Mizuho Daily

Aug 24, 2026

Three Take-Aways

1) Amid elevated oil prices, UST yields continued to rise in a bear steepener on confluence of better than expected PMI, Treasury Twist fears and price pressures from ruptured trade relations.

2) US-Canada trade relations deteriorate reflecting broad difficulties in negotiations. Tit for tat tariffs and Bessent's Iran economic D-Day engender adverse spillovers on price pressures and growth.

3) Bank of Thailand set for an extended rate hold as soft economic momentum and supply side cost pressures collide.

MACRO THEME: Heightened Pressures

- **UST yields continued to rise** last Friday, defying Bessent's efforts to signal Treasury Twist. This was in part due to **better than expected Services PMI** released by S&P which backstop bets for potential Fed rate hikes. To be clear, the UST curve flattening is not surprising especially with **the Treasury set to sell more short-dated securities**.

- Fed's Kashkari also said that **he is not feeling confident** that inflation is heading back down to target in a short period of time and also added that the Treasury market is functioning well, highlighting that the US debt trajectory is on an unsustainable path.

- Brent crude prices also stayed elevated and **Bessent's economic plan on Iran** could potentially upset his efforts to keep a lid on long end yields especially if they turn out to be as consequential as threatened.

- Furthermore, with US imposing tariffs on Canadian imports, markets likely accounted for **potential increase in price pressures.**

Rupturing Relations, Elusive Deals

- **US-Canada trade relations continued to worsen with Canada PM Mark Carney announcing that they will retaliate with tariffs** on US$20 billion of imports from the US.

- Notably, the effective date is on Sept 8 rather than an immediate one given that the US tariffs have already been set in place due to the expiry of a 3-day extension after talks failed.

- The failure of talks was attributed to a range of issues ranging from exemptions to medium and heavy duty trucks and French language issues reflecting likely the **challenges of securing a deal give the broad demands and differences between verbal and written agreements** with the Canada ambassador highlighting that "what had been agreed to was quite different from what was showing up in the documents".

- While the silver lining is that the retaliation timeline of 8 Sept may provide a window for negotiations, the underlying dynamic is far from being conducive with PM Carney calling back all his negotiators.

Price and Substitution Worries

- Last Friday, Iranian President Masoud Pezeshkian said that it is better to end the war when they are in a position of strength. His restrained domestic influence was also reflected in the marginal softening in oil prices.

- The risk is that the economic warfare is likely to be exacerbated and with Iran having little economic means to retaliate, the worry will be that the **response will be a military led one.**

- Meanwhile, amid limited access to Iranian crude as well as u-turns of China-link supertankers around the Strait of Hormuz last week, **China having to purchase Saudi crude oil** may begin to incite worries about return of China's demand even though overall oil imports remain subdued.

- In the semiconductor space, price hikes are also a worrying theme as higher memory chip prices have **led Nvidia to signal an increase of their prices of servers by more than 15%.**

- The price increase will also inadvertently trigger **debate on in-house chip developments and potential profit margins.**

- Costly AI developments were further reflected by Alibaba's share sale to fund their AI expansion.

Yields *(2Y: +4.7bp; 10Y: +2.9bp; 30Y: +2.3bp)*

Equities *(Nasdaq: +4.%; S&P500: +0.4%; Dow: +1.0%)*

FX *(DXY: -0.1%)*

- The Antipodeans led gains with the AUD rising above mid-71 cents.

- In contrast, the EUR was flat hovering below 1.17, consolidating the last week's gains while the USD/JPY edged lower to below 159. The USD/SGD slipped below 1.27.

BoT: An Extended Rate Hold

- The Bank of Thailand's **upcoming rate hold is of little surprise** especially after the dismal Q2 GDP print. The **Q2 growth contraction** (-0.2% QoQ SA) while worrying is somewhat exaggerated by **changes in EV related incentives in Q1 as well as maintenance shutdowns of plants.**

- Nonetheless, slowdown in both services and non-durables goods despite fiscal stimulus efforts reflect the **strain of higher fuel prices on disposable incomes** aligning with reports of a concentration of spending in items such as rice.

- Looking ahead, stimulus efforts are likely to backstop private consumption while the investment cycle ought to remain firm given the AI-led demand.

- Meanwhile, inflationary pressures will still be a key concern **with core inflation at an elevated 1.3% which is significantly higher than pre-pandemic average of around 0.6% from 2016-19.**

- Furthermore, headline inflation's decline came on the back of lower fuel prices and toll fee exemptions during holidays in July reflect a bumpy path within the BoT's 1-3% band.

- As such, while the **default path in the year ahead would be for a prolong rate hold**, we continue to watch for signs of inflationary pressures dovetailing with a stronger growth momentum which may engender possibility of a one-off rate hike calibration. The **THB is likely to persist with a somewhat volatile recovery path** amid latent risks of wild swings in gold prices as markets digest Fed Chair Warsh's remarks amid a lack of forward guidance.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(EZ) Consumer Confidence (Aug P)	-15.5	-16.0	-15.9
(JP) Natl CPI/Ex Fresh Food, Energy YoY	1.9%/1.9%	1.9%/1.9%	1.6%/1.7%
(AU/IN) PMI Mfg/Services (Aug P)		--	--
(KR) PPI YoY (Jul)	7.7%	--	8.5%

Today	Actual	Exp.	Prior
(US) Chicago Fed Nat Activity Index (Jul)		-0.05	-0.02
(SG) CPI/Core YoY (Jul)		**2.4%/2.2%**	**1.9%/1.6%**
(TW) Unemployment Rate (Jul)		3.3%	3.3%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	158.95	158.92	▼0.06%	158.00	-	160.30
EURUSD	1.1679	1.1681	+0.01%	1.1500	-	1.1720
GBPUSD	1.3644	1.3653	+0.10%	1.3450	-	1.3700
AUDUSD	0.7171	0.7171	+0.80%	0.7030	-	0.7120
DXY	98.8	--	▼0.10%	98.5	-	100.2
USDCNY	6.7212	--	▼0.06%	6.7000	-	6.7900
USDCNH	6.7210	6.7192	▼0.06%	6.7000	-	6.7900
USDHKD	7.8400	7.8395	▼0.04%	7.8200	-	7.8500
USDSGD	1.2694	1.2693	▼0.21%	1.2650	-	1.2750
USDKRW	1383	1385	+0.00%	1370	-	1410
USDTWD	31.86	--	▼0.25%	31.70	-	32.15
USDINR	95.71	--	▼0.01%	95.00	-	96.30
USDIDR	17693	--	▼0.30%	17620	-	17900
USDMYR	4.039	4.041	▼0.16%	4.030		4.090
USDPHP	61.66	--	+0.00%	61.30	-	62.20
USDTHB	32.68	32.64	▼0.52%	32.4	-	33.0
USDVND	26116	26117	+0.03%	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)	4.237	4.735	4.7	2.9
JGB (JP)	1.676	2.880	0.8	3.2
Bunds (GE)	2.844	3.257	-0.7	-0.1
Gilts (UK)	4.355	5.060	-1.9	-0.7
AGB (AU)	4.591	5.058	3.7	5.1
SGS (SG)	1.661	2.336	-1.2	-2.0
CGB (CN)	1.234	1.694	0.2	0.1
KGB (KR)	3.714	4.378	3.7	4.9
SDL (IN)	6.252	6.850	0.0	-2.1

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	185.66	185.63	▼0.05%
GBP/JPY	216.893	216.967	+0.04%
JPY/SGD (100yen)	0.7987	0.7987	▼0.14%
JPY/HKD (100yen)	4.9317	4.9329	+0.02%
CNH/JPY	23.661	23.64	▼0.02%
CNH/HKD	1.1663	1.1662	+0.00%
EUR/GBP	0.85632	0.85559	▼0.05%
AUD/NZD	1.1992	1.1999	+0.18%
EUR/CNH	7.8479	7.8487	▼0.08%
GBP/CNH	9.1703	9.1734	+0.03%
CNY/HKD	1.1663	1.1662	+0.00%
EUR/HKD	9.1561	9.1572	▼0.04%
SGD/HKD	6.1746	6.1763	+0.16%

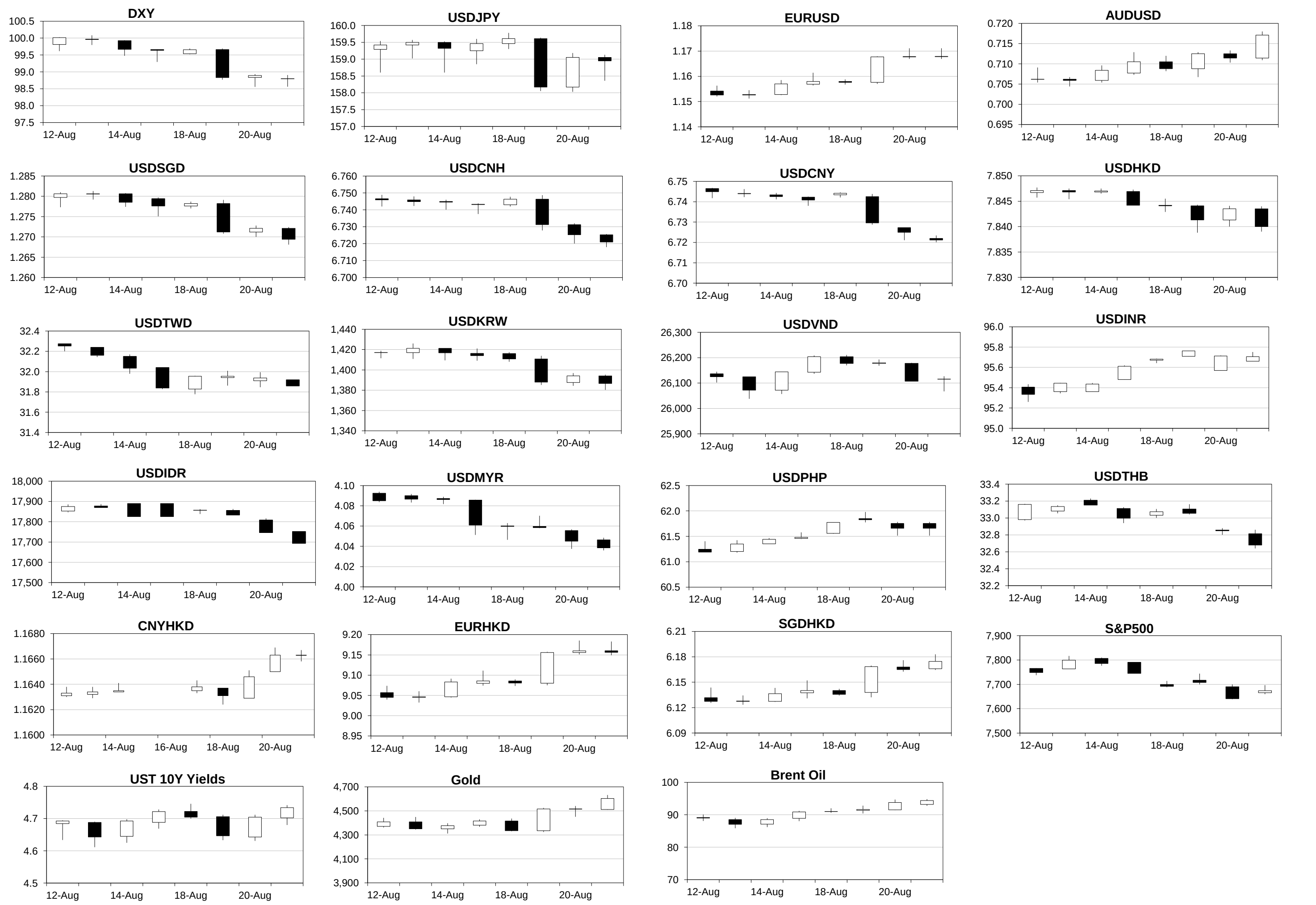
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7674.37	33.21	+0.43%
Nasdaq (US)	26180.46	113.29	+0.43%
DJIA (US)	53277.01	517.80	+0.98%
N225 (JP)	66016.36	-200.43	▼0.30%
STOXX50 (EU)	6462.22	40.16	+0.63%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5832.63	38.13	+0.66%
STI (SG)	5688.96	17.05	+0.30%
SHCOMP (CN)	3905.203	1.48	+0.04%
SZCOMP (CN)	2539.504	12.35	+0.49%
HSI (HK)	26009.46	310.97	+1.21%
SENSEX (IN)	77540.83	3.11	+0.00%
JSE (ID)	6525.69	24.10	+0.37%
KLSE (MY)	1736.48	-0.23	▼0.01%
PSE (PH)	6238.46	0.00	+0.00%
SET (TH)	1613.78	3.79	+0.24%
VNINDEX (VN)	1768.12	0.02	+1.95%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	14,276.82	163.61	+1.16%
IRON ORE (CN)	95.33	-0.17	+0.02%
GOLD	4,603.07	86.49	+1.91%
SILVER	68.99	0.04	+1.46%
OIL (BRENT)	94.39	0.61	+0.65%
OIL (WTI)	87.06	-0.77	▼0.88%
NATURAL GAS	2.77	0.91	+1.33%

CHARTS



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