Mizuho Daily

Oct 02, 2025

Three Take-Aways

1) Despite US federal government shutdown, USD and UST yields largely steady in its immediate aftermath as previous episodes have been fleeting and jobs loss was temporary with wage restituition.

2) ADP employment report showing private sector job loss of 32k sent UST yields plunging amid the likely delay of NFP this Friday.

3) Pharma tariffs are delayed amid on-going negotiations while Japan's Akazawa reassures on trade deal implications on JPY.

MACRO THEME: Delays and Inaccuracies

- While shutdown drama may have hogged most of the headlines, it was **the ADP print which showed private sector job losses of 32k** which sent UST yields plunging with the 2Y down 7bps. Admittedly, the usual economist caveat is that the ADP prints have not been tightly correlated with the NFP which is widely viewed as the standard bearer.

- The current situation for this **enhanced market sensitivity** perhaps is that given that the NFP print due this Friday is highly likely to be delayed in turn forcing an **over-reliance on the ADP data.**

- US **ISM manufacturing** data was also dismal under the hood even though the headline came in better than expected. Specifically, **new orders sank into contractionary** territory. That said, a slower pace of prices paid may also have alleviated fears of the inflation impact from tariffs.

- Amid the Federal government shutdown and disappoint economic data, markets have also now priced in a full rate cut at the end-October FOMC meeting. Should the shut down last a similar length of 35 day which was the case in 2018, **the Fed will have to do withouth NFP and CPI prints. Chicago Fed President Goolsbee has said that it is problematic.**

- Meanwhile on the tariff front, Trump has said that he will be pressing Xi for soybean purchases when they meet at the end of the month. As for **pharma tariffs, the administration is said to be delaying duties** amid on-going negotiation with drug companies.

- On a related note, Japan's trade negotiator Akazawa has said that their investment fund will not weaken the JPY as funding methods avert outflow by utilising their FX special account which is held in USD terms.

***Yields** (2Y: -7.2bp; 10Y: -5.2bp; 30Y: -2.3bp)*

Front end yields plunged on the back of ADP undershoot.

***Equities** (Nasdaq: +0.4%; S&P 500: +0.3%; Dow: +0.1%)*

- US equities climbed higher across the board.

***FX** (DXY: -0.1%)*

- USD weakness extended as JPY gained with the USD/JPY testing 147. EUR sideways above 1.17. AUD similarly unchanged around 66 cents. USD/SGD slipped below 1.29.

US Shutdown: Risk that Blows Over, Not Up?

- Markets Sanguine: At least markets appear to believe so, given the sanguine reactions - **USD** and **UST yields mostly steady** while **equities** have **maintained traction**.

- With Good Reasons: And to be fair, there are good reasons why concerns about the shutdown are not overblown.

1. Fleeting & Shallow: For one, **most episodes** in the past have **faded quickly** - *mostly within days,* even though in December 2018 it lasted over a month (35 days) - and **with little lasting damage** from the temporary disruptions.
2. Reinstatement & Restitution: What's more, **jobs temporarily furloughed** due to suspension of non-essential government services have typically been **reinstated** and with **full restitution of wages** forgone.
3. Spending Interrupted, Not Funding Impacted: Crucially, the shutdown is a **procedural interruption to government spending** due to spending bills blocked and **not a cashflow crisis** from going broke (subject to a debt ceiling cliff* or worse a loss of confidence). In other words, it is a **temporary spending constraint, not a tumultuous funding crisis**.

- Unfussed, Underwritten & Unimpaired: It appears then that **US assets are by and large spared**.

- Especially as markets are (1) *not fussed about a prolonged shutdown.*
- Furthermore, (2) *demand appears to be underwritten* by implied guarantees of job restoration/age restitution, that safeguard cashflow/wage expectations from negative shocks.
- And ***critically***, (3) *risk* (credit, macro and market) *sentiments are unimpaired,* **averting adverse risk re-pricing**, (involving default or degradation).

For comparison to 2018 shutdown episode and the circumstances around the current shutdown. Please see full report at this **link.**

Post RBI - Reading the Hold

- While the RBI went with the widely expected decision to **hold rates**, Governor Malhotra has retain much optionality in his options ahead.

- He cited **strong domestic demand** as he lifted growth forecast for FY2026 to 6.8% but at the same time also **alluded to more policy room available for easing** as they lowered inflation forecast amid GST cuts. Specifically, he has said that some of the impact of 50% tariff rates will be offset by GST rate cuts.

- In short, **fiscal policy has stepped up and monetary policy may be able to wait and see for now**.

- While there was mention of INR internationalisation during the press conference, reference rates remain tough to establish given mentioned counterparties such as the IDR also face significant volatility from political and fiscal woes.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(ID) CPI/Core YoY (Sep)	2.7%/2.2%	2.5%/2.2%	2.3%/2.2%
(KR) Exports/Imports YoY (Sep)	12.7%/8.2%	7.8%/5.6%	1.2%/-4.1%
(JP) Tankan Large Mfg Index/Outlook	14/12	14/13	13/12
(EZ) CPI/Core YoY (Sep P)	2.2%/2.3%	2.2%/2.3%	2.0%/2.3%
(US) ADP Employment Change (Sep)	-32k	51k	-3k
(US) ISM Manufacturing (Sep)	49.1	49.0	48.7
(IN) RBI Repurchase Rate	5.50%	5.50%	5.50%

Today	Actual	Exp.	Prior
(US) Initial Jobless claims		225k	218k
(US) Factory Orders (Aug)		1.4%	1.3%
(US) Durable Goods Orders (Aug F)		2.9%	2.9%
(EZ) Unemployment Rate (Aug)		6.2%	6.2%
(KR) CPI/Core YoY (Aug)	2.1%/2.0%	2.0%/2.0%	1.7%/1.3%
(AU) Trade Balance (Aug)		A$6200m	A$7310m

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	147.07	147.09	▼0.56%	147.50	-	150.00
EURUSD	1.1732	1.1734	▼0.02%	1.1700	-	1.1800
GBPUSD	1.3478	1.3480	+0.24%	1.3400	-	1.3550
AUDUSD	0.6613	0.6615	+0.00%	0.6520	-	0.6650
DXY	97.7	--	▼0.07%	97.0	-	99.0
USDCNY	7.1224	--	+0.00%	7.0900	-	7.1500
USDCNH	7.1279	7.1267	▼0.01%	7.0900	-	7.1500
USDHKD	7.7818	7.7811	▼0.01%	7.7600	-	7.8200
USDSGD	1.2881	1.2878	▼0.16%	1.2750	-	1.3000
USDKRW	1403	1403	+0.00%	1395	-	1410
USDTWD	30.44	--	▼0.06%	30.10		30.60
USDINR	88.69	--	▼0.11%	87.60	-	89.50
USDIDR	16610	--	▼0.33%	16500	-	17000
USDMYR	4.207	4.207	▼0.00%	4.180	-	4.250
USDPHP	58.15	--	▼0.09%	57.50	-	58.50
USDTHB	32.36	32.42	▼0.15%	32.0	-	32.6
USDVND	26416	26413	▼0.03%	26300	-	26600

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.537	4.099	-7.2	-5.2
JGB (JP)	0.952	1.646	1.4	0.4
Bunds (GE)	2.010	2.712	-0.8	0.2
Gilts (UK)	3.961	4.695	-1.9	-0.4
AGB (AU)	3.523	4.367	3.4	6.9
SGS (SG)	1.498	1.919	0.7	1.8
CGB (CN)	1.428	1.859	0.0	0.0
KGB (KR)	2.565	2.975	3.7	2.3
SDL (IN)	5.757	6.517	-1.5	-6.0

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	172.53	172.58	▼0.58%
GBP/JPY	198.221	198.263	▼0.33%
JPY/SGD (100yen)	0.8757	0.8755	+0.42%
JPY/HKD (100yen)	5.2912	5.2902	+0.57%
CNH/JPY	20.651	20.646	▼0.46%
CNH/HKD	1.0926	1.0926	+0.00%
EUR/GBP	0.87045	0.87047	▼0.26%
AUD/NZD	1.1369	1.1364	▼0.40%
EUR/CNH	8.3665	8.3642	▼0.02%
GBP/CNH	9.6066	9.6067	+0.23%
CNY/HKD	1.0926	1.0926	+0.00%
EUR/HKD	9.1286	9.13	▼0.04%
SGD/HKD	6.0418	6.0422	+0.13%

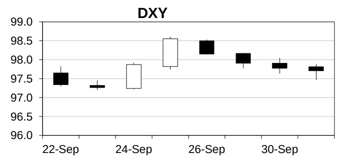
*Open is as at 8am HKT/SGT.

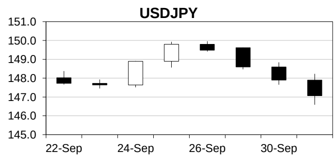
G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6711.2	22.74	+0.34%
Nasdaq (US)	22755.16	95.15	+0.42%
DJIA (US)	46441.1	43.21	+0.09%
N225 (JP)	44550.85	-381.78	▼0.85%
STOXX50 (EU)	5581.21	51.25	+0.93%

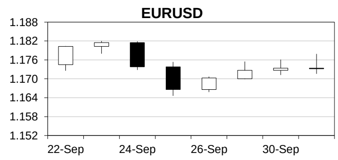
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5108.07	46.34	+0.92%
STI (SG)	4323.12	22.96	+0.53%
SHCOMP (CN)	3882.777	0.00	+0.00%
SZCOMP (CN)	2519.422	0.00	+0.00%
HSI (HK)	26855.56	0.00	+0.00%
SENSEX (IN)	80983.31	715.69	+0.89%
JSE (ID)	8043.822	-17.24	▼0.21%
KLSE (MY)	1620.87	8.99	+0.56%
PSE (PH)	6026.03	72.57	+1.22%
SET (TH)	1275.03	0.86	+0.07%
VNINDEX (VN)	1665.05	0.00	+0.20%

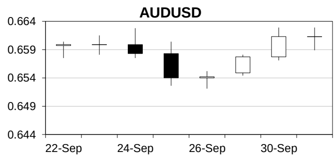
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	10,338.15	112.63	+1.10%
IRON ORE (CN)	103.91	-1.79	▼1.31%
GOLD	3,865.74	6.78	+0.18%
SILVER	47.32	0.17	+5.24%
OIL (BRENT)	65.35	-1.67	▼2.49%
OIL (WTI)	61.78	-0.59	▼0.95%
NATURAL GAS	3.48	0.67	+1.44%

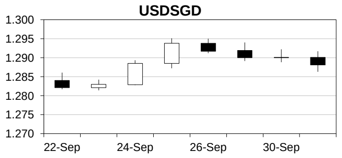
CHARTS

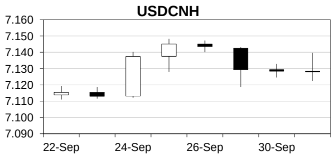


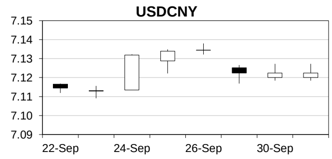


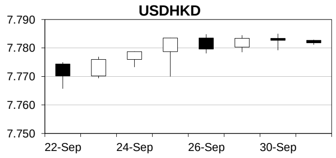


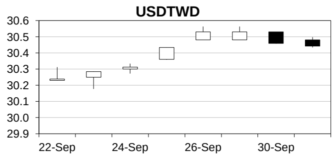


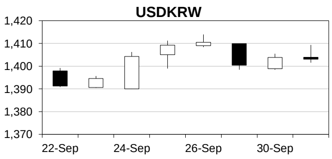


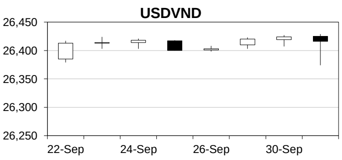


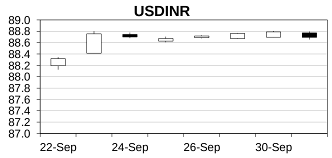


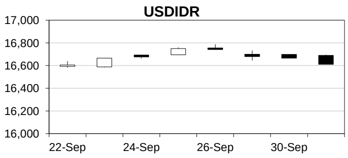


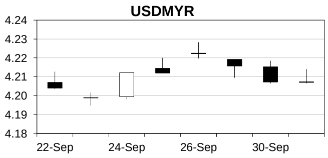


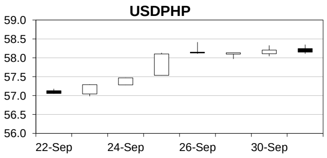


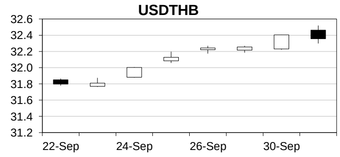


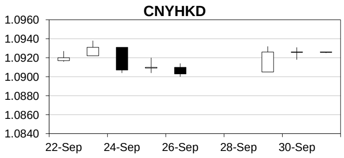


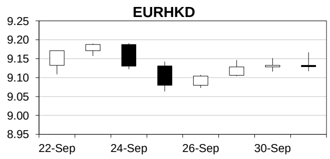


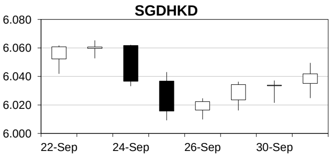


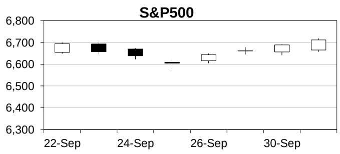


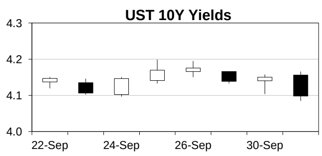


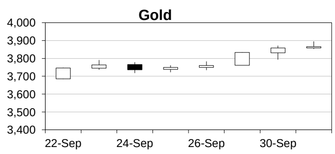


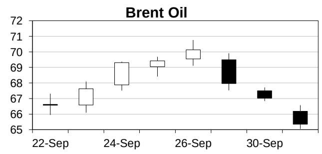












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