Mizuho Daily

MIZUHO

Sept 18, 2026

Three Take-Aways

1) Oil prices eased on improving supply and diplomatic hopes, although ongoing regional fighting kept risks elevated.

2) The US tariff delay offers temporary relief, but tougher EU pressure keeps China's trade risks elevated.

3) A BoJ hike without forceful guidance could leave both the Yen and JGBs under pressure.

MACRO THEME: Trump-Gulf Talks Offer Hope

- **Oil prices extended their decline as improving supply prospects and tentative diplomatic signals** overshadowed renewed security risks in the Strait of Hormuz. WTI and Brent settled 0.5% and 1.0% lower, respectively.

- **Geopolitical tensions nevertheless remain elevated.** Iran's **Islamic Revolutionary Guard Corps struck the Togo-flagged tanker Trend** as the vessel attempted to transit the Strait, leaving it immobilised and on fire.

- Meanwhile, **Saudi Arabia and the Houthis continue to exchange fire**, keeping threats to Saudi energy infrastructure and Red Sea shipping elevated.

- Still, **Saudi efforts to restore about half of the damaged East-West pipeline's capacity within days** helped ease immediate supply concerns.

- Diplomatic activity also picked up, with **Washington approving visas for Iran's core delegation to attend next week's UN meetings**.

- Separately, **Trump is expected to meet Gulf leaders** in New York next Tuesday **to discuss the Iran conflict and potential postwar arrangements**.

- While these developments have reduced some of oil's risk premium, **continued regional fighting and shipping threats should keep prices volatile**.

Trade Pressure Shifts to Europe

- China's trade outlook has become increasingly divergent across the Atlantic. **The US is expected to delay new tariffs targeting excess manufacturing capacity until after next week's Trump-Xi summit.** The proposed 7.5% levy would lift overall US tariffs on Chinese goods back toward 20%, but **the delay suggests Washington is prioritising negotiating flexibility ahead of talks covering trade, AI and the Iran war**

- **By contrast, the EU is hardening its stance**. Brussels is **demanding concrete steps from Beijing to address bilateral trade imbalances by October**, warning that it is prepared to deploy all available trade tools..

- Overall, the US delay reduces immediate tariff risks and may support near-term sentiment toward Chinese assets. However, **growing European pressure reinforces the prospect of wider trade restrictions**, particularly if upcoming negotiations fail to deliver meaningful progress.

Tech Rebounds on Rates and AI Tailwinds

- **US equities rallied overnight as lower Treasury yields and softer oil prices helped investors look past the Fed's hike.** The 10-year Treasury yield retreated below 5%, easing valuation pressure on technology shares, while lower oil prices reduced concerns over persistent energy-driven inflation.

- **Semiconductors led the advance**, supported by upbeat industry signals. Nvidia CEO Jensen Huang said Nvidia expects to sell twice as many chips next year as AI adoption broadens.

- Separately, Intel CEO Lip-Bu Tan said memory-chip prices had risen five- to sevenfold as **constrained supply struggled to keep pace with AI demand**, reinforcing expectations of stronger pricing and earnings for memory producers.

- Overall, the rebound was driven by lower yields and resilient AI demand, while **ongoing supply constraints** across memory chips and other critical components **continued to support the sector**.

***Yields** (2Y: -7.3bp; 10Y: -9.2bp; 30Y: -7.7bp)*

***Equities** (Nasdaq: +1.7%; S&P500: +1.1%; Dow: 0.6%)*

***FX** (DXY: -0.004%)*

BoJ Preview: (The Risk of) Whistling into a Hurricane

- The BoJ faces one of its most challenging policy meetings in years. A 25bp rate hike appears increasingly necessary, but may no longer be sufficient to stabilize either the yen or the JGB market. **Markets have already priced in a more aggressive tightening cycle, leaving the BoJ with a high bar to clear.**

- Part of the challenge stems from the unusually strong expectations created by **Bessent**, who famously declared himself "the house" on the yen and challenged investors to "bet against" him. His remarks **reinforced market expectations that Japanese policymakers are committed to a sustained tightening cycle**, effectively increasing pressure on the BoJ to deliver not only a hike, but also a convincingly hawkish outlook.

- The risk is therefore a classic "buy the rumour, sell the fact" reaction. **Should Governor Ueda fail to signal a sufficiently rapid pace of future hikes, the yen could weaken despite a policy move.** In a more adverse scenario, both the yen and JGBs could sell off simultaneously as investors question Japan's ability to keep pace with rising global yields and mounting fiscal concerns.

- **The backdrop has become even more challenging following the Fed's hawkish shift.** Markets now expect three additional US rate hikes through 2027, **widening US-Japan rate differentials** and limiting the yen support typically associated with BoJ tightening. Meanwhile, elevated oil prices, rising global bond yields and concerns over fiscal sustainability continue to pressure both Japan's currency and bond market.

- As a result, even a hawkish BoJ hike may amount to little more than whistling into a hurricane. **The central bank risks finding that a policy move which would once have strengthened the yen and stabilized yields now merely prevents a more pronounced deterioration**, potentially forcing further tightening sooner than it would prefer.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(SG) Non-oil Dom. Exports YoY (Aug)	46.2%	35.1%	24.2%
(TW) CBC Benchmark Rate	**2.00%**	**2.00%**	**2.00%**
(EZ) CPI YoY (Aug F)	**3.2%**	**3.3%**	**3.3%**
(US) Initial Jobless Cliams	196k	207k	206k
(US) Housing Starts (Aug)	1275k	1320k	1239k
(US) Philadelphia Fed Business Outlook (Sep)	37.8	32.1	47.4
Today	**Actual**	**Exp.**	**Prior**
(JP) BOJ Target Rate		**1.25%**	**1.00%**
(US) Industrial Production MoM (Aug)		**0.3%**	**0.2%**
(US) Leading Index (Aug)		0.1%	0.2%
(JP) Natl CPI/Ex Fresh Food, Energy Yo	1.9%/1.9%	2.0%/2.0%	1.9%/1.9%
(KR) PPI YoY (Aug)		--	7.7%
(MY) Exports/Imports YoY (Aug)		38.0%/33.2%	38.0%/36.4%
(MY) CPI YoY (Aug)		**1.8%**	**1.8%**
(PH) BoP Overall (Aug)		--	-$1470m

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	155.97	156.14	▼0.19%	154.00	-	157.00
EURUSD	1.1476	1.1476	+0.10%	1.1400	-	1.1500
GBPUSD	1.3359	1.3357	▼0.16%	1.3300	-	1.3500
AUDUSD	0.7111	0.7116	+0.32%	0.7090	-	0.7190
DXY	100.2	--	▼0.00%	99.3	-	100.6
USDCNY	6.7061	--	▼0.04%	6.6900	-	6.7500
USDCNH	6.7041	6.7036	▼0.13%	6.6900	-	6.7500
USDHKD	7.8461	7.8461	+0.02%	7.8200	-	7.8500
USDSGD	1.2754	1.2759	▼0.17%	1.2650	-	1.2810
USDKRW	1382	1381	+0.00%	1339	-	1375
USDTWD	31.89	--	▼0.03%	31.50	-	32.20
USDINR	95.94	--	▼0.02%	95.20	-	96.50
USDIDR	17747	--	+0.31%	17600	-	18000
USDMYR	4.100	4.100	+0.31%	4.050		4.110
USDPHP	62.74	--	▼0.00%	62.50	-	63.20
USDTHB	33.37	33.27	+0.25%	33.1	-	33.6
USDVND	26003	26002	+0.07%	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)	4.665	4.932	-7.3	-9.2
JGB (JP)	1.860	2.983	1.5	-1.1
Bunds (GE)	3.223	3.475	1.0	-3.0
Gilts (UK)	4.737	5.222	-2.1	-7.4
AGB (AU)	4.973	5.304	-2.7	-4.9
SGS (SG)	1.856	2.488	1.6	-0.4
CGB (CN)	1.249	1.682	0.6	0.0
KGB (KR)	3.982	4.517	0.0	-3.6
SDL (IN)	6.313	7.046	0.0	-0.6

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	179.01	179.21	▼0.08%
GBP/JPY	208.379	208.555	▼0.35%
JPY/SGD (100yen)	0.8177	0.817	▼0.01%
JPY/HKD (100yen)	5.0297	5.0244	+0.22%
CNH/JPY	23.277	23.291	+0.15%
CNH/HKD	1.1702	1.1702	+0.07%
EUR/GBP	0.85904	0.8592	+0.26%
AUD/NZD	1.2403	1.2423	+0.01%
EUR/CNH	7.6939	7.6931	▼0.03%
GBP/CNH	8.9556	8.9538	▼0.29%
CNY/HKD	1.1702	1.1702	+0.07%
EUR/HKD	9.0042	9.0042	+0.12%
SGD/HKD	6.1502	6.1494	+0.21%

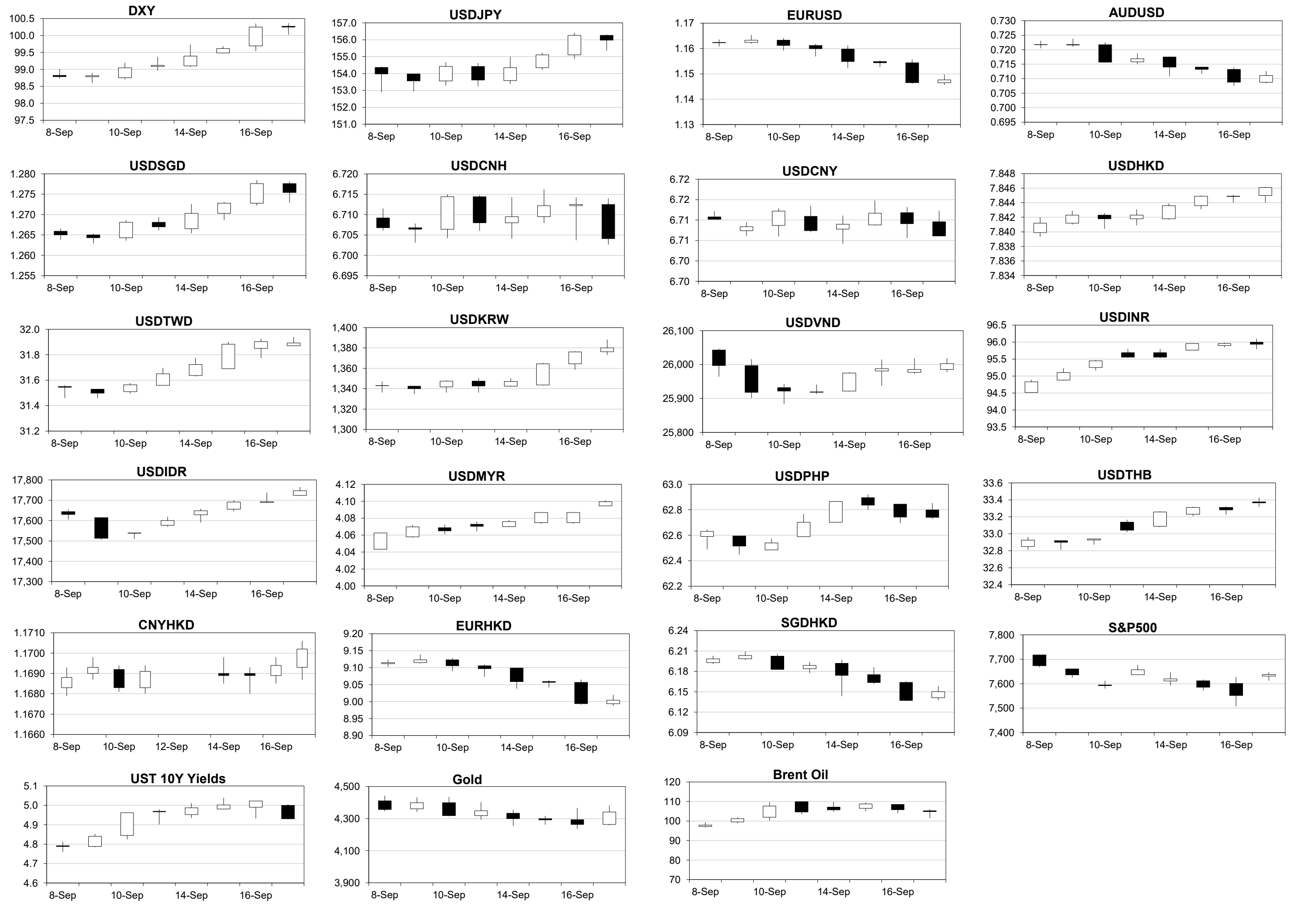
*Open is as at 8am HKT/SGT.

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7637.76	85.95	+1.14%
Nasdaq (US)	26418.3	439.87	+1.69%
DJIA (US)	51778.04	316.14	+0.61%
N225 (JP)	64136.25	213.25	+0.33%
STOXX50 (EU)	6322.9	56.40	+0.90%

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5822.15	68.20	+1.19%
STI (SG)	5660.52	25.11	+0.45%
SHCOMP (CN)	3875.604	-16.00	▼0.41%
SZCOMP (CN)	2471.389	-5.09	▼0.21%
HSI (HK)	24604.29	-109.49	▼0.44%
SENSEX (IN)	74314.59	-21.86	▼0.03%
JSE (ID)	6462.431	25.58	+0.40%
KLSE (MY)	1674.74	-4.47	▼0.27%
PSE (PH)	5958.64	41.70	+0.70%
SET (TH)	1583.34	20.61	+1.32%
VNINDEX (VN)	1822.77	0.01	+0.70%

Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	14,491.35	290.11	+2.04%
IRON ORE (CN)	96.95	-1.55	+0.27%
GOLD	4,341.70	78.05	+1.83%
SILVER	65.23	0.01	+0.35%
OIL (BRENT)	104.82	-1.01	▼0.95%
OIL (WTI)	101.91	-0.52	▼0.51%
NATURAL GAS	2.90	2.24	+3.56%

CHARTS



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