Mizuho Daily

Aug 17, 2026

Three Take-Aways

1) US retail sales for July came in weaker than expected amid fading effects from online promotions in June while consumer confidence slipped amid higher gasoline prices.

2) Trump's scale back in US-Korea military drill likely a confluence of resource frustration rather than strategic geo-political shifts.

3) Thailand Q2 GDP likely to show contraction as higher energy prices dampen fiscal stimulus impact and tourism sector underperforms.

MACRO THEME: Dismal Geopolitics and Data

- Last Friday, **US retail sales came in lower than expected**, contracting 0.6% MoM. Admittedly, most of the **decline came** on the back of a sharp 2.2% **decrease in online** sales following the surge in Amazon Prime Day sales which shifted from July to June for this year. Fading effects from the World cup may also have weighed on this print.

- While recession type pessimism may be off the mark for this print, **subdued confidence** and **increasing price sensitivities amid the squeeze on budgets from higher energy prices** ought to hold up.

- Reflecting so, **US consumer sentiments** from the Uni of Michigan survey **decrease** to 51 in August from 55.2 in July. Given its inverse correlation with gasoline prices which rose by 7% in July, the dismal print is not entirely surprising.

- **Inflation expectations** for the year ahead also appeared buoyant edging higher to **4.3% YoY**.

- For markets, inflation related concerns amid rising geo-political tensions outweighed growth worries last Friday as **UST yields** quickly reverse the post retail sales dip to **rise higher in a bear steepener alongside higher oil prices**.

Rising Middle East Tensions

- The **US ramped up threats on Iran** with US Treasury Scott Bessent stating they are ready to **squeeze Iran via economic pressures.**

- The risk here may be a rupture of trade relations should **secondary sanctions be deployed while efficacy is far from be guaranteed given that sanctions had been used for decades.**

- US President Trump also threatened to designate the Strait of Hormuz as US territory and said that **paying a tiny bit more for your gasoline** is worth it for Iran not to have a nuclear weapon.

- These signals add to worries around a very protracted conflict though US-mid term elections continue engender hope around some interim resolution. The risk though is that the situation could worsen further before it gets better (on a relative basis).

- For one, **Israel's attacks on Lebanon** would certainly impose further frictions on possible Hormuz re-opening especially with Iran stating that the Strait is their leverage to end the war.

- In addition, there is hardly any reported diplomacy with Kushner's visit confined to Gaza developments rather than resolving the US-Iran deadlock.

Scaling Back

- Trump's antagonising allies such as South Korea is unlikely to be helpful for the US-Iran situation especially at a point where both willingness and ability to defend allies come under doubt amid the weapons' stockpile scrutiny.

- While Trump said in his social media post on his very good relationship with Kim Jong Un, it is hard to miss the fact that the **South Korea remains a major holder of US Treasuries** at 18th globally at similar levels to Middle East allies such as Saudi Arabia and the UAE.

- While these tensions were somewhat linked to Korea's refusal to participate in the US-Iran conflict, **speculation on the need to scale back the military exercise together with diminished inventories amid re-deployment of various military assets** appears unavoidable.

- For the KRW, some softening on the back of higher UST yields and rising geo-political tensions is par for the course. To be clear, suggestions for dumping of UST will certainly be off the mark given the repercussions but a dampening of the USD and UST allure into the medium term is hard to shake off. That said, in the interim, elevated oil prices and geo-political uncertainties continue to backstop USD slippages.

Yields (2Y: +2.8bp; 10Y: +4.9bp; 30Y: +4.5bp)

Equities (Nasdaq: -0.3%; S&P500: -0.2%; Dow: -0.2%)

FX (DXY: -0.3%)

- USD/JPY hovers above 159 while EUR buoyant above mid-1.15.

Thailand Q2 GDP: Stressed

- **Thailand's Q2 GDP is facing prospects of a contraction** as stimulus boosted consumption was likely tempered by inflationary pressure and AI backed investments faced sharp drags from higher import spending.

- Specifically, we **revise Q2 growth estimates lower to 2.2% YoY growth** on the back of a modest 0.1% contraction on QoQ seasonally adjusted (SA) basis.

- Undeniably, the **risks skew towards the downside for this print.**

- For one, despite government stimulus efforts, private consumption contracted 1% QoQ SA with monthly data reflecting an uptick in spending in June on easing of fuel prices.

- Furthermore, visitor arrivals from many countries continue to decline imparting further stress on tourism related sectors such as accommodation and restaurant services. Meanwhile, even as investment spending remain resilient, the consequent growth boost has been dented by the sharp uptick in import of capital goods.

- On balance, this growth print will entrench a widely expected rate hold by the Bank of Thailand in 2026. In turn, the **backdrop for THB recovery turns marginally less constructive** especially with fiscal measures likely to be extended which would **exacerbate fiscal concerns down the road**.

- As such, rates curve steepening is the more likely prospect even as the domestic 10-2Y spreads are already hovering around an elevated 80-100bps.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) U. of Mich. Sentiment/Expectations (Aug P)	51.0/51.8	55.0/55.2	55.2/55.4
(US) U. of Mich. 1/5-10Yr Inflation (Aug P)	4.3%/3.3%	4.2%/3.3%	4.2%/3.3%
(US) Retail Sales Adv./Ex Auto and Gas MoM (Jul)	-0.6%/-0.2%	0.1%/0.3%	0.2%/0.4%
(EZ) Trade Balance SA (Jun)	1.8b	--	-6.1b
(EZ) GDP SA YoY/QoQ (2Q S)	1.0%/0.4%	1.0%/0.4%	1.0%/0.4%
(IN) Wholesale Prices YoY (Jul)	9.8%	10.0%	9.9%
(MY) GDP YoY/SA QoQ (2Q F)	**6.0%/2.5%**	**5.8%/2.4%**	**5.8%/0.0%**
(CH) BoP Current Account Balance (2Q P)	$195.1b	--	$184.3b
Today	**Actual**	**Exp.**	**Prior**
(US) Empire Manufacturing (Aug)		10.0	15.6
(JP) GDP SA QoQ (2Q P)		0.5%	0.5%
(CH) Industrial Production/Retail Sales YoY		5.0%/1.5%	5.3%/1.0%
(CH) New/Used Home Prices MoM (Jul)		--	-0.2%/-0.3%
(CH) FAI Ex Rural/Property Investment YTD YoY (Jul)		-6.2%/-18.9%	-5.7%/-18.0%
(MY) CPI YoY (Jul)		**1.9%**	**1.9%**
(TH) GDP YoY/SA QoQ (2Q)		**1.7%?-0.6%**	**2.8%/0.7%**
(PH) Overseas Cash Remittances YoY (Jun)		**2.0%**	2.0%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	159.32	159.23	▼0.11%	158.50	-	160.00
EURUSD	1.1570	1.1573	+0.36%	1.1460	-	1.1630
GBPUSD	1.3538	1.3546	+0.38%	1.3390	-	1.3600
AUDUSD	0.7084	0.7085	+0.35%	0.7020	-	0.7110
DXY	99.7	--	▼0.30%	99.2	-	100.5
USDCNY	6.7425	--	▼0.02%	6.7100	-	6.8000
USDCNH	6.7446	6.7430	▼0.00%	6.7100	-	6.8000
USDHKD	7.8470	7.8469	+0.00%	7.8200	-	7.8500
USDSGD	1.2785	1.2791	▼0.16%	1.2720	-	1.2890
USDKRW	1417	1416	+0.00%	1405	-	1429
USDTWD	32.03	--	▼0.39%	31.85	-	32.30
USDINR	95.44	--	▼0.01%	94.80	-	95.90
USDIDR	17825	--	▼0.25%	17750	-	18000
USDMYR	4.086	4.086	▼0.00%	4.060		4.120
USDPHP	61.44	--	+0.15%	61.00	-	61.90
USDTHB	33.15	33.15	+0.05%	32.9	-	33.4
USDVND	26144	26144	+0.28%	26000	-	26350

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.171	4.693	2.8	4.9
JGB (JP)	1.659	2.872	1.7	0.6
Bunds (GE)	2.796	3.203	3.1	7.3
Gilts (UK)	4.353	5.037	4.8	8.5
AGB (AU)	4.551	5.007	1.4	1.6
SGS (SG)	1.640	2.259	-1.2	0.0
CGB (CN)	1.236	1.681	-0.1	-1.6
KGB (KR)	3.644	4.313	2.3	1.5
SDL (IN)	6.140	6.758	4.0	0.0

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.33	184.29	+0.24%
GBP/JPY	215.662	215.695	+0.26%
JPY/SGD (100yen)	0.8029	0.8033	+0.02%
JPY/HKD (100yen)	4.9262	4.9279	+0.15%
CNH/JPY	23.632	23.609	▼0.07%
CNH/HKD	1.1635	1.1634	+0.01%
EUR/GBP	0.85473	0.85439	▼0.01%
AUD/NZD	1.2024	1.2028	▼0.34%
EUR/CNH	7.8015	7.804	+0.33%
GBP/CNH	9.1284	9.134	+0.35%
CNY/HKD	1.1635	1.1634	+0.01%
EUR/HKD	9.083	9.0815	+0.40%
SGD/HKD	6.1364	6.1346	+0.15%

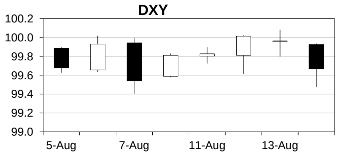
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7785.76	-13.23	▼0.17%
Nasdaq (US)	26729.16	-73.87	▼0.28%
DJIA (US)	53732.41	-107.58	▼0.20%
N225 (JP)	68713.8	405.21	+0.59%
STOXX50 (EU)	6539.59	-5.88	▼0.09%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5805.22	-9.88	▼0.17%
STI (SG)	5743.59	23.54	+0.41%
SHCOMP (CN)	3927.176	0.21	+0.01%
SZCOMP (CN)	2590.207	8.62	+0.33%
HSI (HK)	25116.85	-279.66	▼1.10%
SENSEX (IN)	78009.25	-70.71	▼0.09%
JSE (ID)	6401.888	100.12	+1.59%
KLSE (MY)	1727.39	-7.32	▼0.42%
PSE (PH)	6297.3	9.05	+0.14%
SET (TH)	1609.06	-5.30	▼0.33%
VNINDEX (VN)	1729.08	-0.02	▼2.07%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	14,576.29	182.15	+1.27%
IRON ORE (CN)	95.50	0.80	+0.38%
GOLD	4,376.40	26.01	+0.60%
SILVER	64.68	0.01	+0.22%
OIL (BRENT)	88.52	1.45	+1.67%
OIL (WTI)	82.40	1.15	+1.42%
NATURAL GAS	2.73	0.19	+0.30%

CHARTS

DXY


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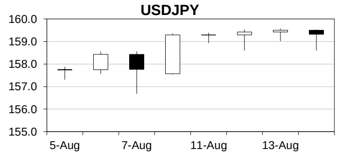

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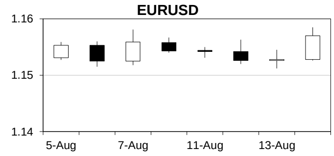

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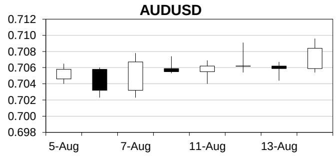

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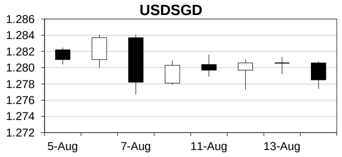

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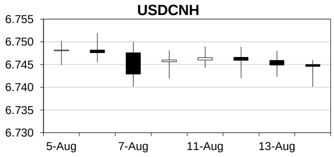

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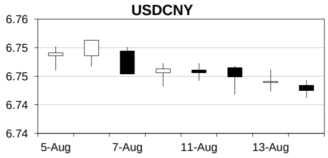

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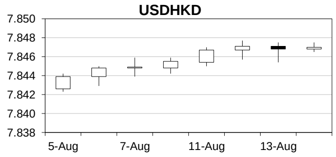

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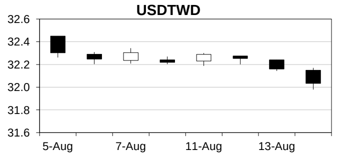

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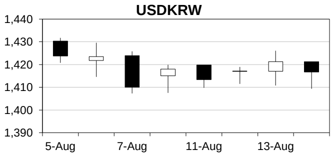

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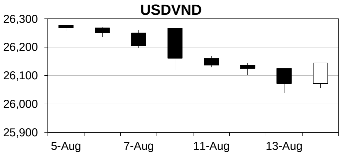

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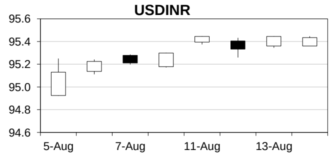

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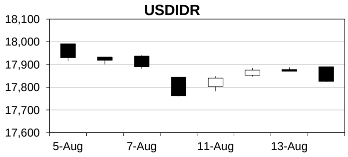

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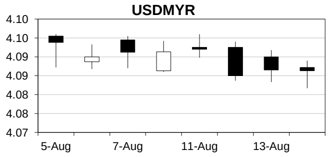

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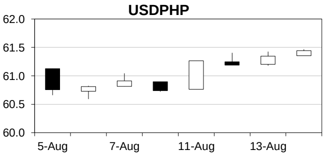

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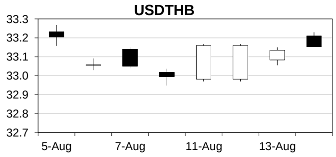

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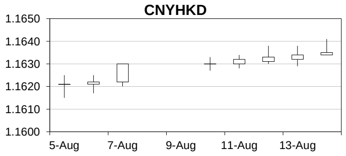

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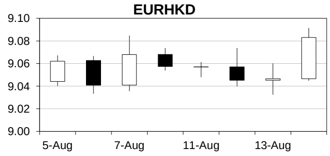

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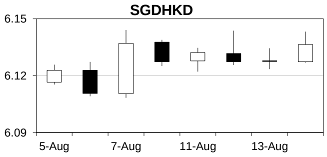

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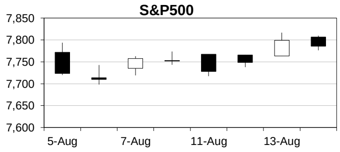

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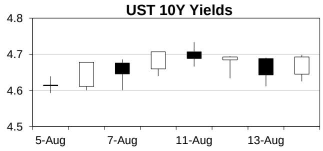

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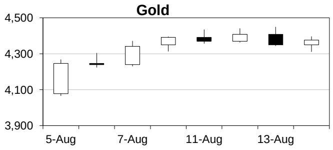

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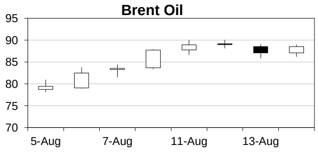

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