Mizuho Daily

MIZUHO

Oct 17, 2025

Three Take-Aways

1) Revelation of fraud from lending to funds involved in distressed mortgages hitting US regional banks sent US equities tumbling.

2) Creep up in Australia unemployment rate inevitable but September spike is accentuated by rise in participation rate.

3) Malaysia Q3 GDP likely to display resilience though fiscal policy remains key to consolidate MYR recovery.

MACRO THEME: Cockroaches?

- After Jamie Dimon's warning earlier in the week that "when you see one cockroach, there are probably more" as JPMorgan took a one-off charge from Tricolor Holding's collapse, regional banks in the US, Zions Bancorp and Western Alliance Bancorp said that they were hit **by fraud on funds that invest in distressed mortgages.** Notably, both regionals is said to be have lent to the same group of investors.

- For sure, cockroaches are pretty worrying regardless of whether they came out of cars or houses. The difference though **lies in the ability of the large balance sheets to cushion these shocks with regional banks being most vulnerable.**

- Undoubtedly, with **this latest shock stemming from the housing sector invoking 2008 GFC memories**, the impact reverberates throughout US equities with the S&P staging a broad based decline of 0.6% with the financial sector driving half of the drop.

- Fed speak was slightly dovish last night with **Governor Waller** saying that to avoid a mistake that **can go cautiously or carefully and do 25,** wait and see what happens and then you can get a better idea of what to do. To be clear, he also stated that the Fed should **reduce the policy rate by another 25bps** at our meeting that concludes Oct 29. Meanwhile, Governor Miran has called for a 50bps cut.

- Amid the **confluence of banking stress and dovish Fed speak, markets (Fed funds futures) are fully pricing in 2 cuts** for the rest of the year and 20bps of cuts in January 2026 relative to 11bps in January 26 at the start of the week.

- The flight to haven which has sent UST yields lower and buoyed JPY and CHF and risk premium re-pricing in **Asia is likely to follow suit as markets re-calibrate their perceptions, shining a bright light at dark spots.**

- Nonetheless, amid the panic, it is perhaps important to recall another cockroach theory* that it is the customers' response to the cockroach which spreads panic, while the waiter composed response to observe and grab the cockroach resolve the situation.

- Down Under, **a spike up in unemployment rate in Australia** is questioning if there are hidden cockroaches inside the labour market. For us, the unemployment creep up is inevitable and merely a matter of time given that the labour market has reached a stage of slow hiring, but this **spike is also amplified by an increase in labour force participation**.

*somewhat made famous by Sundar Pichai.

- Specifically, this does not appear to a distressed stage of the labour market depicted by a rise unemployment rate and a decline in labour force as workers become discouraged.

Yields ***(2Y: -7.3bps; 10Y -5.4bp; 30Y -4.1bp)***

Equities ***(Nasdaq: -0.5%; S&P 500: -0.6%; Dow: -0.7%)***

FX ***(DXY: -0.5%)***

Gold's "There's No Digital Me" Swag

- Gold is **stamping its superiority** as the "real deal". Specifically, in **destroying propaganda that Bitcoin is "digital Gold"**. Since we published on Gold late last week (9th Oct) – on breaching $4,00, and the fundamental shifts involved in its mind-boggling rallies – it is now nearly 40% on its road to $5,000!

- Cleary, what bears repeating is that Gold is far **more than a mere inflation hedge**. Without being dismissive of inflation hedges, the wider point is that in theory, *any real asset ought to fulfil the inflation hedge property (pun intended).* Whereas **Gold's real shine was in** its far more sweeping allure as **THE time-tested and unmatched hedge against fiat debasement risks**.

- Especially as Gold is ***not merely revered*** **but is actually being underwritten by hefty allocations from reserve asset managers**, who spooked by mounting prospects of wealth destruction (from large-scale debasement). Crucially, **Gold striking down Bitcoin as the "digital Gold" substitute burnishes its glitter**.

- Notably, ***during periods of significant financial market stress*** *("risk off")*, **Gold stands out in its ability to retain value –** *with correlations vis-à-vis equities flipping negative.*

- Whereas Bitcoin, *while having super-charged gains during "risk on",* **often crumbles at the most critical "risk off" junctures –** ***revealing itself to be a "high-beta" risk asset, not a haven*** *(store of wealth).*

- So, **Gold's real swag** is that there is **no digital variant** that replicates its ability *to both hedge against fist debasement* and *store wealth through adversity.*

Malaysia GDP: Resilience Amid Soft Spots, No Major Inflection

- We expect Malaysia's Q3 GDP growth to moderate slightly to 4.3% YoY, down from 4.4% in Q2, reflecting emerging softness in both external and domestic demand.

- Looking ahead, we believe the drag from trade is unlikely to crystallize until late 2025/early 2026, assuming a gradual fade in front-loaded demand. Furthermore, Budget 2026 is expected to provide a fiscal buffer to sustain domestic activity and mitigate downside risks.

- With growth holding near trend and inflation pressures contained, **BNM is likely to remain on hold**, maintaining a neutral stance. The MYR's performance will continue to be shaped by broader USD dynamics, though relative fiscal trajectories across the region may imply some MYR outperformance. The upshot is that the Q3 print is unlikely to deliver a major revelation. While growth remains resilient, the underlying composition points to a maturing cycle. Focus will shift to the sustainability of domestic demand and timing of external normalization.

DATA/EVENTS

Yesterday	Actual	Exp.	Prior
(US) Initial Jobless Claims	Delayed	230k	--
(US) Retail Sales Adv/Ex Auto and Gas MoM (	Delayed	0.4%/0.3%	0.6%/0.7%
(US) PPI/Ex Food, Energy, Trade MoM (S	Delayed	0.3%/0.3%	-0.1%/0.3%
(JP) Tertiary Industry Index MoM (Aug)	-0.4%	-0.2%	0.5%
(JP) Core Machine Orders MoM (Aug)	-0.9%	0.5%	-4.6%
(AU) Employment Change/Unemployment	14.9k/4.5%	20.0k/4.3%	-5.4k/4.2%

Today	Actual	Exp.	Prior
(EZ) CPI/Core YoY (Sep F)		2.2%/2.3%	2.2%/2.3%
(US) Housing Starts (Sep)		1320k	1307k
(MY) GDP YoY (Q3)		4.2%	4.4%
(MY) Exports/Imports YoY (Sep)		3.7%/1.5%	1.9%/-5.9%
(KR) Unemployment Rate (Sep)	2.5%	2.6%	2.6%

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast		
USDJPY	150.43	150.13	▼0.41%	149.50	-	152.00
EURUSD	1.1687	1.1699	+0.34%	1.1600	-	1.1750
GBPUSD	1.3434	1.3445	+0.23%	1.3300	-	1.3500
AUDUSD	0.6485	0.6482	▼0.43%	0.6410	-	0.6550
DXY	98.3	--	▼0.46%	97.0	-	99.4
USDCNY	7.1246	--	▼0.03%	7.0900	-	7.1500
USDCNH	7.1249	7.1225	▼0.07%	7.0900	-	7.1700
USDHKD	7.7706	7.7709	▼0.05%	7.7600	-	7.8200
USDSGD	1.2939	1.2929	▼0.19%	1.2750	-	1.3050
USDKRW	1417	1417	+0.00%	1405	-	1435
USDTWD	30.64	--	+0.02%	30.30	-	31.00
USDINR	87.83	--	▼0.27%	87.00	-	89.50
USDIDR	16573	--	+0.05%	16500	-	16800
USDMYR	4.229	4.225	▼0.07%	4.180	-	4.250
USDPHP	58.14	--	+0.14%	57.90	-	58.80
USDTHB	32.55	32.51	+0.00%	32.2	-	33.0
USDVND	26336	26339	▼0.02%	26250	-	26600

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	3.425	3.975	-7.3	-5.4
JGB (JP)	0.914	1.654	2.0	0.7
Bunds (GE)	1.906	2.570	-1.3	0.0
Gilts (UK)	3.847	4.500	-4.4	-4.2
AGB (AU)	3.346	4.152	-8.8	-6.4
SGS (SG)	1.423	1.762	-0.6	0.9
CGB (CN)	1.493	1.835	7.5	-0.5
KGB (KR)	2.525	2.918	5.2	6.3
SDL (IN)	5.766	6.501	2.0	2.1

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	175.81	175.64	▼0.07%
GBP/JPY	202.086	201.842	▼0.18%
JPY/SGD (100yen)	0.8601	0.8613	+0.24%
JPY/HKD (100yen)	5.1654	5.1761	+0.37%
CNH/JPY	21.098	21.072	▼0.65%
CNH/HKD	1.0907	1.0907	▼0.01%
EUR/GBP	0.87001	0.87017	+0.11%
AUD/NZD	1.1329	1.132	▼0.43%
EUR/CNH	8.3271	8.3326	+0.27%
GBP/CNH	9.5711	9.5758	+0.17%
CNY/HKD	1.0907	1.0907	▼0.01%
EUR/HKD	9.0822	9.0912	+0.30%
SGD/HKD	6.0054	6.0103	+0.13%

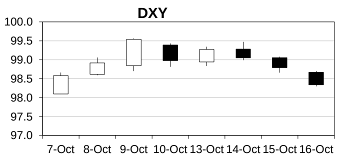
*Open is as at 8am HKT/SGT.

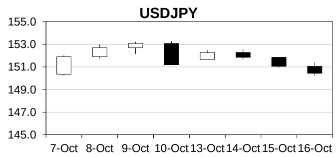
G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	6629.07	-41.99	▼0.63%
Nasdaq (US)	22562.54	-107.54	▼0.47%
DJIA (US)	45952.24	-301.07	▼0.65%
N225 (JP)	48277.74	605.07	+1.27%
STOXX50 (EU)	5652.01	46.98	+0.84%

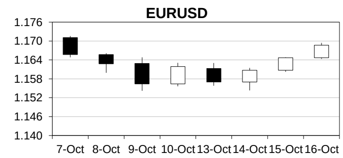
Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5101.7	4.60	+0.09%
STI (SG)	4356.2	-12.22	▼0.28%
SHCOMP (CN)	3916.228	4.02	+0.10%
SZCOMP (CN)	2463.953	-14.05	▼0.57%
HSI (HK)	25888.51	-22.09	▼0.09%
SENSEX (IN)	83467.66	862.23	+1.04%
JSE (ID)	8124.757	73.58	+0.91%
KLSE (MY)	1612.29	0.74	+0.05%
PSE (PH)	6093.67	-0.43	▼0.01%
SET (TH)	1291.46	4.77	+0.37%
VNINDEX (VN)	1766.85	0.01	+0.51%

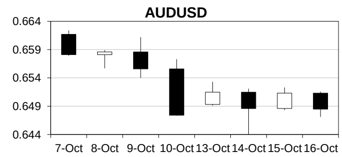
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	10,635.84	-33.10	▼0.31%
IRON ORE (CN)	105.43	0.52	▼0.24%
GOLD	4,326.58	119.10	+2.83%
SILVER	54.24	-0.08	▼2.59%
OIL (BRENT)	61.06	-0.85	▼1.37%
OIL (WTI)	57.46	-0.81	▼1.39%
NATURAL GAS	2.94	1.21	+2.28%

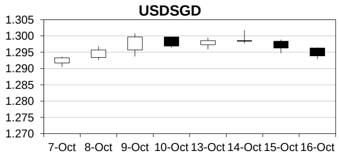
CHARTS

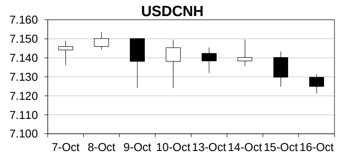


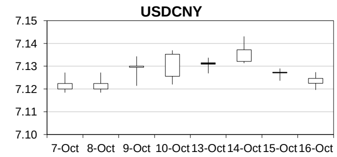


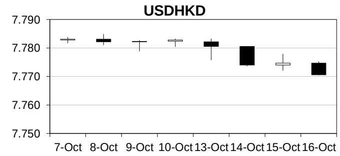


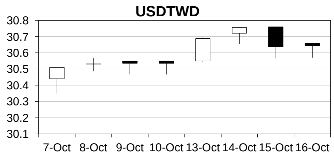


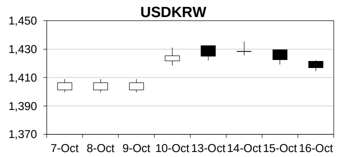


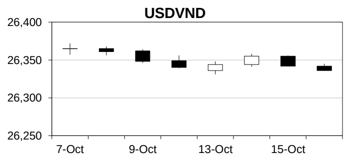


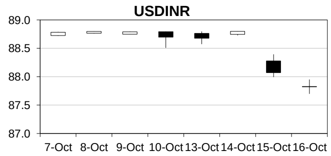


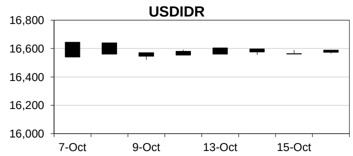


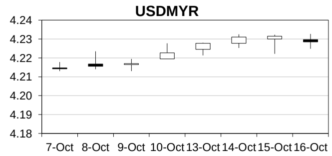


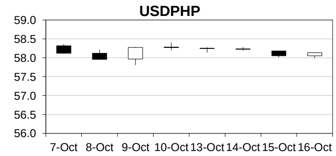


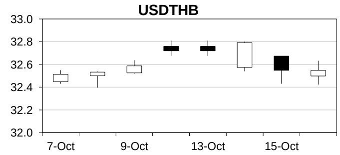


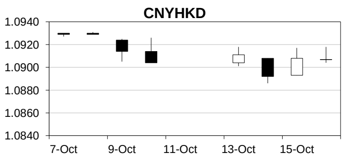


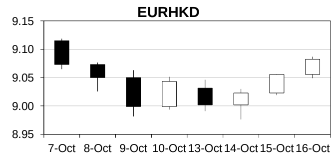


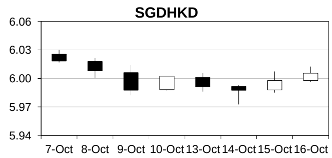


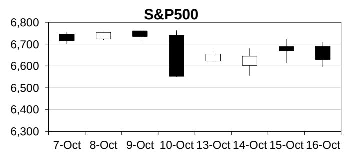


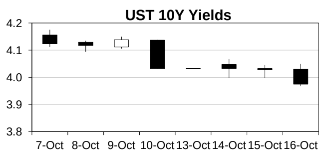


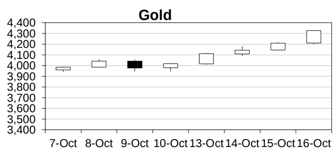


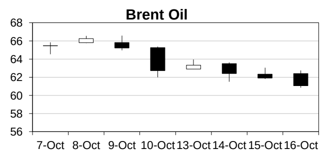












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