Mizuho Daily

Aug 05, 2026

MIZUHO

Three Take-Aways

1) Hormuz deal hopes drove a broad relief rally, but shipping and negotiation risks remain unresolved.

2) June JOLTS showed softer labor demand, but low layoffs suggest the labor market is cooling rather than cracking.

3) AI infrastructure stocks gained fresh momentum on stronger spending confidence.

MACRO THEME: Hormuz Deal Hopes Drive Relief Trade

- The Strait of Hormuz remains the key macro driver, with oil markets continuing to trade around diplomatic headlines. **Treasury Secretary Scott Bessent said a deal to reopen the strait could come "today or tomorrow"**, triggering **a sharp relief move** that sent Brent below $80/bbl and WTI below $76/bbl , while US equity markets extended gains and Treasuries rallied.

- The diplomatic track appears to be gaining momentum. US officials pointed to Oman-mediated discussions, while Iran is reportedly considering European assistance in clearing mines from the strait, a potential concession that could reduce the physical risk premium in crude.

- **However, the path to a durable deal remains uncertain**. Iran continues to **deny direct talks with Washington**, and disagreements over freedom of movement, route control and possible fees remain unresolved. **A reported strike on a vessel near Oman also highlights that operational risk remains active** despite improving diplomatic signals.

- Markets are treating a Hormuz deal as the base case, but the relief trade remains vulnerable to any setback in shipping security or negotiations.

June JOLTS Signals Softer Demand

- **June JOLTS points to a cooler but not disorderly labor market**. Job openings fell to 7.36mn from a downwardly revised 7.54mn, below consensus, with declines across healthcare, leisure, professional services, wholesale and manufacturing.

- The vacancy-to-unemployed ratio was little changed at 1.04, while layoffs stayed low at 1.1% and the quits rate held at 2.0%, suggesting **firms are retaining workers but employees have limited confidence to switch jobs**.

- The report supports the view that **softer labor demand should gradually ease wage inflation**.

AI Infrastructure Trade Gets Fresh Momentum

- The **AI rally was driven by renewed confidence in AI infrastructure spending**, strong megacap earnings momentum, and lower oil prices supporting risk appetite. Palantir's strong AI-driven results added fuel to the software side of the trade.

- **Reports that the US is considering a ban on Chinese optical transceivers** used in data centers also boosted the US optical components sector on potential reshoring and supply-chain security tailwinds.

***Yields** (2Y: -4.5bp; 10Y: -6.3bp; 30Y: -5.2bp)*

***Equities** (Nasdaq: +2.6%; S&P500: +1.8%; Dow: +1.7%)*

***FX** (DXY: -0.04%)*

RBI Watch: Costly Can-Kicking

- At the upcoming meeting, **we expect the RBI to continue maintaining the status quo** on a convenient confluence of sufficiently subdued inflation, lingering growth concerns and a Fed that has refrained from hiking. This is however not a stable equilibrium for the RBI as **underlying pressures to hike continue to mount**.

- Especially as the rolling Middle East crisis compromises India's external balances, stresses the fiscal position, accentuates pipeline inflation risks and further pressures the rupee.

- Fact is, with the problematically deficient monsoon in the earlier season, **pipeline food pressures are just a matter of time and severity**, undermining the illusion of policy space from exceptionally subdued inflation.

- Especially given **consumer inflation has already accelerated** (slightly) above, **amid distinctly more elevated factory gate and upstream cost push pressures**.

- What's more, while the Fed may have refrained from hikes so far, **UST yields have surged ahead of the Fed**. And the resultant pressures on Indian government bond (GOI) yields, in turn **triggering an adverse loop between rupee pressures and sell-off in Indian assets**.

- **The upshot is that the RBI will probably exploit any remaining policy space to extend its hold**. But this may probably prove to be costly can-kicking. Both in terms of the sharp macro-stability trade-offs entailed as well as the policy compensation for ignoring "stick in time" policy counsel.

Vietnam: Shining Through the Scandal?

- Even as the diamond scandal has hogged headlines in Vietnam, economic data releases earlier in the week continue to depict a resilient growth outlook driven by both the services and manufacturing engines.

- Meanwhile, headline inflation easing offered little relief as core inflation edged higher to 4.6% YoY.

- That said, the diamond scandal which involves smuggling and reports overstating quality adds **another unwelcomed episode of governance issues** following the real estate bond fraud in 2022.

- While this will **not be much of a setback for direct FDI ambitions in areas such as the manufacturing sector**, these governance issues may hamper initiatives such as capital market deepening and development of financial instruments which require broader participation from the population and businesses.

- Even though the immediate impact is largely confined to the diamond market, it removes another avenue that has been used as a store of wealth and further **entrenches a domestic gold price premium** that stands at around 60% above international prices.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) JOLTS Job Openings (Jun)	7359k	7454k	7594k
(US) Trade Balance (Jun)	-$73.3b	-$73.0b	-$77.6b
(US) Durable Goods Orders/Nondef Ex Air (Jun F)	0.5%/1.2%	0.3%/0.9%	0.3%/0.9%
(US) Factory Orders (Jun)	-0.3%	0.2%	-1.3%
(KR) CPI/Ex Food and Energy YoY (Jul)	**2.8%/2.6%**	**2.9%/2.5%**	**3.2%/2.5%**

Today	Actual	Exp.	Prior
(US) ADP Employment Change (Jul)		65k	98k
(US) ISM Services/Prices Paid (Jul)		54.5/65.0	54.0/67.7
(EZ) PPI YoY (Jun)		4.6%	5.9%
(JP) Labor/Real Cash Earnings YoY (Jun)	3.4%/1.6%	3.4%/1.6%	3.3%/1.6%
(CH) RatingDog China PMI Services (Jul)		53.7	54.1
(SG) Retail Sales/Ex Auto YoY (Jun)		4.2%/--	3.0%/3.7%
(ID) GDP YoY/QoQ (2Q)		**5.1%/3.6%**	**5.6%/-0.8%**
(IN) RBI Repurchase Rate		**5.25%**	**5.25%**
(PH) CPI YoY (Jul)		**6.4%**	**6.4%**

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	157.75	157.74	+0.36%	156.00	-	159.00
EURUSD	1.1531	1.1532	+0.19%	1.1410	-	1.1600
GBPUSD	1.3452	1.3450	+0.14%	1.3290	-	1.3540
AUDUSD	0.7046	0.7047	+0.66%	0.6950	-	0.7050
DXY	99.9	--	▼0.04%	99.3	-	100.7
USDCNY	6.7492	--	▼0.10%	6.7300	-	6.8100
USDCNH	6.7480	6.7476	▼0.15%	6.7300	-	6.8100
USDHKD	7.8426	7.8424	+0.01%	7.8200	-	7.8500
USDSGD	1.2822	1.2820	+0.00%	1.2770	-	1.2900
USDKRW	1429	1430	+0.00%	1420	-	1440
USDTWD	32.47	--	+0.00%	32.20	-	32.70
USDINR	95.39	--	+0.05%	94.90	-	96.00
USDIDR	18023	--	+0.18%	17900	-	18150
USDMYR	4.098	4.096	+0.05%	4.070		4.120
USDPHP	61.18	--	+0.40%	60.50	-	61.30
USDTHB	33.41	33.24	+0.17%	33.1	-	33.7
USDVND	26278	26279	▼0.02%	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)	4.193	4.615	-4.5	-6.3
JGB (JP)	1.563	2.841	0.8	2.4
Bunds (GE)	2.712	3.106	-6.1	-4.5
Gilts (UK)	4.233	4.896	-7.1	-5.6
AGB (AU)	4.550	4.971	2.3	4.3
SGS (SG)	1.689	2.339	0.2	-0.2
CGB (CN)	1.252	1.704	-0.1	-0.6
KGB (KR)	3.716	4.335	0.0	0.0
SDL (IN)	6.179	6.815	-2.7	-1.9

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	181.88	181.91	+0.54%
GBP/JPY	212.185	212.16	+0.50%
JPY/SGD (100yen)	0.8129	0.8127	▼0.37%
JPY/HKD (100yen)	4.972	4.9717	▼0.35%
CNH/JPY	23.362	23.374	+0.69%
CNH/HKD	1.1623	1.1621	+0.11%
EUR/GBP	0.85725	0.8574	+0.05%
AUD/NZD	1.1954	1.1999	+0.25%
EUR/CNH	7.7813	7.7813	+0.05%
GBP/CNH	9.0777	9.0755	▼0.01%
CNY/HKD	1.1623	1.1621	+0.11%
EUR/HKD	9.044	9.0439	+0.21%
SGD/HKD	6.1168	6.1173	+0.01%

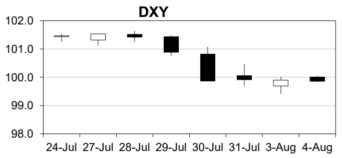
*Open is as at 8am HKT/SGT.

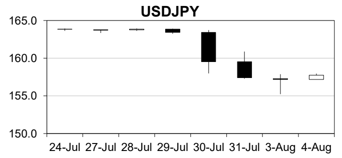
G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7736.52	136.02	+1.79%
Nasdaq (US)	26584.99	671.09	+2.59%
DJIA (US)	54085.88	907.47	+1.71%
N225 (JP)	63957.53	202.63	+0.32%
STOXX50 (EU)	6486.7	60.20	+0.94%

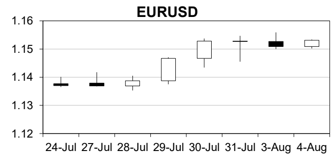
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5855.17	16.91	+0.29%
STI (SG)	5612.25	-0.03	▼0.00%
SHCOMP (CN)	3822.285	12.62	+0.33%
SZCOMP (CN)	2486.099	66.08	+2.73%
HSI (HK)	25852.92	-156.48	▼0.60%
SENSEX (IN)	78428.95	-210.08	▼0.27%
JSE (ID)	6319.613	85.12	+1.37%
KLSE (MY)	1732.66	6.93	+0.40%
PSE (PH)	6296.64	-38.08	▼0.60%
SET (TH)	1617.13	-4.77	▼0.29%
VNINDEX (VN)	1777.23	0.01	+0.82%

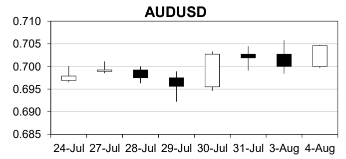
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	14,168.88	225.31	+1.62%
IRON ORE (CN)	93.65	-4.46	+0.01%
GOLD	4,077.99	23.66	+0.58%
SILVER	59.55	-0.10	▼3.56%
OIL (BRENT)	79.36	-4.41	▼5.26%
OIL (WTI)	75.77	-4.57	▼5.69%
NATURAL GAS	2.68	1.38	+2.38%

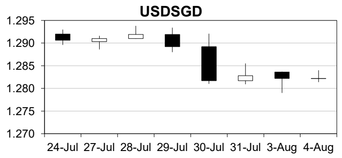
CHARTS

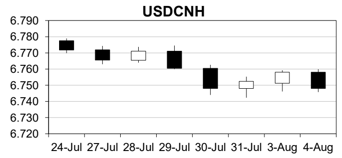


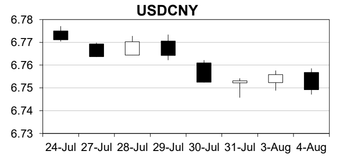


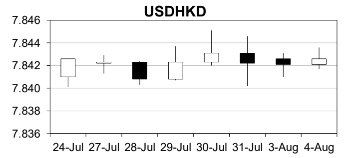


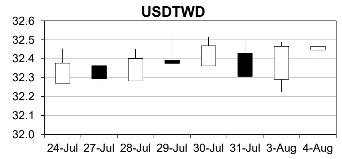


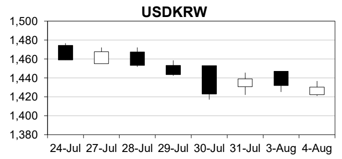


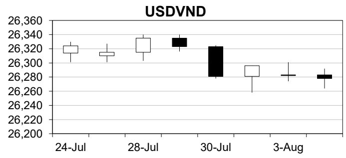


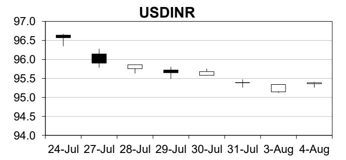


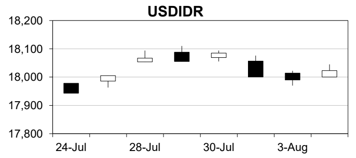


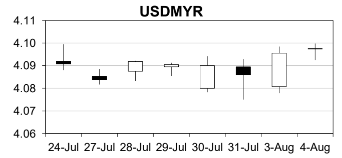


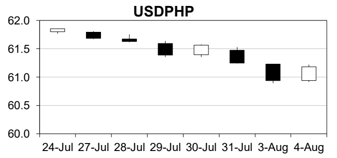


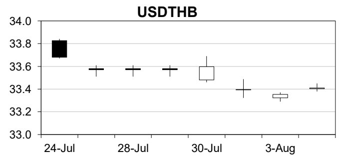


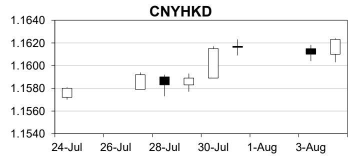


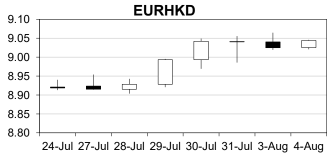


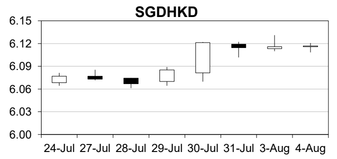


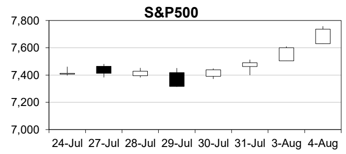


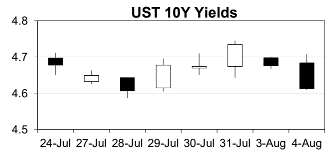


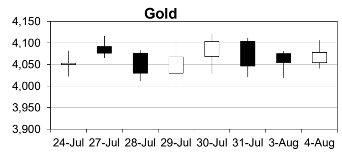


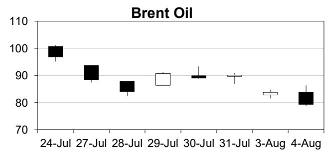












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