Mizuho Daily

Sep 16, 2026

Three Take-Aways

1) Risk-off sentiment persisted overnight, with US Treasury yields climbing and equities retreating. Market dynamics are putting the Fed under considerable pressure to deliver a September rate hike.

2) Concerns are that even a hawkish hike may not be enough to bring long-end yields meaningfully lower in a bond market hobbled by a conspiracy of bearish long-end pressures.

3) China's August activity data continued to point to a two-speed economy. However, positive signs of stepped-up fiscal support suggest that a downward revision to our full-year GDP growth forecast of 4.6% is not yet warranted.

MACRO THEME: A Hawkish Hike is Not Enough

- Risk-off sentiment persisted overnight, with US Treasury yields climbing and equities retreating.

- Ahead of the upcoming FOMC decision, 10Y UST yields reached as high as 5.039% yesterday, its highest level since 2007.

- Fed funds futures are now pricing in a more than 91% probability of a 25bp rate hike in September, with two full hikes priced in by year-end.

- Combined with the recent surge in energy prices, these market dynamics are putting the Fed under considerable pressure to deliver a 25bp rate hike this midnight in Asian time.

- Our concern, however, is that even a hawkish hike may not be enough to bring long-end yields meaningfully lower. The market is filled with bond bears, feeding off from a combination of adverse factors, including geopolitical energy shocks, loose fiscal discipline, elevated debt levels and surging AI-related investment demand.

War-introduced Inflation

- According to the US Congressional Budget Office, the US-Iran conflict cost US taxpayers USD38bn during the first five months of fighting and could add around 0.5ppt to inflation by early next year.

- Oil-market stress intensified after Saudi Aramco delayed deliveries to some European customers following attacks on a key pipeline.

- Regional crude premiums surged above USD18 per barrel over Brent on Tuesday, compared with USD1 to USD2 in normal market conditions.

Retreating Cryptocurrency

- In digital assets, US senators from both parties blocked a landmark digital-asset market-structure bill that would give the Commodity Futures Trading Commission primary regulatory authority over the industry.

- Following the vote, Bitcoin extended its earlier losses and fell as much as 5.3%, while Ether declined by more than 8% at one stage.

***Yields** (2Y: +0.4bp; 10Y: +1.5bp; 30Y: +2.1bp)*

***Equities** (Nasdaq: -0.8%; S&P500: -0.4%; Dow: -0.6%)*

***FX** (DXY: +0.2%)*

FOMC: Boxed (In), Not Sealed

- With markets driving up Sep FOMC rate hike probability to >90% (virtually a done deal), the Fed appears to be boxed into a rate hike. Yet it risks falling short of sealing the deal on reining in long-end yields.

- For one, hawkish outrun impacting front-end yields, now pricing in nearly 4 hikes by mid-/Q3 2027, may overwhelm scope for long-end yields to materially soften on tamed inflation expectations.

- Crucially, even if the Fed delivers on an adequately hawkish hike to avert long-end yields from surging, long-end yield relief appears to be hobbled by a conspiracy of bearish (long-end) bond pressures – from surging oil, dismal fiscal/debt dynamics, supply pressures (exacerbated by AI issuance) and structural steepening forces (including USD debasement risks).

- Notably, the argument for (UST) curve inversion to soften long-end yields materially is challenged by Fed hike threshold alongside monumental bearish bond market forces sans QE.

(see *Mizuho Brief: Boxed (In), Not Sealed, 15 September 2026*)

China: No Downward Revision

- **China's August activity data continued to point to a two-speed economy.**

- **On the supply side**, industrial production exceeded expectations, accelerating to 5.2% YoY in August from 4.5% in July. Strength was again concentrated in high-tech manufacturing (16.7% YoY). Additionally, production of fabricated metals and electrical equipment also improved, helped by resilient AI-related demand.

- **By contrast, demand-side indicators broadly disappointed**, highlighting persistent weakness in the domestic economy.

- **Retail sales** growth slowed to 0.4% YoY, led by weak discretionary spending. Jewelry sales fell 17.5% YoY, while automobile sales declined 18.5%. Meanwhile, communication equipment remained a bright spot, with sales rising 27.3% YoY, the strongest increase in five months, partly reflecting higher semiconductor prices.

- **Year-to-date fixed asset investment** contracted 7.2% YoY, extending its decline. However, on a monthly basis, the pace of contraction moderated to a four-month low of 11.0% YoY, by our estimate.

- This moderate benefited from a smaller drag from public investment, consistent with the authorities' recent efforts to accelerate fiscal implementation and support infrastructure expenditure.

- **The property downturn remained entrenched.** Both real estate investment and property sales continued to post notable double-digit YoY declines in both value and volume terms, indicating continued corrections in the sector.

- **However, we do not believe August's data misses warrant a downward revision to our 2026 GDP forecast**, currently at 4.6%.

- China's fiscal policy support has clearly gained traction since the July Politburo meeting, and together with still resilience in external demand, should help stabilize growth momentum into year-end.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Empire Manufacturing (Sep)	7.6	15.0	20.6
(JP) Tertiary Industry Index MoM (Jul)	0.4%	0.3%	-0.2%
(GE) ZEW Survey Current Situation/Expectatio	-47.1/34.7	-52.1/40.0	-61.1/34.2
(CH) Surveyed Jobless Rate (Aug)	5.3%	5.2%	5.2%
(CH) Industrial Production/Retail Sales YoY (Au	5.2%/0.4%	4.8%/0.8%	4.5%/0.6%
(CH) New /Used Home Prices MoM (Aug)	-0.2%/-0.3%	--	-0.2%/-0.3%
(CH) FAI Ex Rural/Property Investment YTD Yo	-7.2%/-19.9%	-7.1%/-20.1%	-6.7%/-19.2%
(CH) Residential Property Sales YTD YoY (Aug	-13.1%	--	-13.2%
(IN) Unemployment Rate (Aug)	5.0%	--	5.1%
(PH) Overseas Cash Remittances YoY (Ju	2.0%	1.9%	1.7%
Today	**Actual**	**Exp.**	**Prior**
(US) FOMC Rate (Lower/Upper Bound)		**3.75%/4.00%**	**3.50%/3.75%**
(US) Retail Sales Adv/Ex Auto and Gas MoM (Aug)		0.8%/0.4%	-0.6%/-0.2%
(EZ) Industrial Production WDA YoY (Jul)		-0.1%	0.1%
(JP) Trade Balance (Aug)	-¥1105.6b	-¥1058.4b	-¥634.5b
(JP) Core Machine Orders MoM (Jul)	-3.7%	-1.2%	9.7%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	155.10	155.28	+0.49%	153.00	-	155.50
EURUSD	1.1544	1.1537	▼0.04%	1.1490	-	1.1650
GBPUSD	1.3478	1.3471	▼0.16%	1.3400	-	1.3610
AUDUSD	0.7132	0.7125	▼0.11%	0.7090	-	0.7190
DXY	99.6	--	+0.23%	98.9	-	99.9
USDCNY	6.7117	--	+0.04%	6.6900	-	6.7500
USDCNH	6.7122	6.7129	+0.04%	6.6900	-	6.7500
USDHKD	7.8449	7.8445	+0.02%	7.8200	-	7.8500
USDSGD	1.2728	1.2733	+0.20%	1.2600	-	1.2810
USDKRW	1372	1364	+0.00%	1339	-	1375
USDTWD	31.88	--	+0.50%	31.50	-	31.90
USDINR	95.96	--	+0.42%	95.00	-	96.00
USDIDR	17691	--	+0.24%	17500	-	17780
USDMYR	4.087	#N/A N/A	+0.26%	4.050		4.100
USDPHP	62.84	--	▼0.04%	62.50	-	63.20
USDTHB	33.31	33.31	+0.16%	33.0	-	33.5
USDVND	25988	25986	+0.05%	25800	-	26200

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.664	5.003	0.4	1.5
JGB (JP)	1.854	3.034	1.3	4.2
Bunds (GE)	3.252	3.535	-0.8	1.9
Gilts (UK)	4.889	5.387	0.2	2.1
AGB (AU)	5.054	5.417	9.0	8.0
SGS (SG)	1.846	2.521	7.1	6.0
CGB (CN)	1.243	1.683	-0.5	-0.2
KGB (KR)	3.940	4.603	0.1	6.5
SDL (IN)	6.313	7.073	0.0	6.1

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	179.04	179.15	+0.44%
GBP/JPY	209.016	209.188	+0.32%
JPY/SGD (100yen)	0.8206	0.82	▼0.30%
JPY/HKD (100yen)	5.0577	5.0517	▼0.48%
CNH/JPY	23.109	23.136	+0.65%
CNH/HKD	1.1689	1.1688	+0.00%
EUR/GBP	0.85644	0.85643	+0.11%
AUD/NZD	1.2384	1.2391	+0.23%
EUR/CNH	7.7484	7.7449	▼0.01%
GBP/CNH	9.0457	9.0432	▼0.13%
CNY/HKD	1.1689	1.1688	+0.00%
EUR/HKD	9.0564	9.0504	▼0.03%
SGD/HKD	6.1636	6.1609	▼0.17%

*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7585.73	-34.25	▼0.45%
Nasdaq (US)	25981.57	-204.84	▼0.78%
DJIA (US)	52093.11	-328.09	▼0.63%
N225 (JP)	63484.1	-8.89	▼0.01%
STOXX50 (EU)	6236.5	-23.88	▼0.38%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5732.76	-19.37	▼0.34%
STI (SG)	5638.64	-79.38	▼1.39%
SHCOMP (CN)	3864.279	-21.05	▼0.54%
SZCOMP (CN)	2444.041	-20.25	▼0.82%
HSI (HK)	24667.24	-250.36	▼1.00%
SENSEX (IN)	74003.82	-777.94	▼1.04%
JSE (ID)	6461.153	-73.54	▼1.13%
KLSE (MY)	1679.21	-18.80	▼1.11%
PSE (PH)	6007.78	-67.29	▼1.11%
SET (TH)	1578.66	-12.41	▼0.78%
VNINDEX (VN)	1811.15	0.01	+1.28%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	14,020.97	105.72	+0.76%
IRON ORE (CN)	96.60	-4.00	▼0.16%
GOLD	4,292.15	-7.49	▼0.17%
SILVER	63.67	0.02	+0.79%
OIL (BRENT)	108.75	3.07	+2.90%
OIL (WTI)	105.83	4.44	+4.38%
NATURAL GAS	2.92	0.44	+0.70%

CHARTS

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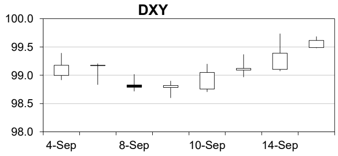
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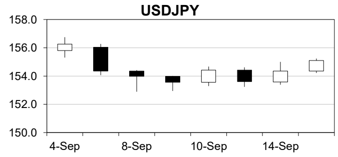
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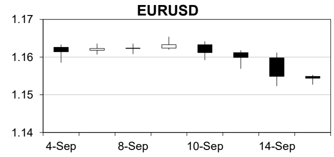
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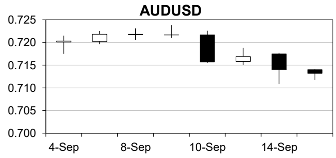
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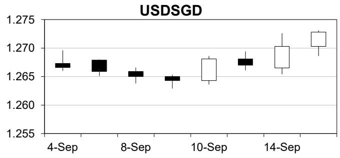
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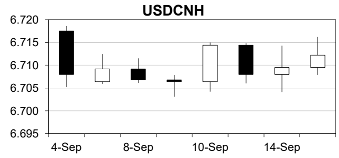
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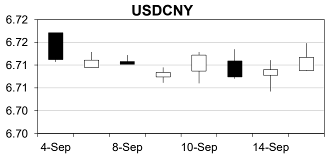
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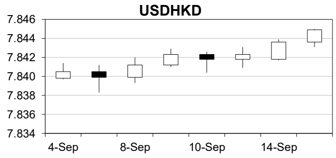
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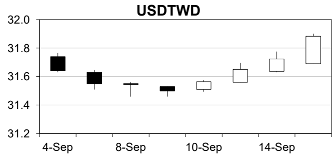
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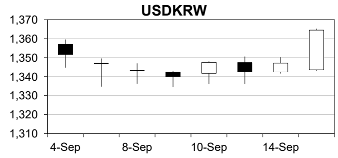
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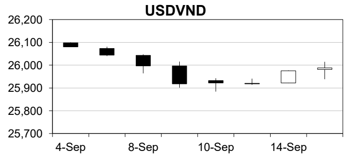
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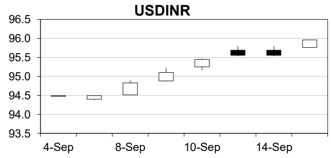
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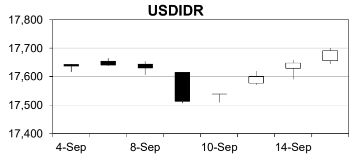
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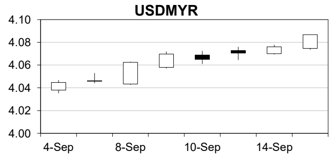
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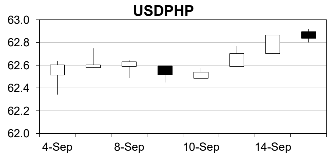
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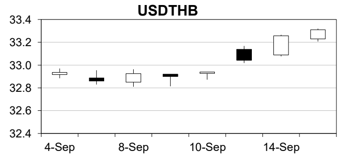
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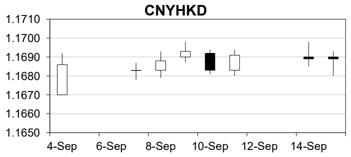
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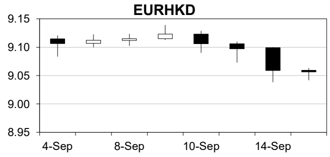
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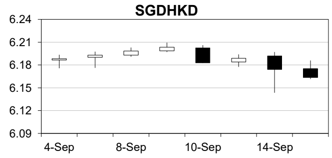
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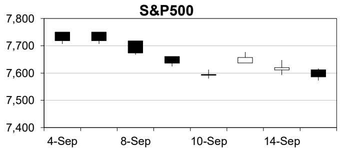
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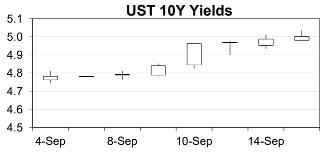
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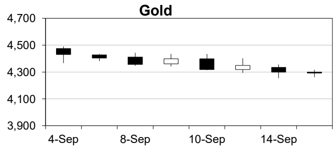
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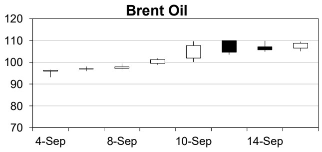

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