

Jul 30, 2026

Three Take-Aways

1) The Fed's 9-3 hold and Warsh's firm commitment to the 2% inflation target projected a hawkish stance, they provided more noise than signal of further rate hikes.

2) Warsh's emphasis on sharply higher nominal and real UST yields suggest the Fed views tighter financial conditions as delivering meaningful policy restraint, allowing for greater patience.

3) Despite markets trimming September hike expectations, renewed US-Iran hostilities, rising oil prices and persistent inflation risks continue to support higher long-end yields and elevated inflation expectations.

MACRO THEME: Hawkish Noise

- The FOMC's hawkish hold was neither a surprise *hi nor particularly revealing* – with an unchanged statement.

- Although, the headlines came across hawkish, led by the three dissenters (9:3 vote to hold) favouring a hike.

- Moreover, Fed Chair Warsh adopted an ostensibly hawkish inflation stance, alluding to “no soft, implicit target ... only a (2%) target”. But despite the hallmarks of hawkish flex scrutiny suggests there is more noise than guaranteed signal.

Credibility & Necessity

- Even the assertion of “unwavering commitment” (to price stability and the 2% inflation target) establishes credibility rather than affirming a hawkish course. More revealingly, Warsh's hawkish spin on the hold, that “(the Fed) where necessary and appropriate .. will not hesitate to act”, is arguably, dovish cover.

- Specifically, what's implied is that the current conditions are not yet in the vicinity of “necessary” with reference to hikes.

Deferring to the Market (?)

- Crucially, Warsh pointed out that exceptional rise in UST yields across the curve (inter-meeting and beyond) constitute an effective tightening in financial conditions.

- In addition, he further suggested that the Fed is “trying not to interfere” with bond markets responding to real data rather than gaming central banks. Which he thinks is a good thing as markets “play the ball, not the referee”. Possibly, this could square with the Fed's, or at least Warsh's inclination to extend the policy hold as markets adjust, unadulterated.

Real Tightening ...

- Notably, Warsh was very specific about both nominal and real yields rising sharply across the UST curve. If we broaden the horizon to post-Iran and take a view of (weighted) yield shifts, nominal yields are up 30-35bp while real yields are up 85-105bp.

- Depending on the viewpoint, this may arguably be deemed to be effective compensatory tightening by up to 100bp in real terms (adjusting for inflation volatility).

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) FOMC Decision (Lower/Upper Bound)	3.50%/3.75%	3.50%/3.75%	3.50%/3.75%
(JP) Machine Tool Orders YoY (Jun F)	52.7%	--	52.8%
(AU) CPI/Trimmed Mean YoY (Jun)	3.8%/3.6%	4.0%/3.7%	4.0%/3.6%

Today	Actual	Exp.	Prior
(US) Initial Jobless Claims		200k	187k
(US) PCE/Core PCE Price Index YoY (Jun)		3.7%/3.3%	4.1%/3.4%
(US) GDP Annualized QoQ (2Q A)		2.0%	2.1%
(US) Personal Income/Spending (Jun)		0.3%/0.4%	0.7%/0.7%
(US) Personal Consumption (2Q A)		2.3%	0.5%
(EZ) Unemployment Rate (Jun)		6.2%	6.2%
(EZ) GDP SA YoY/QoQ (2Q A)		0.7%/0.2%	0.5%/0.0%
(AU) Building Approvals MoM (Jun)		-0.5%	-1.1%
(PH) Exports/Imports YoY (Jun)		8.0%/14.7%	7.6%/21.9%

“Watchful Waiting”

- To be sure, a distinctly hawkish argument, would be that higher yields suggest that bond markets are expecting the Fed to hike rates to some corresponding order.

- But Warsh appears to be challenging this, saying this is open to interpretation, adding that bond markets are (over-)reacting “real time”, whereas the Fed is examining deeper issues/dynamics.

- Notably, adding that this period may be better characterized as the Fed's “watchful thinking, not watchful waiting”.

US-Iran: Ceasefire Unravels...

- Meanwhile, in the geopolitical front, the brief pause in US-Iran hostilities ended after Iran launched an attack on a US military base in Jordan, prompting President Trump to pledge retaliatory measures.

- US and Saudi Arabia also carried out strikes against Iran-backed militias in Iraq linked to the Popular Mobilisation Forces (PMF), after Saudi Arabia intercepted drones targeting its oil infrastructure.

- Separately, two LNG vessels at Egypt's Damietta port caught fire after reportedly being hit by projectiles.

Amid Oil Supply Concerns

- In the EIA report released overnight, US commercial crude inventories posted their largest draw since mid-June. The decline came even as refinery throughput increased, suggesting refiners tapped stockpiles to capitalise on stronger refining margins.

- The resumption of US-Iran hostilities, alongside thinning inventory buffers, helped Brent crude extend its gains to trade above US\$90 per barrel and portends further upside risks to oil prices should the conflict intensify.

Yields (2Y: -1.4bp; 10Y: +7.2bp; 30Y: +11.3bp)

Equities (Nasdaq: -1.7%; S&P500: -1.5%; Dow: -2.2%)

FX (DXY: -0.5%)

Post Australia CPI: Insufficient Relief

- Australia's June CPI eased to 3.8% YoY from 4.0%, coming in below expectations, but the moderation provides only limited relief for the RBA as underlying inflation remained sticky, with trimmed mean inflation holding at 3.6%.

- The softer headline print was largely driven by a sharp decline in fuel prices, offsetting higher vehicle, maintenance and repair costs.

- Looking ahead, fading fuel tax relief, firmer energy prices and persistent Middle East disruptions could slow further disinflation.

- Meanwhile, stronger-than-expected employment growth does not materially alter the labour market narrative, given gains were largely part-time and unemployment remained at 4.4%.

- While we retain our call for another RBA hike in Q3, an August hold is increasingly favoured as policymakers assess risks from a slowing housing market.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast	
USDJPY	163.41	163.32	▼0.27%	162.50	- 164.70
EURUSD	1.1467	1.1467	+0.70%	1.1370	- 1.1550
GBPUSD	1.3370	1.3367	+0.61%	1.3260	- 1.3460
AUDUSD	0.6956	0.6960	▼0.27%	0.6920	- 0.7000
DXY	100.9	--	▼0.52%	100.4	- 101.5
USDCNY	6.7642	--	▼0.09%	6.7500	- 6.8200
USDCNH	6.7605	6.7599	▼0.16%	6.7500	- 6.8200
USDHKD	7.8423	7.8422	+0.02%	7.8200	- 7.8500
USDSGD	1.2892	1.2888	▼0.21%	1.2800	- 1.2960
USDKRW	1442	1442	+0.00%	1430	- 1455
USDTWD	32.38	--	▼0.08%	32.15	- 32.60
USDINR	95.65	--	▼0.22%	95.30	- 96.50
USDIDR	18055	--	▼0.07%	17950	- 18200
USDMYR	4.091	4.080	▼0.03%	4.050	- 4.100
USDPHP	61.39	--	▼0.39%	61.00	- 61.70
USDTHB	33.57	33.48	+0.00%	33.3	- 33.7
USDVND	26323	26322	▼0.05%	26100	- 26500

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.274	4.679	-1.4	7.2
JGB (JP)	1.473	2.751	-1.5	-1.8
Bunds (GE)	2.813	3.160	6.9	5.7
Gilts (UK)	4.445	5.035	12.2	9.2
AGB (AU)	4.516	4.918	-6.6	-4.3
SGS (SG)	1.751	2.369	-2.2	-1.8
CGB (CN)	1.261	1.724	-0.4	-0.2
KGB (KR)	3.716	4.335	0.0	0.0
SDL (IN)	6.214	6.796	-0.5	1.9

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7316.15	-112.63	▼1.52%
Nasdaq (US)	24442.94	-433.97	▼1.74%
DJIA (US)	51594.14	-1153.18	▼2.19%
N225 (JP)	61434.19	-930.73	▼1.49%
STOXX50 (EU)	6248.84	-40.67	▼0.65%

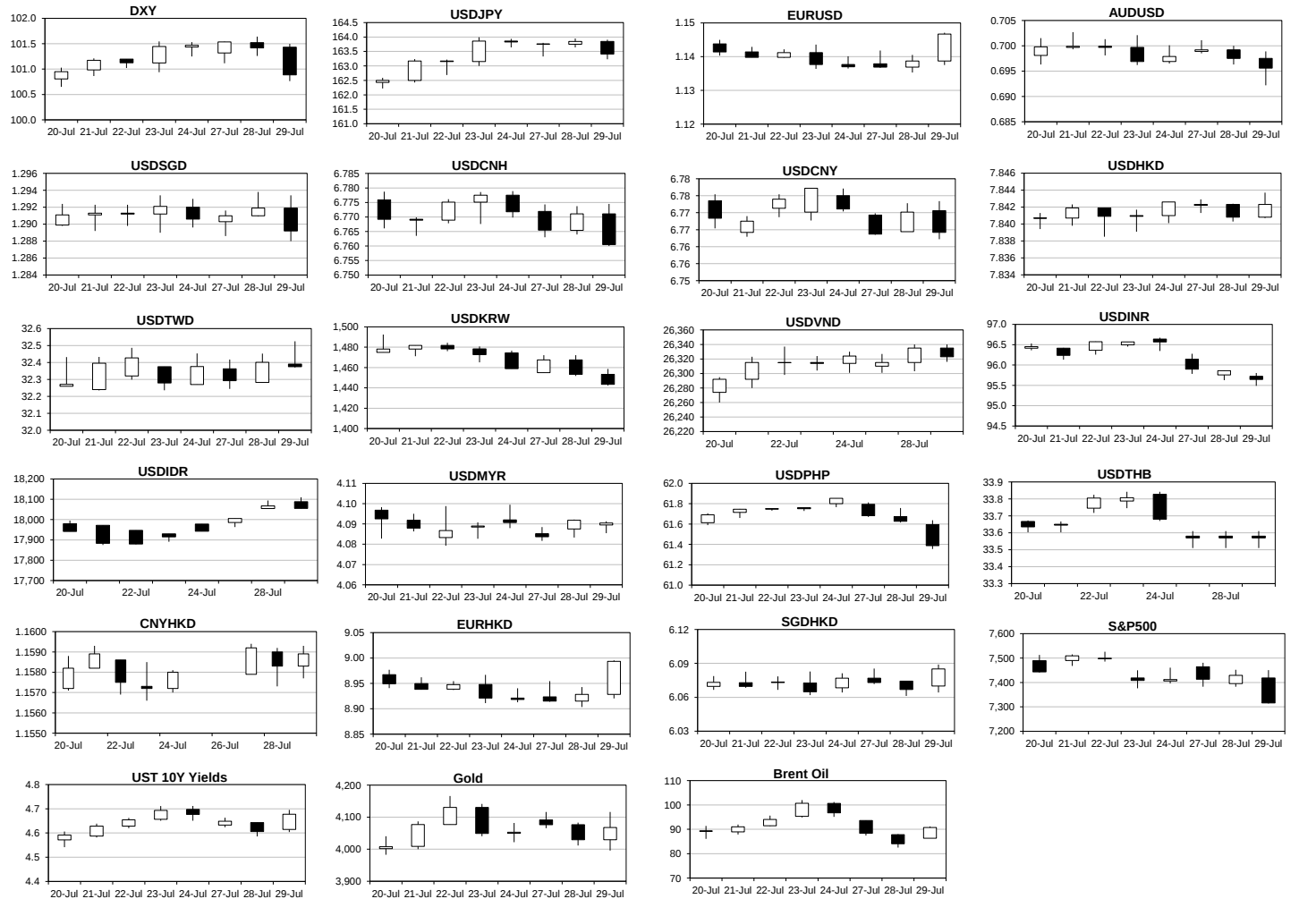
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	13,605.04	-110.16	▼0.80%
IRON ORE (CN)	98.20	0.27	+0.09%
GOLD	4,067.56	37.95	+0.94%
SILVER	57.73	0.02	+0.78%
OIL (BRENT)	90.74	6.65	+7.91%
OIL (WTI)	84.46	5.20	+6.56%
NATURAL GAS	2.72	0.57	+1.00%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	187.38	187.28	+0.43%
GBP/JPY	218.495	218.31	+0.34%
JPY/SGD (100yen)	0.7887	0.7891	+0.00%
JPY/HKD (100yen)	4.7992	4.8017	+0.30%
CNH/JPY	24.138	24.128	▼0.27%
CNH/HKD	1.1589	1.1585	+0.05%
EUR/GBP	0.85772	0.85786	+0.10%
AUD/NZD	1.1998	1.1995	▼0.47%
EUR/CNH	7.7516	7.7516	+0.53%
GBP/CNH	9.0378	9.036	+0.44%
CNY/HKD	1.1589	1.1585	+0.05%
EUR/HKD	8.9934	8.9927	+0.73%
SGD/HKD	6.0851	6.0849	+0.30%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5856.59	17.47	+0.30%
STI (SG)	5713.19	97.08	+1.73%
SHCOMP (CN)	3828.469	15.15	+0.40%
SZCOMP (CN)	2432.672	22.25	+0.92%
HSI (HK)	25807.92	497.07	+1.96%
SENSEX (IN)	77654.6	888.68	+1.16%
JSE (ID)	6091.386	-39.20	▼0.64%
KLSE (MY)	1715.56	3.08	+0.18%
PSE (PH)	6353.04	49.01	+0.78%
SET (TH)	1624.47	0.00	+0.00%
VNINDEX (VN)	1704.68	0.01	+1.43%

CHARTS



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