1583	+0.10%
EUR/HKD	8.9865	8.9908	+0.40%
SGD/HKD	6.0814	6.0834	+0.18%

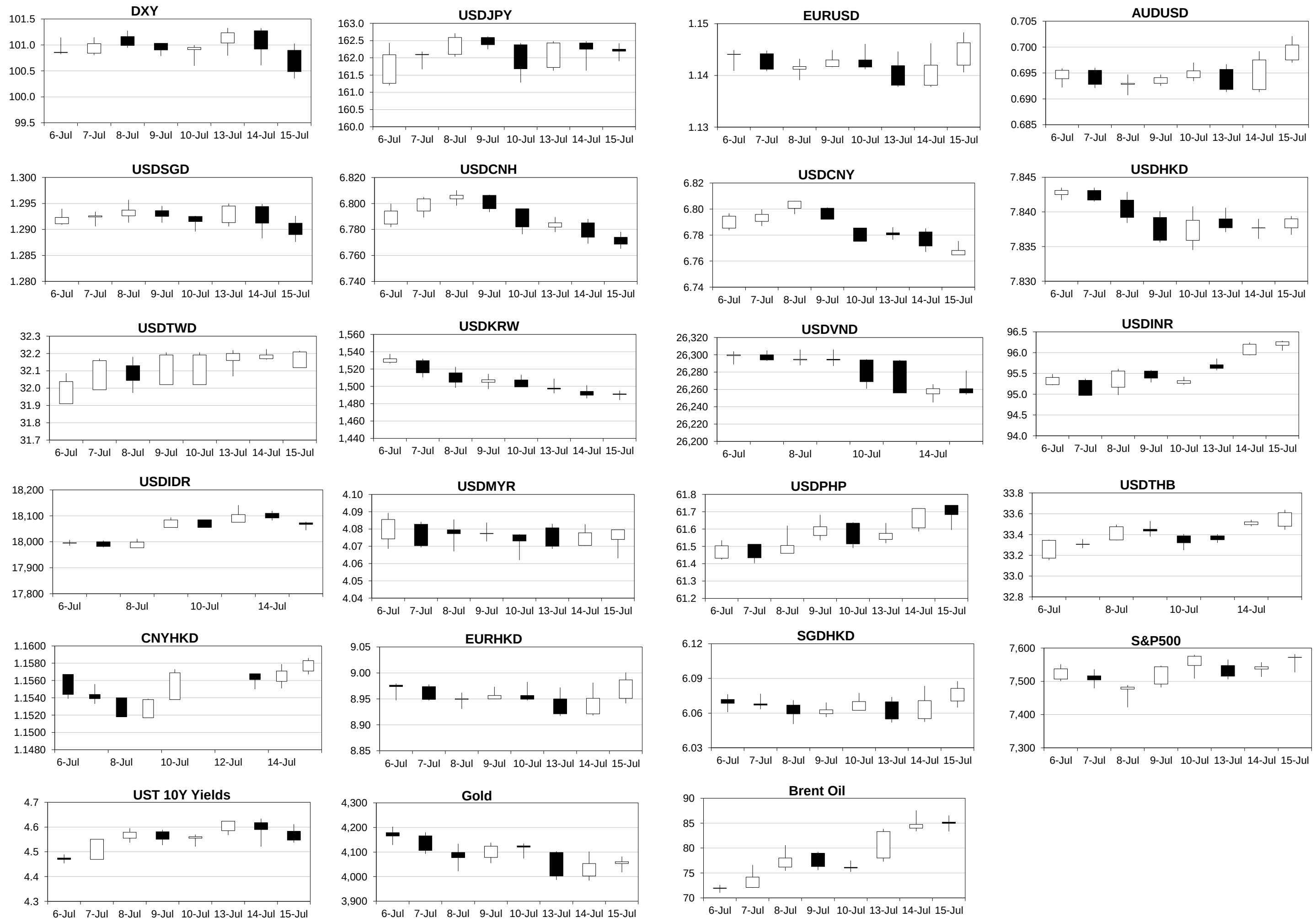
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7572.4	28.81	+0.38%
Nasdaq (US)	26269.23	162.22	+0.62%
DJIA (US)	52658.64	150.37	+0.29%
N225 (JP)	68751.51	1008.01	+1.49%
STOXX50 (EU)	6265.58	-14.61	▼0.23%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5656.23	-4.88	▼0.09%
STI (SG)	5559.72	64.11	+1.17%
SHCOMP (CN)	3955.578	-11.55	▼0.29%
SZCOMP (CN)	2608.272	-17.88	▼0.68%
HSI (HK)	24681.1	340.37	+1.40%
SENSEX (IN)	77185.43	130.49	+0.17%
JSE (ID)	6041.972	2.45	+0.04%
KLSE (MY)	1713.76	-6.18	▼0.36%
PSE (PH)	6302.5	46.48	+0.74%
SET (TH)	1630.21	4.18	+0.26%
VNINDEX (VN)	1782.12	-0.01	▼1.36%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,534.07	-61.68	▼0.45%
IRON ORE (CN)	99.45	0.42	+0.05%
GOLD	4,060.55	7.70	+0.19%
SILVER	57.80	0.02	+0.69%
OIL (BRENT)	84.95	0.22	+0.26%
OIL (WTI)	79.60	0.26	+0.33%
NATURAL GAS	2.92	-0.90	▼1.54%

CHARTS



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