Mizuho Daily

Aug 04, 2026

Three Take-Aways

1) Middle East tensions appeared to ease on reports of ongoing diplomatic engagement and progress on shipping arrangements through Hormuz but lingering uncertainties kept Brent crude sideways near US$84/bbl.

2) US manufacturing momentum strengthened in July, with the ISM index reaching its highest level since May 2022, reinforcing confidence in the resilience of economic activity while supporting the Fed's cautious hold stance.

3) In Indonesia, inflation eased in July and growth is expected to moderate in Q2, but resilient government spending and investment should provide support, while rupiah weakness is likely to keep Bank Indonesia focused on tightening policy to maintain currency stability.

MACRO THEME: Double Optimism?

- Risk sentiment improved overnight, with US equities closing higher and UST yields declining as geopolitical tensions appeared to ease with President Trump said talks with Iran are ongoing but warned that these talks are a "last chance" for Iran.

- While Iran denied engaging in direct negotiations with the US, it indicated that discussions with Oman on a temporary shipping arrangement through the Strait of Hormuz are making progress.

- The proposal reportedly involves reopening the central shipping lane between Iran and Oman, although the route would first require clearance of sea mines earlier placed by Iran. That said, it is difficult to envision such an arrangement proceeding without US approval or the lifting of the blockade.

- Amid these lingering uncertainties, Brent crude traded largely sideways near US$84/bbl.

Manufacturing Momentum Builds

- The improvement in market sentiment was further reinforced by stronger-than-expected US manufacturing data. ISM manufacturing index rose to 55.6 in July marking the strongest reading since May 2022, along with moderation of cost pressures with Prices paid easing to 71.1.

- Notably, the increase in order backlogs (55.0 from 50.5) outpaced the rise in new orders, suggesting demand outpaced order fulfilment. Meanwhile, the Employment Index returned to expansionary territory (53.8) for the first time since September 2023, potentially suggesting that firms view current demand as durable enough to justify headcount rather than leaning further on existing labour buffers.

- The data is broadly consistent with overnight comments from NY Fed President Williams, who said he expects inflation to continue moderating into next year.

- Williams also stated that the current policy rate is "well positioned" to return inflation to target, while reiterating that the Fed remains prepared to tighten policy further should inflation risks re-emerge.

***Yields** (2Y: -5.4bp; 10Y: -5.8bp; 30Y: -4.5bp)*

***Equities** (Nasdaq: +2.1%; S&P500: +1.5%; Dow: +1.3%)*

***FX** (DXY: -0.02%)*

Indonesia July CPI: Brief Relief?

- Indonesia's inflation print moderated to 2.9% YoY, and -0.14% MoM, reflecting easing inflation pressures in July

- The MoM disinflation was primarily driven by food (-0.28%-pt). Prices of key staples such as shallots and chilli peppers softened amid a strong secondary harvest, following government efforts to encourage earlier planting in anticipation of El Nino-related weather disruptions.

- Lower food prices were partly offset by higher transportation costs (+0.06%-pt) after Pertamina raised prices of unsubsidised fuel (Pertamax) by 32% in mid-June, with the higher fuel prices remaining in effect throughout July. Increases in motorcycle and lubricant prices also contributed to transport inflation.

- Education costs also rose (+0.03%-pt) as schools implemented tuition fee adjustments at the start of the new academic year.

- However, the relief from July CPI print is likely to be short-lived.

- There have been reports of crop damage due to prolonged dry weather in end-July, which could place renewed upward pressure on food prices in the coming months. While Pertamina has announced a ~2% reduction in unsubsidised fuel prices for August, the cut is unlikely to fully offset emerging food-related inflation pressures.

- As such, inflation could edge higher in the coming months, though it is still likely to remain within the upper end of BI's target range of 3.5%

Indonesia 2Q GDP: Growth Likely to Normalise

- We expect Indonesia's economy to grow 5.0% YoY in Q2 2026, slowing from 5.6% in Q1.

- The moderation is mainly due to softer private consumption as retail sales has contracted by 4.0% YoY on average in Q2, while consumer confidence weakened. Net exports are expected to weigh more heavily on growth, with imports continuing to outpace exports amid rising energy import costs. Its trade balance also slipped into deficit for the first time since the pandemic.

- Despite these headwinds, government spending and investment remain supportive. Although government consumption growth likely eased from Q1's front-loaded spending, fiscal data suggest it will still expand at a double-digit pace YoY.

- Investment activity stayed robust, with realised FDI rising 23.6% YoY, driven by metals and rebounds in chemicals, pharmaceuticals, vehicles, and machinery sectors.

- Nevertheless, this GDP print is unlikely to provide much support for the rupiah, which has come under pressure amid negative headlines, including the unexpected resignation of the BI Governor. We expect BI to remain vigilant and continue prioritising rupiah stability, likely necessitating a rate hike at its August policy meeting to help support the currency.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) ISM Manufacturing/Prices Paid (Jul)	55.6/71.1	54.0/70.0	53.3/73.0
(US) Construction Spending MoM (Jun)	-0.1%	0.2%	0.1%
(CH) RatingDog China PMI Mfg (Jul)	50.9	52.0	51.7
(SG) Electr. Sector/Purchasing Managers	52.4/51.4	--	52.2/51.3
(ID) CPI/Core YoY (Jul)	**2.9%/2.8%**	**3.2%/2.8%**	**3.3%/2.8%**
(ID) Exports/Imports YoY (Jul)	8.8%/34.3%	-0.4%/22.3%	-5.7%/22.2%
(VN) Trade Balance (Jul)	-$3587m	-$2500m	-$2644m
(VN) CPI YoY (Jul)	**4.5%**	**4.6%**	**4.7%**

Today	Actual	Exp.	Prior
(US) JOLTS Job Openings (Jun)		7250k	7594k
(US) Trade Balance (Jun)		-$73.0b	-$77.6b
(US) Durable Goods Orders/Nondef Ex Air (Jun F)		--	0.3%/0.9%
(US) Factory Orders (Jun)		0.4%	-1.3%
(KR) CPI/Ex Food and Energy YoY (Jul)	**2.8%/2.6%**	**2.9%/2.5%**	**3.2%/2.5%**

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	157.18	157.59	▼0.14%	156.00	-	159.00
EURUSD	1.1509	1.1507	▼0.16%	1.1410	-	1.1600
GBPUSD	1.3433	1.3427	▼0.37%	1.3290	-	1.3540
AUDUSD	0.7000	0.6997	▼0.27%	0.6950	-	0.7050
DXY	99.9	--	▼0.02%	99.3	-	100.7
USDCNY	6.7558	--	+0.04%	6.7300	-	6.8100
USDCNH	6.7581	6.7577	+0.08%	6.7300	-	6.8100
USDHKD	7.8421	7.8419	▼0.00%	7.8200	-	7.8500
USDSGD	1.2822	1.2828	▼0.05%	1.2770	-	1.2900
USDKRW	1431	1432	+0.00%	1420	-	1440
USDTWD	32.47	--	+0.49%	32.20	-	32.70
USDINR	95.34	--	▼0.06%	94.90	-	96.00
USDIDR	17990	--	▼0.06%	17900	-	18150
USDMYR	4.096	4.098	+0.23%	4.070	-	4.120
USDPHP	60.94	--	▼0.50%	60.50	-	61.30
USDTHB	33.35	33.42	▼0.12%	33.1	-	33.7
USDVND	26282	26284	▼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)	4.238	4.678	-5.4	-5.8
JGB (JP)	1.555	2.817	6.9	3.1
Bunds (GE)	2.773	3.151	-4.4	-5.4
Gilts (UK)	4.304	4.953	-9.5	-9.7
AGB (AU)	4.527	4.928	1.1	0.1
SGS (SG)	1.685	2.341	0.1	0.5
CGB (CN)	1.253	1.710	0.3	0.0
KGB (KR)	3.716	4.335	0.0	0.0
SDL (IN)	6.206	6.834	0.5	-0.4

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	180.9	181.33	▼0.29%
GBP/JPY	211.133	211.582	▼0.50%
JPY/SGD (100yen)	0.8159	0.814	+0.27%
JPY/HKD (100yen)	4.9893	4.9763	+0.28%
CNH/JPY	23.202	23.33	▼1.42%
CNH/HKD	1.161	1.161	▼0.05%
EUR/GBP	0.85682	0.85704	+0.19%
AUD/NZD	1.1924	1.1928	▼0.28%
EUR/CNH	7.7776	7.7761	▼0.04%
GBP/CNH	9.0782	9.0732	▼0.30%
CNY/HKD	1.161	1.161	▼0.05%
EUR/HKD	9.025	9.0237	▼0.17%
SGD/HKD	6.1159	6.1131	+0.02%

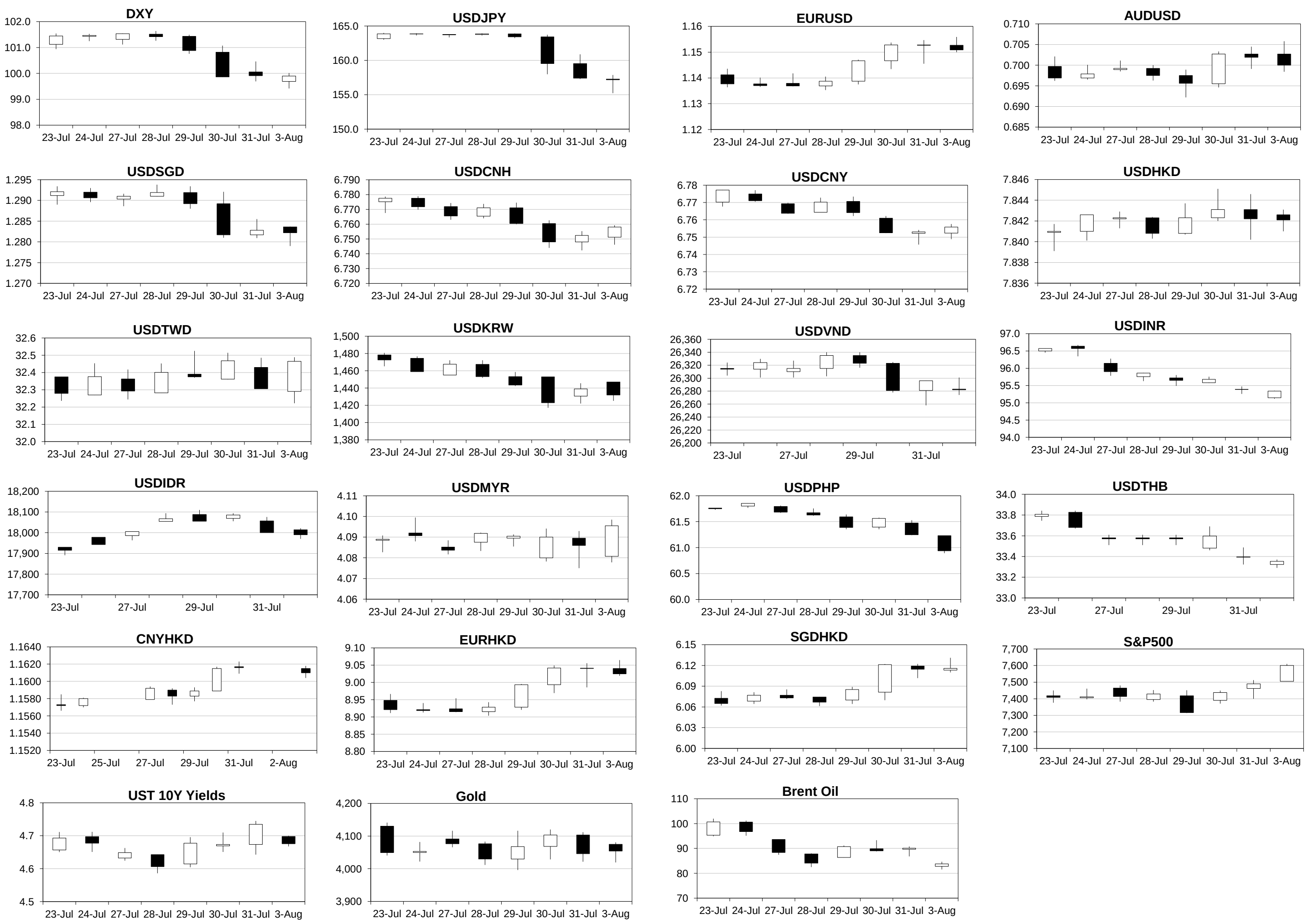
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7600.5	110.78	+1.48%
Nasdaq (US)	25913.9	540.05	+2.13%
DJIA (US)	53178.41	693.38	+1.32%
N225 (JP)	63754.9	-607.12	▼0.94%
STOXX50 (EU)	6426.5	68.49	+1.08%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5838.26	1.79	+0.03%
STI (SG)	5612.28	-16.22	▼0.29%
SHCOMP (CN)	3809.663	-22.60	▼0.59%
SZCOMP (CN)	2420.015	-7.90	▼0.33%
HSI (HK)	26009.4	124.97	+0.48%
SENSEX (IN)	78639.03	544.39	+0.70%
JSE (ID)	6234.497	-1.63	▼0.03%
KLSE (MY)	1725.73	0.83	+0.05%
PSE (PH)	6334.72	98.28	+1.58%
SET (TH)	1621.9	-1.74	▼0.11%
VNINDEX (VN)	1762.84	0.02	+1.56%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,943.57	107.87	+0.78%
IRON ORE (CN)	93.64	-4.56	▼4.45%
GOLD	4,054.33	8.18	+0.20%
SILVER	58.17	0.03	+1.24%
OIL (BRENT)	83.77	-6.35	▼7.05%
OIL (WTI)	80.34	-4.33	▼5.11%
NATURAL GAS	2.78	0.57	+1.00%

CHARTS



RESEARCH TEAM

Vishnu Varathan | Serena Zhou | Tan Boon Heng | Johnny Wong | Ng Jing Wen