

Jul 08, 2026

Three Take-Aways

1) Oil prices rallied overnight with three vessels attacked in Hormuz. The US responded with reinstated ban on Iranian oil sales and fresh airstrikes.

2) The recent oil relief looks overdone as the oil-on-water buffer is likely exhausted and shipping premia remains elevated.

3) While Philippines headline inflation recorded a sequential decline in June, core inflation remained elevated, reflecting persistent second-round effects.

MACRO THEME: Attacks, Again

- UST yields jumped overnight, while oil rallied and US equities came under pressure, as renewed attacks on three vessels in the Strait of Hormuz revived concerns over energy-supply disruption since the US-Iran peace deal.

- In response, Washington revoked, with immediate effect, a waiver that had allowed Iran to sell oil globally. After the market close, the US also launched airstrikes targeting Iranian air defenses and weapons launchers, adding to the risk of further escalation.

- Separately, growing concerns over US inflation were revealed by the New York Fed's latest survey. One-year inflation expectations rose to 3.7% in June from May's 3.5%, while three-year expectations climbed to 3.3%, the highest since June 2022.

- Against this backdrop, the futures market is now pricing a full FOMC rate hike this October, compared with December previously.

Why Oil Relief is Exaggerated

- Oil's decline on US-Iran truce – and the attendant relief – is understandable but *nevertheless* appears to be exaggerated and accelerated vis-a-vis a much milder shock from Russia-Ukraine.

- Probably owing to the benefit of "oil over troubled waters" – from less impeded (than feared) flow of crude through the blockade as well as floating oil inventories.

- The latter, oil-on-water, is arguably to be credited for overwhelmingly suppressing oil prices, by insulating against supply shocks and heightening sensitivity to geo-political de-escalation.

- The flip side to the exceptional dampening effects of oil-on-water is that this is mostly exhausted and susceptible to reversal amid depletion of oil-on-water.

- At the same time, persistently elevated shipping premia suggest that the sharp drop in headline crude prices masks a materially higher all-in cost of delivered oil.

- As a result, relief in UST yields and AXJ FX remains limited:

UST Yields: Stubbornly elevated 10Y UST yields convey latent policy as well as cost shock risks.

*AXJ** (IDR-INR-PHP): Corresponding AXJ** relief is negligible as wider policy and geo-political risks dominate.*

- Bottom line: calmer spot oil prices understate lingering oil-shock

risks, keeping FX and rates risk premia elevated (see full note).

Yields (2Y: +7.5bp; 10Y: +8.2bp; 30Y: +7.2bp)

Equities (Nasdaq: -1.2%; S&P500: -0.4%; Dow: -0.2%)

FX (DXY: +0.2%)

Philippines: Headline Inflation Moderates, but Core Elevated

- Philippines June CPI inflation came in at 6.8% YoY & -0.3% MoM.

- The negative MoM headline inflation was largely driven by transport, reflecting lower fuel prices and cheaper passenger transport services.

- Food prices also declined MoM, amid softer global food prices.

- Nonetheless, the pace of disinflation for these categories was slower versus the May, potentially suggesting that much of the decline in oil prices have been realised.

- Meanwhile, core inflation remained elevated at 4.4% YoY and 0.5% MoM, reflecting persistent second-round effects.

- The acceleration in core inflation was mainly driven by higher electricity charges imposed by Meralco amid tighter power supply conditions. Additionally, MoM price increases were notable in services (restaurant & accommodation, education, and health) and Alcohol, Beverages & Tobacco.

- Overall, the BSP is still likely to remain on its tightening path with an expected rate hike in Q3 which would be a modest backstop for the PHP. Nonetheless, the PHP remains vulnerable to soft risk sentiments and bouts of oil price spikes.

China: Peaking Inflation Pressures

- For the June price indicators due this Thursday, we expect inflationary pressures to have peaked in June, particularly for CPI.

- Imported price pressures appear to have started easing, with the PMI gauge for producer prices falling below the expansion threshold for the first time in six months.

- Against this backdrop, we expect June PPI to hold flat from the previous month, although YoY growth is likely to accelerate to 4.4%, largely due to a low base from last year.

- CPI inflation is expected to moderate slightly to 1.1% YoY in June, mainly reflecting lower fuel costs and continued softness in food prices.

- Domestic fuel prices declined 4.7% MoM in June, following a 0.6% MoM drop in May. Meanwhile, food prices are likely to register another sequential decline, weighed down by lower pork and fruit prices.

- Additionally, the passthrough from higher energy costs to core CPI remains limited amid subdued domestic demand.

- However, the widening gap between PPI and CPI inflation would further highlight manufacturers' ongoing difficulty in passing higher costs downstream amid still subdued domestic demand.

- While we expect Beijing's policy support to remain measured and targeted, additional fiscal aids may be introduced to help manufacturers alleviate cost pressures and cope with squeezed margins.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast	
USDJPY	162.10	162.35	+0.01%	159.00	- 163.00
EURUSD	1.1412	1.1401	▼0.25%	1.1350	- 1.1500
GBPUSD	1.3359	1.3348	▼0.25%	1.3300	- 1.3450
AUDUSD	0.6928	0.6923	▼0.39%	0.6890	- 0.6990
DX	101.0	--	+0.17%	100.3	- 101.5
USDCNY	6.7958	--	+0.02%	6.7500	- 6.8200
USDCNH	6.8035	6.8052	+0.14%	6.7500	- 6.8200
USDHKD	7.8417	7.8419	▼0.02%	7.8200	- 7.8500
USDSGD	1.2926	1.2937	+0.02%	1.2870	- 1.3000
USDKRW	1517	1520	+0.00%	1520	- 1545
USDTWD	32.16	--	+0.38%	31.75	- 32.20
USDINR	94.97	--	▼0.45%	94.50	- 95.80
USDIDR	17982	--	▼0.07%	17800	- 18100
USDMYR	4.070	4.080	▼0.37%	4.050	- 4.100
USDPHP	61.43	--	▼0.11%	61.00	- 61.80
USDTHB	33.31	33.40	▼0.12%	33.0	- 33.5
USDVND	26294	26294	▼0.02%	26100	- 26500

*Open is as at 8am HKT/SGT.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Trade Balance (May)	-\$77.6b	-\$78.7b	-\$55.9b
(JP) Coincident Index/Leading Index CI (M)	118.5/116.8	118.5/116.9	118.1/116.1
(JP) Labor/Real Cash Earnings YoY (May)	3.2%/1.4%	3.4%/1.7%	3.5%/1.9%
(PH) CPI YoY (Jun)	6.4%	6.5%	6.8%
(TW) PPI YoY (Jun)	15.1%	--	14.1%
(TW) CPI/Core YoY (Jun)	2.6%/2.45%	2.3%/2.2%	2.2%/2.1%

Today	Actual	Exp.	Prior
(US) Wholesale Inventories MoM (May F)		0.3%	0.3%
(US) FOMC Meeting Minutes			
(JP) BoP Current Account Balance (May)	¥ 3968.3b	¥ 4110.5b	¥ 3907.8b
(JP) Eco Watchers Survey Current/Outlook SA (Jun)		44.2/42.3	43.6/40.7
(KR) BoP Current Account Balance (May)		--	\$28292.3m
(PH) Unemployment Rate (May)		--	4.7%
(ID) Consumer Confidence Index (Jun)		--	120.9

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.187	4.552	7.5	8.2
JGB (JP)	1.398	2.848	1.6	2.9
Bunds (GE)	2.582	2.993	4.1	4.6
Gilts (UK)	4.174	4.848	5.0	5.5
AGB (AU)	4.452	4.821	1.3	3.5
SGS (SG)	1.579	2.113	0.0	-0.8
CGB (CN)	1.228	1.733	0.4	0.1
KGB (KR)	3.688	4.204	0.0	0.0
SDL (IN)	5.945	6.696	-1.5	1.1

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7503.85	-33.58	▼0.45%
Nasdaq (US)	25818.69	-302.47	▼1.16%
DJIA (US)	52925.15	-130.76	▼0.25%
N225 (JP)	68256.96	-1480.73	▼2.12%
STOXX50 (EU)	6319.86	-78.15	▼1.22%

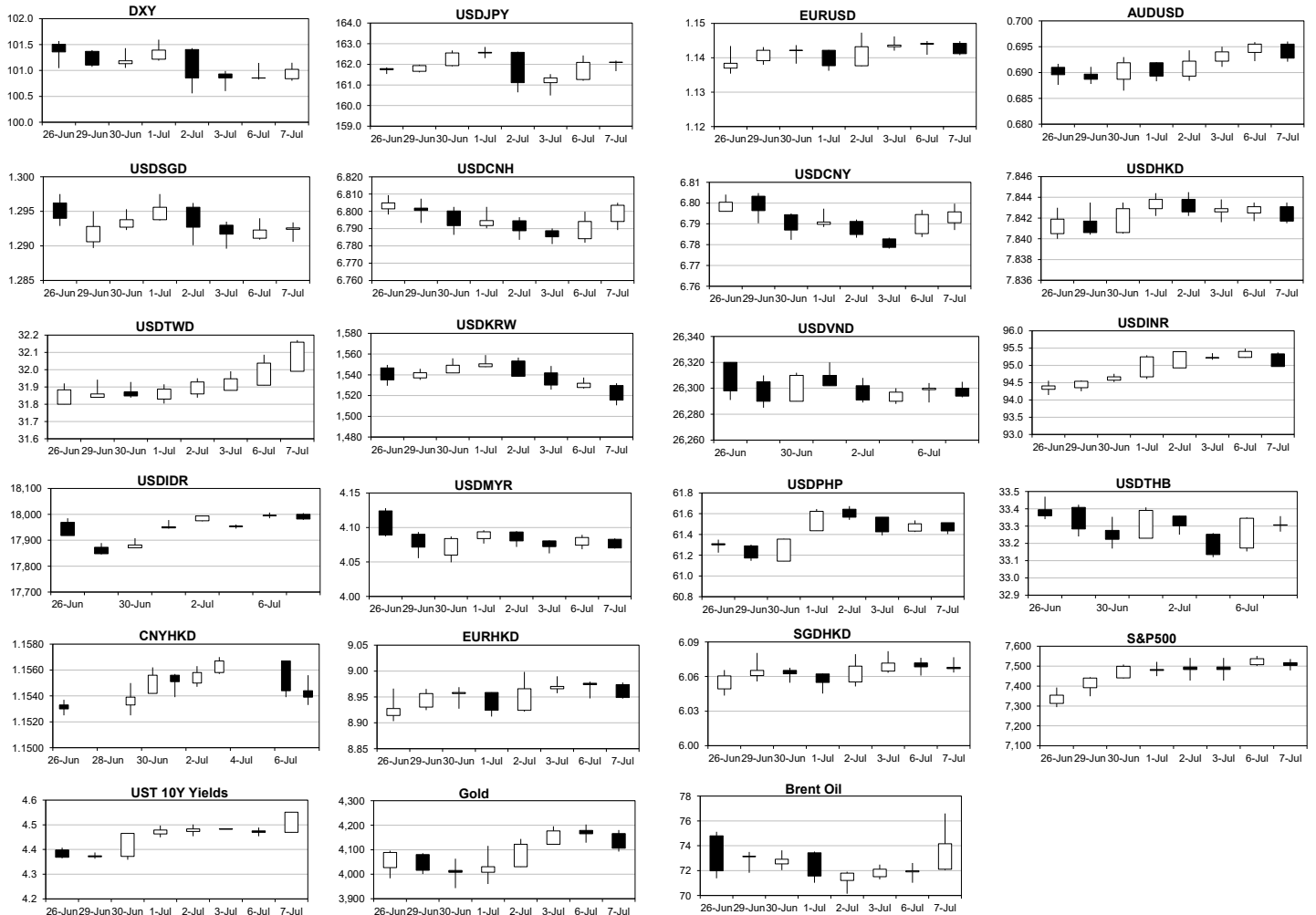
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,298.49	-49.94	▼0.37%
IRON ORE (CN)	98.04	-2.16	▼0.19%
GOLD	4,106.24	-58.99	▼1.42%
SILVER	59.98	0.02	+0.62%
OIL (BRENT)	74.16	2.17	+3.01%
OIL (WTI)	70.44	1.89	+2.76%
NATURAL GAS	3.27	-2.07	▼3.34%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	184.99	185.1	▼0.25%
GBP/JPY	216.553	216.697	▼0.23%
JPY/SGD (100yen)	0.7974	0.7969	+0.01%
JPY/HKD (100yen)	4.8375	4.8302	▼0.02%
CNH/JPY	23.827	23.889	▼0.10%
CNH/HKD	1.1539	1.1539	▼0.04%
EUR/GBP	0.85426	0.85417	▼0.01%
AUD/NZD	1.22	1.2196	+0.00%
EUR/CNH	7.7644	7.7586	▼0.12%
GBP/CNH	9.0889	9.0832	▼0.09%
CNY/HKD	1.1539	1.1539	▼0.04%
EUR/HKD	8.9489	8.9406	▼0.28%
SGD/HKD	6.0669	6.0616	▼0.02%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5724.86	3.33	+0.06%
STI (SG)	5342.24	82.43	+1.57%
SHCOMP (CN)	3990.235	-51.00	▼1.26%
SZCOMP (CN)	2703.695	-52.86	▼1.92%
HSI (HK)	23496.89	-119.43	▼0.51%
SENSEX (IN)	78180.72	-104.35	▼0.13%
JSE (ID)	5986.497	70.43	+1.19%
KLSE (MY)	1682.93	-0.60	▼0.04%
PSE (PH)	6247.11	23.12	+0.37%
SET (TH)	1604.13	-12.75	▼0.79%
VNINDEX (VN)	1848.25	0.00	+0.26%

CHARTS



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