Mizuho Daily

Nov 06, 2026

Three Take-Aways

1) AI regulatory risks triggered an equity sell-off, driving a Treasury bull-steepening and softer Fed tightening expectations.

2) Fed officials still favour further tightening, but support a gradual pace amid economic uncertainty.

3) The BoE delivered a hawkish 25bp hike to 4.00%, with energy-led inflation keeping further tightening firmly in play.

MACRO THEME: Panic Selling?

- US equities sold off sharply overnight as **investors reassessed the AI investment cycle** following the midterm election shift. Losses were particularly heavy in semiconductors, cloud infrastructure and data centre stocks as **markets priced greater regulatory, political and execution risks around AI capex.**

- **Texas emerged as a key concern**. Newly elected Governor Gina Hinojosa **pledged a moratorium on new data centre developments** until legislation is introduced to control their expansion. Senator James Talarico and other state Democrats also **blamed the rapid AI infrastructure buildout for rising household electricity costs.** Given Texas's central role in US data centre growth, tighter permitting and power use rules **raised concerns over delay projects and weakened near term demand** for chips, servers and electrical equipment.

- **US Treasuries rallied** as equity weakness triggered defensive demand and investors reduced expectations for aggressive monetary tightening. Therefore, the yield curve **bull-steepened**, with 2s10s spread widened to 37bp from 31bp, while the 2s30s spread increased to 79bp from 70bp.

- **The market scaled back its Fed tightening expectations after the sell-off.** A December hike remains the base case at around 64%, but futures now point to a gradual path, with the implied policy rate peaking near 4.29% in late 2027.

Fed Officials Favour Gradual but Further Tightening

- Overnight Fed commentary reinforced the case for additional rate hikes, but pointed to **a measured rather than aggressive tightening path.**

- Cleveland Fed President Beth Hammack, who dissented at the October meeting in favour of a 25bp hike, argued that monetary policy still needs to become restrictive to return inflation to 2% in a timely manner. **She favoured smaller, more frequent adjustments**, which she viewed as less disruptive to households, businesses and financial markets.

- Richmond Fed President Thomas Barkin delivered a similar message, describing inflation as the most important current risk and suggesting that policy may remain slightly accommodative. **Barkin also highlighted AI investment as a near term source of price pressure**, despite its potential longer term productivity benefits.

- Overall, the comments suggest broad agreement on the need for higher rates, with the debate centred on pace rather than direction.

Energy Shock Forces the BoE's Hand

- The BoE raised Bank Rate by **25bp to 4.00%**, responding to rising energy costs and stronger-than-expected economic activity. The **8–1 vote**, with **Catherine Mann preferring a larger 50bp increase**.

- **The decision was framed as insurance** against the energy shock becoming embedded in wages and broader prices. September CPI reached 3.5%, and **the BoE now expects inflation to peak at 4.9% in 2Q27**. Although evidence of second-round effects remains limited, policymakers judged that pipeline pressures were sufficiently strong to justify pre-emptive tightening.

- The accompanying **communication retained a clear tightening bias**. Governor Andrew Bailey and several Monetary Policy Committee members indicated that **another increase could be warranted if energy prices and underlying inflation fail to soften**.

- However, the BoE **avoided committing to a predetermined path**, preserving flexibility as recent oil price declines improve the near-term outlook.

- Overall, we view the decision as **a hawkish hike**, underscored by the dissent in favour of a larger 50bp increase.

- OIS markets now price around a 58% probability of another 25bp hike in December and nearly three cumulative hikes by September 2027, taking the implied policy rate to approximately 4.73%.

***Yields** (2Y: -12.0bp; 10Y: -5.2bp; 30Y: -2.1bp)*

***Equities** (Nasdaq: -5.5%; S&P500: -4.4%; Dow: -3.4%)*

***FX** (DXY: -0.001%)*

EM Asia FX: Relief, Not Resolution

- In the Philippines, **headline inflation has accelerated** to 7.8% YoY in October from the 7.2% in September while core inflation also rose to 5.4% YoY from 4.8%.

- Aside from the transportation cost increase, there were faster pace of prices increases across a broad range of categories ranging from clothing, furnishings, health, recreation, restaurants to personal care services.

- Given the breath of inflationary pressures as well as the troubling increase to core inflation, the BSP is on course for another 25bp rate hike at their next meeting.

- Meanwhile, in Indonesia, **GDP growth at 5.5% YoY** in Q3 outperformed expectations. On QoQ basis, net exports saw robust expansion led by manufactured goods such as machinery as well as investment spending while housing consumption contracted.

- While firm growth **provides room for BI to hike rates** to defend the IDR in times of need, growth soft spots such as consumption weakness point to cost of living pressures and **potential unrest as inflationary pressures mount**.

- On balance, while **EM-Asia FX enjoys a bout of relief this week** from a weaker USD and lower oil prices, US$90-95 Brent crude is still very much an uncomfortable sight for policymakers and consumers.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Challenger Job Cuts YoY (Oct)	-71.3%	--	-19.9%
(US) Initial Jobless Claims	189k	196k	194k
(EZ) PPI YoY (Sep)	11.1%	10.6%	8.2%
(SG) Retail Sales/Ex Auto YoY (Sep)	1.7%/2.5%	2.2%/--	0.7%/1.6%
(AU) Trade Balance (Sep)	A$2826m	A$1000m	A$495m
(KR) BoP Current Account Balance (Sep)	$61457.5m	--	$46113.0m
(ID) GDP YoY (3Q)	**5.5%**	**5.2%**	**5.3%**
(MY) BNM Overnight Policy Rate	**2.8%**	**2.75%**	**2.75%**
(TW) CPI/Core YoY (Oct)	**2.3%/2.2%**	**2.6%/2.3%**	**2.7%/2.5%**
(PH) CPI YoY (Oct)	**7.8%**	**7.6%**	**7.2%**
Today	**Actual**	**Exp.**	**Prior**
(US) Change in Nonfarm Payrolls (Oct)		**65k**	**29k**
(US) U. of Mich. Sentiment/Expectations (Nov P)		48.0/49.0	48.0/48.8
(US) U. of Mich. 1/5-10 Yr Inflation (Nov P)		4.7%/3.5%	4.7%/3.5%
(US) Unemployment Rate (Oct)		4.2%	4.2%
(US) Average Hourly Earnings YoY (Oct)		2.9%	3.0%
(EZ) Retails Sales YoY (Sep)		0.6%	0.8%
(TH) CPI/Core YoY (Oct)		**3.3%/1.6%**	**2.8%/1.5%**

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	157.70	157.49	▼0.46%	156.40 - 159.60
EURUSD	1.1219	1.1227	▼0.08%	1.1090 - 1.1250
GBPUSD	1.3450	1.3455	▼0.16%	1.3250 - 1.3500
AUDUSD	0.6931	0.6930	▼1.06%	0.6910 - 0.7050
DXY	101.6	--	▼0.00%	101.0 - 102.9
USDCNY	6.6680	--	▼0.10%	6.6300 - 6.7300
USDCNH	6.6648	6.6646	▼0.14%	6.6300 - 6.7000
USDHKD	7.8413	7.8399	▼0.05%	7.8200 - 7.8500
USDSGD	1.2776	1.2781	▼0.06%	1.2720 - 1.2860
USDKRW	1355	1357	+0.00%	1340 - 1370
USDTWD	32.90	--	+0.17%	32.20 - 33.00
USDINR	94.48	--	▼0.18%	94.30 - 95.70
USDIDR	18082	--	▼0.46%	18000 - 18250
USDMYR	4.048	4.049	▼0.39%	4.040 - 4.120
USDPHP	63.00	--	▼0.85%	62.50 - 64.30
USDTHB	33.42	33.46	▼0.65%	33.2 - 34.0
USDVND	25680	25681	▼0.16%	25500 - 26100

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.463	4.837	-12.0	-5.2
JGB (JP)	1.864	2.773	-2.0	-3.8
Bunds (GE)	2.973	3.239	-2.3	-3.1
Gilts (UK)	4.745	5.131	0.5	0.2
AGB (AU)	4.780	5.010	-4.0	-7.3
SGS (SG)	1.802	2.138	-1.7	-2.8
CGB (CN)	1.212	1.590	0.0	-0.8
KGB (KR)	3.695	3.972	0.0	0.0
SDL (IN)	7.000	7.171	0.0	-1.7

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	176.93	176.8	▼0.55%
GBP/JPY	212.123	211.902	▼0.61%
JPY/SGD (100yen)	0.8101	0.8117	+0.36%
JPY/HKD (100yen)	4.9727	4.9782	+0.41%
CNH/JPY	23.66	23.623	▼0.31%
CNH/HKD	1.1765	1.176	+0.10%
EUR/GBP	0.83419	0.83436	+0.08%
AUD/NZD	1.239	1.2387	▼0.58%
EUR/CNH	7.478	7.4821	▼0.21%
GBP/CNH	8.9643	8.9675	▼0.32%
CNY/HKD	1.1765	1.176	+0.10%
EUR/HKD	8.7968	8.8016	▼0.14%
SGD/HKD	6.1375	6.1335	+0.00%

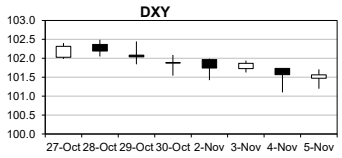
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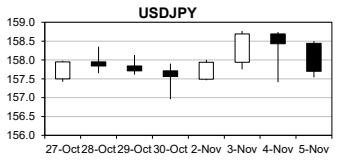
G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7353.73	-334.89	▼4.36%
Nasdaq (US)	24315	-1421.51	▼5.52%
DJIA (US)	51523.06	-1833.06	▼3.44%
N225 (JP)	61077.9	-1110.73	▼1.79%
STOXX50 (EU)	6231.54	-34.17	▼0.55%

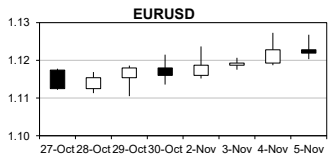
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5815.79	-28.11	▼0.48%
STI (SG)	5296.25	27.62	+0.52%
SHCOMP (CN)	3689.911	3.74	+0.10%
SZCOMP (CN)	2184.101	34.26	+1.59%
HSI (HK)	24796.98	877.48	+3.67%
SENSEX (IN)	79310.01	2008.61	+2.60%
JSE (ID)	5030.261	110.49	+2.25%
KLSE (MY)	1635.86	19.30	+1.19%
PSE (PH)	5778.14	83.22	+1.46%
SET (TH)	1497.99	-4.10	▼0.27%
VNINDEX (VN)	1740.73	0.00	+0.44%

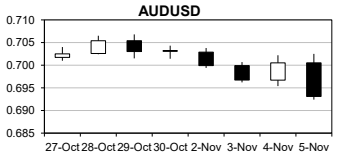
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,940.14	-176.69	▼1.25%
IRON ORE (CN)	93.10	2.35	+1.20%
GOLD	4,088.00	27.30	+0.67%
SILVER	51.78	-0.01	▼0.41%
OIL (BRENT)	98.29	3.67	+3.88%
OIL (WTI)	90.52	2.40	+2.72%
NATURAL GAS	2.95	-0.44	▼0.85%

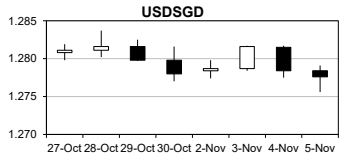
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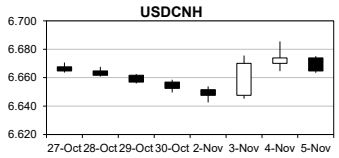


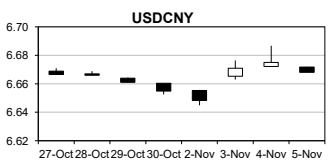


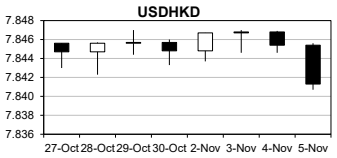


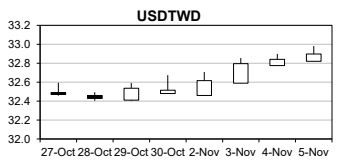


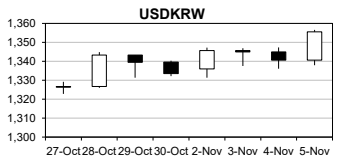


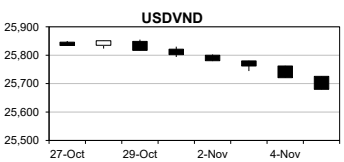


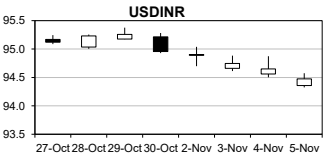


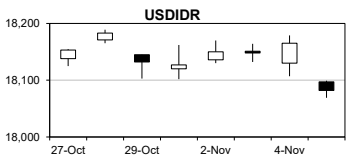


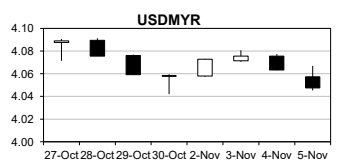


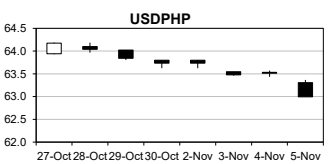


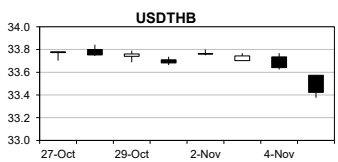


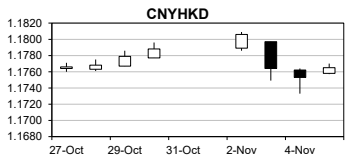


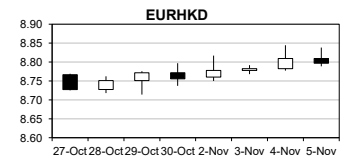


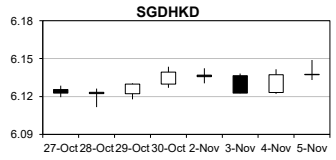


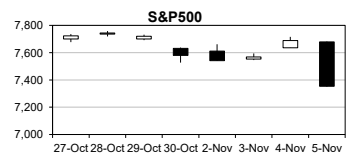


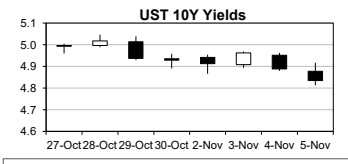


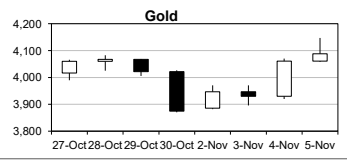


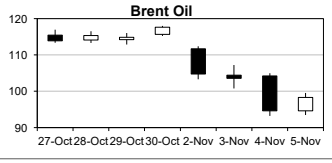












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