Mizuho Daily

Aug 20, 2026

Three Take-Aways

1) The expanded buyback program ease pressure on long-end yields, but it does little to address the structural forces driving higher term premia.

2) Hawkish July minutes were overshadowed by softer data that raised the bar for a September Fed hike.

3) New access for mainland insurers to Hong Kong ETFs via Stock Connect suggests Beijing is curbing grey-market routes while expanding regulated channels.

MACRO THEME: Fighting the Curve, Not the Cause

- The US Treasury will at least double its liquidity support buybacks for nominal securities in the 10-to-30-year sector, raising the maximum operation size from **$2bn to at least $4bn** between 9 September and 4 November. The stated objective is to improve liquidity in older, off-the-run securities rather than alter the overall stance of fiscal policy.

- **The expanded Treasury buyback program help improve market liquidity and provide a short-term boost to sentiment.** The 30-year yield fell around 9bp toward 5.19%, after touching a 19-year high of 5.34% a day earlier, while the 10-year yield declined roughly 6bp. USD index fell below 99 level after the announcement.

- **That said, the measure addresses liquidity symptoms rather than the underlying drivers of the recent selloff**. Persistent fiscal deficits, heavy Treasury supply, and increasing private-sector funding demand driven by AI continue to exert upward pressure on long-end yields. In that sense, the buybacks may smooth market functioning, but they are unlikely to reverse the structural forces behind higher term premia.

Hawkish Debate Overtaken by Softer Data

- The July FOMC minutes reinforced a **hawkish bias within the Fed at the time of the meeting**. While the Committee ultimately voted 9-3 to keep rates unchanged at 3.50%-3.75%, the minutes revealed broad concern over persistent inflation and a meaningful debate around the need for further tightening.

- Importantly, the hawkish sentiment extended beyond the dissenters. The minutes noted that **many participants believed additional tightening would likely be necessary if inflation failed to decline**, while **some questioned whether financial conditions were sufficiently restrictive to bring inflation back to the Fed's 2% target**. Policymakers remained concerned about tariff pass-through, energy-related inflation linked to the Middle East conflict, and continued demand from AI infrastructure investment.

- At the same time, **the minutes should be viewed as backward-looking.** The July meeting took place before the subsequent run of softer data, including the decline in July nonfarm payrolls, weaker retail sales, and further moderation in inflation measures. Since then, markets have substantially reduced expectations for a September rate hike.

- The hawkish case remains alive, particularly if energy prices do not subside, yet **the threshold for a September hike now appears considerably higher than it was at the July meeting**.

Yields *(2Y: -0.8bp; 10Y: -5.7bp; 30Y: -9.2bp)*

Equities *(Nasdaq: +0.2%; S&P500: +0.2%; Dow: +0.2%)*

FX *(DXY: -0.8%)*

Hong Kong Gets Another Policy Vote of Confidence

- Mainland China's latest policy move should help ease concerns about a broad tightening of offshore capital flows. The NFRA will **allow mainland insurance funds to invest in Hong Kong-listed ETFs through Southbound Stock Connect**, giving insurers a more direct and regulated way to allocate capital offshore.

- **This is important because recent policy news had raised concerns about capital controls.** Beijing had already tightened access to offshore brokerage accounts for mainland investors, including platforms that enabled trading in Hong Kong and US securities outside approved channels. Rumors on stricter tax enforcement on offshore investment gains added to those concerns.

- **The latest ETF measure follows July's broader connectivity package**, including an expanded Southbound Bond Connect quota, repo business using Southbound Bond Connect bonds as collateral, enhanced Swap Connect, 5-year China government bond futures, and a larger HKMA RMB Business Facility from RMB200bn to RMB500bn.

- **China's policy direction looks more like channel control than capital-flow closure.** Recent measures suggest Beijing is curbing grey-market routes while encouraging flows through approved, transparent and monitorable channels.

- That distinction matters for Hong Kong, as it supports the city's role as a regulated offshore allocation hub and **reduces the risk that** tax and capital-control concerns **permanently weaken mainland-related inflows.**

Freight Shock Becomes the New Oil Stress Multiplier

- **The oil shock is no longer just about Brent.** Tanker freight has become a major part of the cost pressure facing Asian refiners, especially on TD3C, the Baltic Exchange's benchmark VLCC route from the Middle East Gulf to China.

- **Hormuz disruption, compounded by Red Sea disruption, has made ships harder to secure.** This has pushed VLCC rates sharply higher. Reports showed Middle East-to-China VLCC time charter equivalent earnings rising to around US$510k/day as of 17 August, equivalent to roughly US$12/bbl, compared with about US$150k/day before the outbreak of the US-Iran war.

- Freight is therefore no longer a small add-on to the crude price. It is becoming a separate inflation channel. **Even if Brent stops rising, the delivered cost of crude into Asia can still increase because refiners also need to pay for higher freight, war-risk insurance and potential delays.**

- **For markets, indicators such as TD3C can become a useful gauge of physical oil stress through the Strait of Hormuz.** Elevated tanker rates mean the Hormuz shock is still pressuring Asian refinery margins, widening diesel cracks and broader inflation expectations, even when spot crude prices look relatively stable.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(EZ) CPI/Core YoY (Jul F)	**2.9%/2.5%**	**2.9%/2.5%**	**2.9%/2.5%**
(JP) Core Machine Orders MoM (Jun)	9.7%	7.2%	-12.4%
(US) FOMC Meeting Minutes			
(AU) Wage Price Index QoQ (2Q)	0.8%	0.8%	0.8%
(ID) BI-Rate	**5.75%**	**5.75%**	**5.75%**
(PH) BoP Overall (Jul)	-$1470m	--	$3403m

Today	Actual	Exp.	Prior
(US) Initial Jobless Claims		**210k**	**209k**
(US) Philadelphia Fed Business Outlook (Aug)		25.0	41.4
(US) Leading Index (Jul)		0.1%	-0.2%
(JP) Trade Balance (Jul)	-¥634.5b	-¥649.0b	-¥409.9b
(CH) 1/5-Year Loan Prime Rate		**3.00%/3.50%**	**3.00%/3.50%**
(AU) Emp. Change/Unemployment Rate (Jul)		12.0k/4.4%	76.3k/4.4%
(MY) Exports/Imports YoY (Jul)		35.1%/32.4%	45.4%/43.9%
(TW) BoP Current Account Balance (2Q)		--	$62530m
(TW) Export Orders YoY (Jul)		52.7%	59.4%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	158.17	158.26	▼0.90%	158.00	-	160.30
EURUSD	1.1677	1.1674	+0.87%	1.1500	-	1.1700
GBPUSD	1.3606	1.3600	+0.55%	1.3450	-	1.3630
AUDUSD	0.7125	0.7123	+0.52%	0.7030	-	0.7120
DXY	98.8	--	▼0.83%	98.5	-	100.2
USDCNY	6.7296	--	▼0.22%	6.7000	-	6.7900
USDCNH	6.7313	6.7303	▼0.22%	6.7000	-	6.7900
USDHKD	7.8413	7.8402	▼0.04%	7.8200	-	7.8500
USDSGD	1.2712	1.2715	▼0.55%	1.2700	-	1.2860
USDKRW	1388	1390	+0.00%	1350	-	1410
USDTWD	31.96	--	+0.00%	31.70	-	32.15
USDINR	95.76	--	+0.08%	94.90	-	96.30
USDIDR	17833	--	▼0.13%	17750	-	18000
USDMYR	4.059	4.056	▼0.03%	4.030		4.090
USDPHP	61.83	--	+0.08%	61.30	-	62.20
USDTHB	33.06	32.88	▼0.05%	32.5	-	33.4
USDVND	26180	26179	+0.01%	26000	-	26400

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.164	4.648	-0.8	-5.7
JGB (JP)	1.672	2.891	-1.3	-5.4
Bunds (GE)	2.863	3.261	1.4	0.3
Gilts (UK)	4.357	5.044	-1.9	-3.6
AGB (AU)	4.591	5.057	-2.4	-4.0
SGS (SG)	1.675	2.344	-0.4	-0.3
CGB (CN)	1.232	1.684	0.9	1.7
KGB (KR)	3.648	4.340	-3.3	-4.7
SDL (IN)	6.188	6.817	0.0	-1.0

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7707.98	16.22	+0.21%
Nasdaq (US)	26331.09	41.38	+0.16%
DJIA (US)	53463.05	119.65	+0.22%
N225 (JP)	65326.42	-2134.31	▼3.16%
STOXX50 (EU)	6444.46	-23.71	▼0.37%

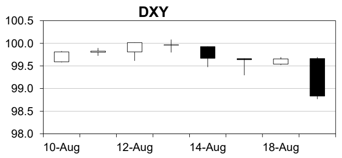
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	14,364.31	129.81	+0.91%
IRON ORE (CN)	95.36	0.01	▼0.25%
GOLD	4,515.58	181.08	+4.18%
SILVER	66.98	0.04	+1.37%
OIL (BRENT)	91.62	0.60	+0.66%
OIL (WTI)	85.83	0.89	+1.05%
NATURAL GAS	2.81	3.61	+5.70%

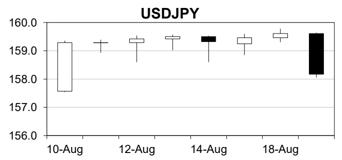
Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.7	184.75	▼0.03%
GBP/JPY	215.194	215.23	▼0.37%
JPY/SGD (100yen)	0.8037	0.8034	+0.35%
JPY/HKD (100yen)	4.9577	4.9539	+0.88%
CNH/JPY	23.519	23.511	▼0.63%
CNH/HKD	1.1646	1.1647	+0.13%
EUR/GBP	0.85817	0.85838	+0.32%
AUD/NZD	1.2003	1.2	▼0.50%
EUR/CNH	7.8602	7.8566	+0.66%
GBP/CNH	9.1585	9.1529	+0.31%
CNY/HKD	1.1646	1.1647	+0.13%
EUR/HKD	9.156	9.1524	+0.83%
SGD/HKD	6.1684	6.1664	+0.53%

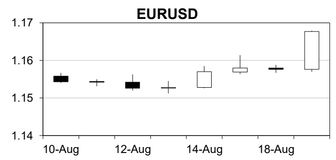
*Open is as at 8am HKT/SGT.

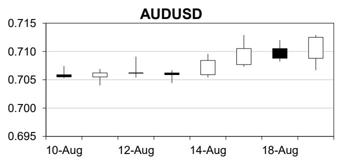
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5795.89	9.49	+0.16%
STI (SG)	5694.24	-7.16	▼0.13%
SHCOMP (CN)	3894.422	-95.88	▼2.40%
SZCOMP (CN)	2507.255	-128.08	▼4.86%
HSI (HK)	25495.07	23.92	+0.09%
SENSEX (IN)	76909.68	-325.78	▼0.42%
JSE (ID)	6394.125	-55.70	▼0.86%
KLSE (MY)	1731.32	-2.04	▼0.12%
PSE (PH)	6158.34	-106.36	▼1.70%
SET (TH)	1609.76	-11.86	▼0.73%
VNINDEX (VN)	1726.69	0.00	▼0.31%

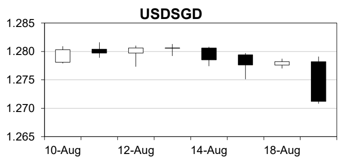
CHARTS

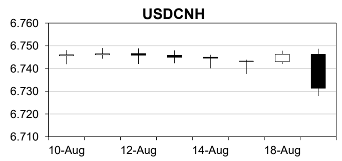


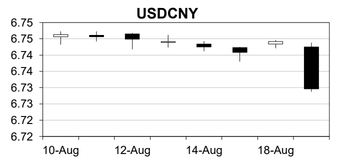


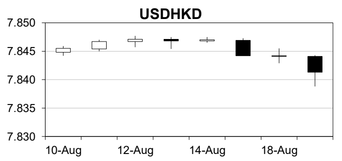


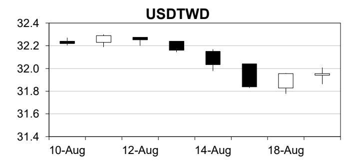


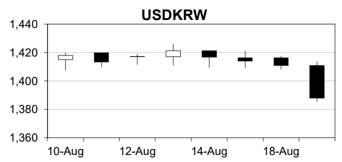


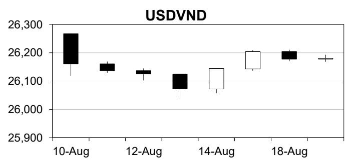


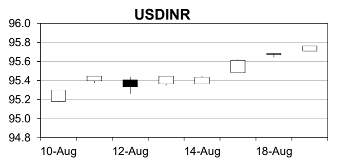


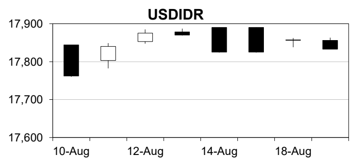


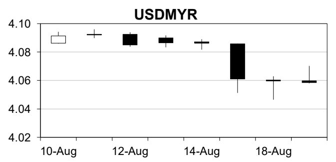


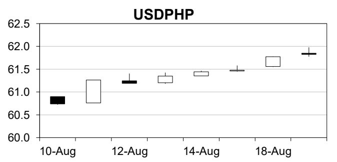


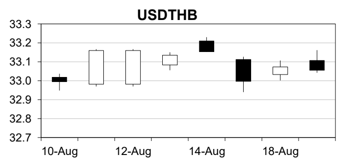


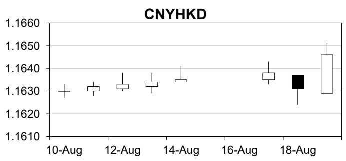


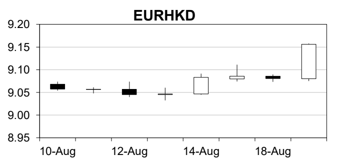


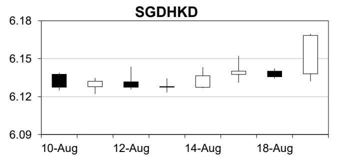


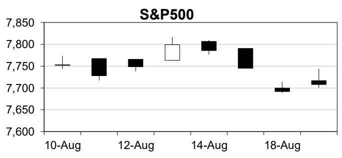


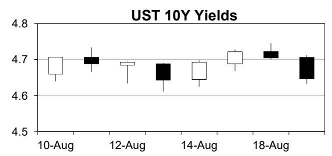


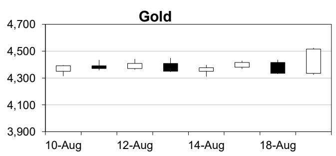


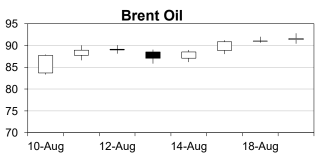












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