Mizuho Daily

MIZUHO

Aug 03, 2026

Three Take-Aways

1) UST yields propped up by continued fears of behind the curve policy action and risks of unanchored inflation expectations as dissenting Fed officials highlight threat of sharper policy action down the road.

2) Latest sign of possible US-Iran talks provides interim relief though also reflects earlier strains of higher energy prices, UST yields, fiscal and warfare stresses.

3) Joint statement on JPY intervention ups the ante on deterrence underscores collective desire for stronger JPY.

MACRO THEME: **Grappling in the Dark?**

- Last Friday, with US President Trump stating that he will be hitting Iran hard, UST yields continued to creep up alongside higher oil prices and behind the curve worries compounding onto the back end of the curve. To be clear, **risks to inflation expectations and fiscal woes** continue to prop up longer end yields.

- Latest report on Fed Chair Kevin Warsh proposing **to reduce the frequency of the meetings from 8 to 6** is more likely than not to exacerbate fears of falling behind the curve in the near term and unanchored inflation expectations into the medium term.

- Furthermore, **lower frequency also implies higher chances** of markets being caught off guard as well as risks of larger policy rate moves (either way).

- Reflecting these risks, Lorie Logan, who dissented against the decision to hold stated **that modest action in the near term reduce the likelihood of needing to take sharper action later**. Similarly, Beth Hammack's statement to support her dissenting views said that the longer high inflation persists, the **more challenging and costly it can be to bring it back down.**

Talking Relief

- Nonetheless, focus for the start of the week has turned to US President **Trump calling off strikes on Iran**. The **condition though is said to be the ability to "rapidly make a deal"**. Crucially, as we had observed from the previous episode of Hormuz re-opening, signing of a deal is far easier than navigating actual control of the waterway.

- Specifically, **real relief lies in an agreed mechanism for transit** through the Strait of Hormuz rather than a competitive two route scenario with potential for attacks from both sides.

- Even if such a plan is conceptualised between Iran and Oman, it **remains difficult to envision a mechanism to allow Iran to extract proceeds to be amendable from US prespectives.**

- For now, Brent crude prices have declined below US$84/barrel while US equities futures edged higher. Meanwhile, the OPEC+ affirmed another symbolic increase in crude output for September, which reverses their previous cuts in 2023. The potential flood in supply **should** oil flows resume will add further downside pressure on oil prices.

***Yields** (2Y: +4.5bp; 10Y: +6.2bp; 30Y: +5.9bp)*

***Equities** (Nasdaq: +1.0%; S&P500: +0.7%; Dow: +0.5%)*

***FX** (DXY: +0.05%)*

Coordinated US-Japan JPY Intervention Raises Deterrence

- Last week's **JPY intervention**, *which has plunged USD/JPY from ~164 to sub-158*, marked the **first coordinated Japan-US action since 2011/1998***. And it is **not just the historic nature** of coordinated US-Japan FX intervention **that gives markets pause**.

- **But** the **disproportionately heightened efficacy of FX intervention with the involvement of** the *US Treasury and Federal Reserve* (in this case the NY Fed).

- To that end, **a joint statement from Japan and the US reinforcing scope for further intervention**, if necessary, arguably **ups the ante on deterrence**.

1. Notably, with **Treasury Secretary Bessent** asserting that the US, "*in close communication with … MoF and BoJ*", "*will not hesitate to participate in further joint intervention*".

2. Alongside **FinMin Katayama** flagging the MoF, in "*close contact with US*" is *"watching FX developments closely"* and *"can take bold action on abrupt FX moves"*.

- For one, both the US and Japan are **clearly warning against speculative JPY bears pushing the envelope**, reinforcing their **resolve for further coordinated intervention**, as needed.

- What's more, **Bessent has declared that the JPY is "undervalued"**, with ***FinMin Katayama acknowledging*** US views that ***JPY should be valued higher***. Taken together, the **US-Japan warning against pursuing short JPY bets is dialled-up to an *active form*** - preference for further JPY strength, *rather than just averting sharp sell-off".*

- Above all, perceptions of **collective desire/incentive for a stronger JPY adds credibility to intervention risks**.

1. For a start, *by leaning into MoF intervention,* Bessent will help *alleviate intervention-related selling of USTs* (by Japan), and the attendant rise in long-end UST yields.

2. Second, *JPY intervention could also help snap adverse "Sell Japan" dynamics of rising JGB yields* in tandem with falling JPY, *helping dampen collateral upside in long-end UST yields.*

3. Selling EUR to buy JPY conveys (implied) ECB by-in for JPY intervention.

4. What's more, the *benefit of shoring up JGBs* (holding down JGB yields) may be achieved **without compromising UST yield anchor**.

- All said, this round of intervention has the hallmarks of a more effective JPY backstop, suggesting 154-162 USD/JPY support for now. But at this juncture, **significantly fortified deterrence** is ***still short of a sustained bullish JPY inflection***. Especially **with wider risks of geo-economic not eliminated**.

*The was coordinated action after the Great Tohoku earthquake in 2011 to stall sharp JPY appreciation **whereas 1998 was the last episode of coordinated US-Japan intervention to curb JPY depreciation** – as is this time.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) MNI Chicago PMI (Jul)	57.60	56.0	56.7
(EZ) CPI/Core YoY (Jul P)	**2.9%/2.5%**	**2.9%/2.4%**	**2.8%/2.4%**
(JP) BOJ Target Rate	**1.00%**	**1.00%**	**1.00%**
(CH) Mfg/Non-Mfg PMI (Jul)	49.2/49.0	50.1/50.0	50.3/50.2
(AU) PPI YoY (2Q)	**3.6%**	**--**	**3.0%**
(IN) Fiscal Deficit YTD INR (Jun)	3078b	--	1624b
(KR) Industrial Production YoY (Jun)	5.8%	3.0%	-0.9%
(TW) GDP YoY (2Q A)	**12.9%**	**10.5%**	**14.6%**
Today	**Actual**	**Exp.**	**Prior**
(US) ISM Manufacturing/Prices Paid (Jul)		54.0/70.0	53.3/73.0
(US) Construction Spending MoM (Jun)		0.2%	0.1%
(CH) RatingDog China PMI Mfg (Jul)		52.0	51.7
(SG) Electr. Sector/Purchasing Managers Index (Jul)		--	52.2/51.3
(ID) CPI/Core YoY (Jul)		**3.2%/2.8%**	**3.3%/2.8%**
(ID) Exports/Imports YoY (Jul)		-0.4%/22.3%	-5.7%/22.2%
(VN) Trade Balance (Jul)		-$2500m	-$2644m
(VN) CPI YoY (Jul)		**4.6%**	**4.7%**

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	157.40	157.62	▼1.34%	156.00	-	159.00
EURUSD	1.1527	1.1544	▼0.01%	1.1370	-	1.1600
GBPUSD	1.3483	1.3492	+0.13%	1.3260	-	1.3550
AUDUSD	0.7019	0.7046	▼0.11%	0.6950	-	0.7100
DXY	99.9	--	+0.05%	99.0	-	101.0
USDCNY	6.7531	--	+0.01%	6.7300	-	6.8200
USDCNH	6.7524	6.7489	+0.07%	6.7300	-	6.8200
USDHKD	7.8422	7.8420	▼0.01%	7.8200	-	7.8500
USDSGD	1.2828	1.2812	+0.09%	1.2780	-	1.2910
USDKRW	1436	1436	+0.00%	1415	-	1450
USDTWD	32.31	--	▼0.50%	32.15	-	32.60
USDINR	95.39	--	▼0.30%	95.00	-	96.50
USDIDR	18000	--	▼0.47%	17950	-	18200
USDMYR	4.086	4.081	▼0.10%	4.050	-	4.100
USDPHP	61.25	--	▼0.52%	61.00	-	61.70
USDTHB	33.39	33.37	▼0.61%	33.1	-	33.7
USDVND	26296	26295	+0.06%	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)	4.292	4.736	4.5	6.2
JGB (JP)	1.486	2.786	1.2	-1.6
Bunds (GE)	2.817	3.205	5.6	5.1
Gilts (UK)	4.398	5.049	6.6	6.5
AGB (AU)	4.516	4.927	-5.2	-6.8
SGS (SG)	1.684	2.336	-5.0	-7.1
CGB (CN)	1.250	1.710	-0.7	-0.3
KGB (KR)	3.716	4.335	0.0	0.0
SDL (IN)	6.201	6.838	0.0	2.5

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	181.43	181.95	▼1.35%
GBP/JPY	212.19	212.646	▼1.22%
JPY/SGD (100yen)	0.8137	0.8129	+1.29%
JPY/HKD (100yen)	4.9755	4.9754	+1.18%
CNH/JPY	23.537	23.345	▼0.01%
CNH/HKD	1.1616	1.1615	+0.01%
EUR/GBP	0.85516	0.85565	▼0.11%
AUD/NZD	1.1958	1.1946	+0.03%
EUR/CNH	7.7808	7.7909	+0.02%
GBP/CNH	9.1052	9.1053	+0.21%
CNY/HKD	1.1616	1.1615	+0.01%
EUR/HKD	9.0405	9.0528	▼0.01%
SGD/HKD	6.1146	6.1208	▼0.11%

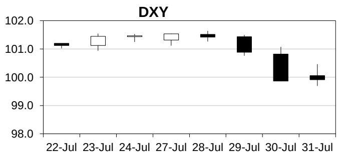
*Open is as at 8am HKT/SGT.

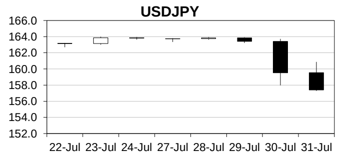
G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7489.72	52.09	+0.70%
Nasdaq (US)	25373.85	251.67	+1.00%
DJIA (US)	52485.03	276.97	+0.53%
N225 (JP)	64362.02	2494.59	+4.03%
STOXX50 (EU)	6358.01	13.61	+0.21%

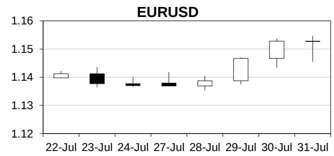
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,835.70	-7.79	▼0.06%
IRON ORE (CN)	98.00	-0.25	+0.00%
GOLD	4,046.15	-57.26	▼1.40%
SILVER	57.60	-0.01	▼0.40%
OIL (BRENT)	90.12	1.09	+1.22%
OIL (WTI)	84.67	1.08	+1.29%
NATURAL GAS	2.75	-1.39	▼2.36%

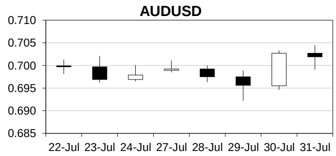
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5836.47	-16.85	▼0.29%
STI (SG)	5628.5	-45.08	▼0.79%
SHCOMP (CN)	3832.262	27.57	+0.72%
SZCOMP (CN)	2427.917	55.12	+2.32%
HSI (HK)	25884.43	25.55	+0.10%
SENSEX (IN)	78094.64	166.49	+0.21%
JSE (ID)	6236.126	49.76	+0.80%
KLSE (MY)	1724.9	4.50	+0.26%
PSE (PH)	6236.44	-69.31	▼1.10%
SET (TH)	1623.64	25.53	+1.60%
VNINDEX (VN)	1735.78	-0.01	▼0.51%

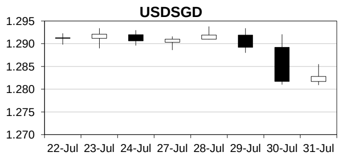
CHARTS

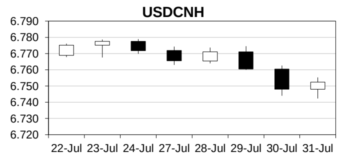


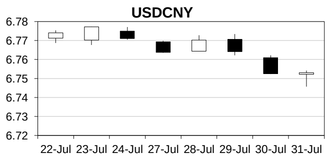


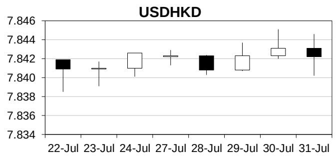


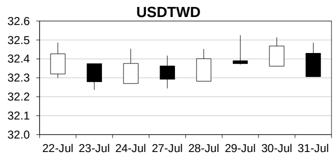


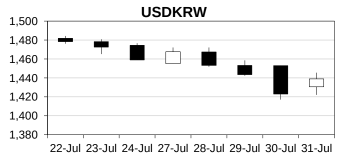


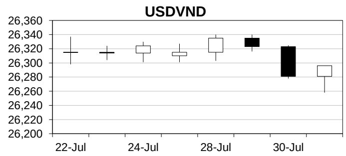


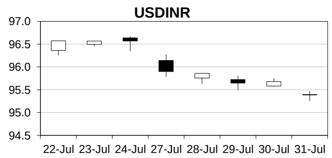


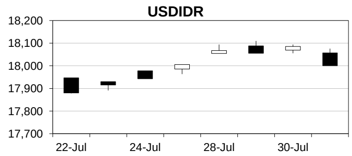


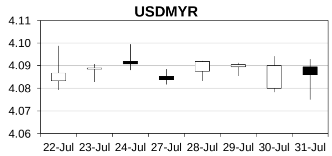


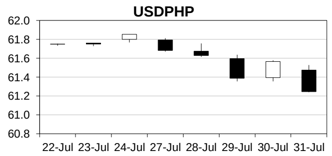


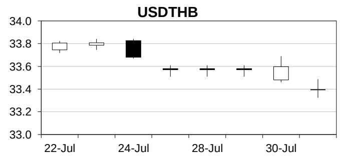


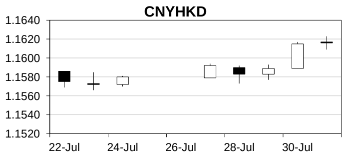


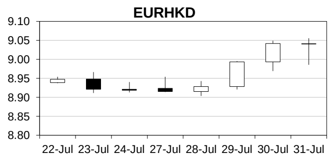


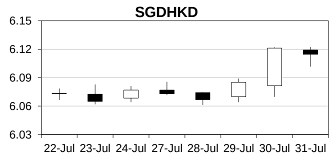


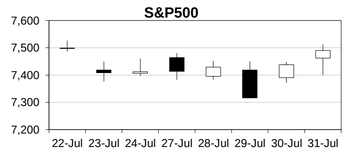


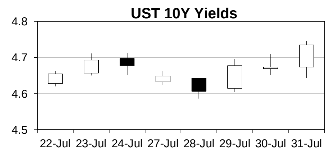


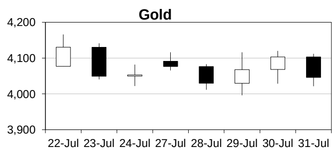


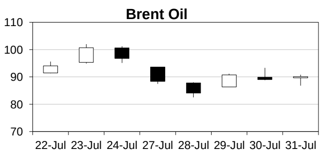












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