

Aug 05, 2026

Three Take-Aways

- 1) **Hormuz deal hopes drove a broad relief rally, but shipping and negotiation risks remain unresolved.**
- 2) **June JOLTS showed softer labor demand, but low layoffs suggest the labor market is cooling rather than cracking.**
- 3) **AI infrastructure stocks gained fresh momentum on stronger spending confidence.**

MACRO THEME: Hormuz Deal Hopes Drive Relief Trade

- The Strait of Hormuz remains the key macro driver, with oil markets continuing to trade around diplomatic headlines. **Treasury Secretary Scott Bessent said a deal to reopen the strait could come "today or tomorrow"**, triggering a **sharp relief move** that sent Brent below \$80/bbl and WTI below \$76/bbl, while US equity markets extended gains and Treasuries rallied.

- The diplomatic track appears to be gaining momentum. US officials pointed to Oman-mediated discussions, while Iran is reportedly considering European assistance in clearing mines from the strait, a potential concession that could reduce the physical risk premium in crude.

- **However, the path to a durable deal remains uncertain.** Iran continues to **deny direct talks with Washington**, and disagreements over freedom of movement, route control and possible fees remain unresolved. **A reported strike on a vessel near Oman also highlights that operational risk remains active** despite improving diplomatic signals.

- Markets are treating a Hormuz deal as the base case, but the relief trade remains vulnerable to any setback in shipping security or negotiations.

June JOLTS Signals Softer Demand

- **June JOLTS points to a cooler but not disorderly labor market.** Job openings fell to 7.36mn from a downwardly revised 7.54mn, below consensus, with declines across healthcare, leisure, professional services, wholesale and manufacturing.

- The vacancy-to-unemployed ratio was little changed at 1.04, while layoffs stayed low at 1.1% and the quits rate held at 2.0%, suggesting **firms are retaining workers but employees have limited confidence to switch jobs.**

- The report supports the view that **softer labor demand should gradually ease wage inflation.**

AI Infrastructure Trade Gets Fresh Momentum

- The **AI rally was driven by renewed confidence in AI infrastructure spending**, strong megacap earnings momentum, and lower oil prices supporting risk appetite. Palantir's strong AI-driven results added fuel to the software side of the trade.

- **Reports that the US is considering a ban on Chinese optical transceivers** used in data centers also boosted the US optical components sector on potential reshoring and supply-chain security tailwinds.

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) JOLTS Job Openings (Jun)	7359k	7454k	7594k
(US) Trade Balance (Jun)	-\$73.3b	-\$73.0b	-\$77.6b
(US) Durable Goods Orders/Nondef Ex Air (Jun F)	0.5%/1.2%	0.3%/0.9%	0.3%/0.9%
(US) Factory Orders (Jun)	-0.3%	0.2%	-1.3%
(KR) CPI/Ex Food and Energy YoY (Jul)	2.8%/2.6%	2.9%/2.5%	3.2%/2.5%

Today	Actual	Exp.	Prior
(US) ADP Employment Change (Jul)		65k	98k
(US) ISM Services/Prices Paid (Jul)		54.5/65.0	54.0/67.7
(EZ) PPI YoY (Jun)		4.6%	5.9%
(JP) Labor/Real Cash Earnings YoY (Jun)	3.4%/1.6%	3.4%/1.6%	3.3%/1.6%
(CH) RatingDog China PMI Services (Jul)		53.7	54.1
(SG) Retail Sales/Ex Auto YoY (Jun)		4.2%/--	3.0%/3.7%
(ID) GDP YoY/QoQ (2Q)		5.1%/3.6%	5.6%/-0.8%
(IN) RBI Repurchase Rate		5.25%	5.25%
(PH) CPI YoY (Jul)		6.4%	6.4%

Yields (2Y: -4.5bp; 10Y: -6.3bp; 30Y: -5.2bp)

Equities (Nasdaq: +2.6%; S&P500: +1.8%; Dow: +1.7%)

FX (DXY: -0.04%)

RBI Watch: Costly Can-Kicking

- At the upcoming meeting, **we expect the RBI to continue maintaining the status quo** on a convenient confluence of sufficiently subdued inflation, lingering growth concerns and a Fed that has refrained from hiking. This is however not a stable equilibrium for the RBI as **underlying pressures to hike continue to mount.**

- Especially as the rolling Middle East crisis compromises India's external balances, stresses the fiscal position, accentuates pipeline inflation risks and further pressures the rupee.

- Fact is, with the problematically deficient monsoon in the earlier season, **pipeline food pressures are just a matter of time and severity**, undermining the illusion of policy space from exceptionally subdued inflation.

- Especially given **consumer inflation has already accelerated** (slightly) above, **amid distinctly more elevated factory gate and upstream cost push pressures.**

- What's more, while the Fed may have refrained from hikes so far, **UST yields have surged ahead of the Fed.** And the resultant pressures on Indian government bond (GOI) yields, in turn **triggering an adverse loop between rupee pressures and sell-off in Indian assets.**

- **The upshot is that the RBI will probably exploit any remaining policy space to extend its hold.** But this may probably prove to be costly can-kicking. Both in terms of the sharp macro-stability trade-offs entailed as well as the policy compensation for ignoring "stick in time" policy counsel.

Vietnam: Shining Through the Scandal?

- Even as the diamond scandal has hogged headlines in Vietnam, economic data releases earlier in the week continue to depict a resilient growth outlook driven by both the services and manufacturing engines.

- Meanwhile, headline inflation easing offered little relief as core inflation edged higher to 4.6% YoY.

- That said, the diamond scandal which involves smuggling and reports overstating quality adds **another unwelcomed episode of governance issues** following the real estate bond fraud in 2022.

- While this will **not be much of a setback for direct FDI ambitions in areas such as the manufacturing sector**, these governance issues may hamper initiatives such as capital market deepening and development of financial instruments which require broader participation from the population and businesses.

- Even though the immediate impact is largely confined to the diamond market, it removes another avenue that has been used as a store of wealth and further **entrenches a domestic gold price premium** that stands at around 60% above international prices.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast
USDJPY	157.75	157.74	+0.36%	156.00 - 159.00
EURUSD	1.1531	1.1532	+0.19%	1.1410 - 1.1600
GBPUSD	1.3452	1.3450	+0.14%	1.3290 - 1.3540
AUDUSD	0.7046	0.7047	+0.66%	0.6950 - 0.7050
DXY	99.9	--	▼0.04%	99.3 - 100.7
USDCNY	6.7492	--	▼0.10%	6.7300 - 6.8100
USDCNH	6.7480	6.7476	▼0.15%	6.7300 - 6.8100
USDHKD	7.8426	7.8424	+0.01%	7.8200 - 7.8500
USDSGD	1.2822	1.2820	+0.00%	1.2770 - 1.2900
USDKRW	1429	1430	+0.00%	1420 - 1440
USDTWD	32.47	--	+0.00%	32.20 - 32.70
USDINR	95.39	--	+0.05%	94.90 - 96.00
USDIDR	18023	--	+0.18%	17900 - 18150
USDMYR	4.098	4.096	+0.05%	4.070 - 4.120
USDPHP	61.18	--	+0.40%	60.50 - 61.30
USDTHB	33.41	33.24	+0.17%	33.1 - 33.7
USDVND	26278	26279	▼0.02%	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)	4.193	4.615	-4.5	-6.3
JGB (JP)	1.563	2.841	0.8	2.4
Bunds (GE)	2.712	3.106	-6.1	-4.5
Gilts (UK)	4.233	4.896	-7.1	-5.6
AGB (AU)	4.550	4.971	2.3	4.3
SGS (SG)	1.689	2.339	0.2	-0.2
CGB (CN)	1.252	1.704	-0.1	-0.6
KGB (KR)	3.716	4.335	0.0	0.0
SDL (IN)	6.179	6.815	-2.7	-1.9

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7736.52	136.02	+1.79%
Nasdaq (US)	26584.99	671.09	+2.59%
DJIA (US)	54085.88	907.47	+1.71%
N225 (JP)	63957.53	202.63	+0.32%
STOXX50 (EU)	6486.7	60.20	+0.94%

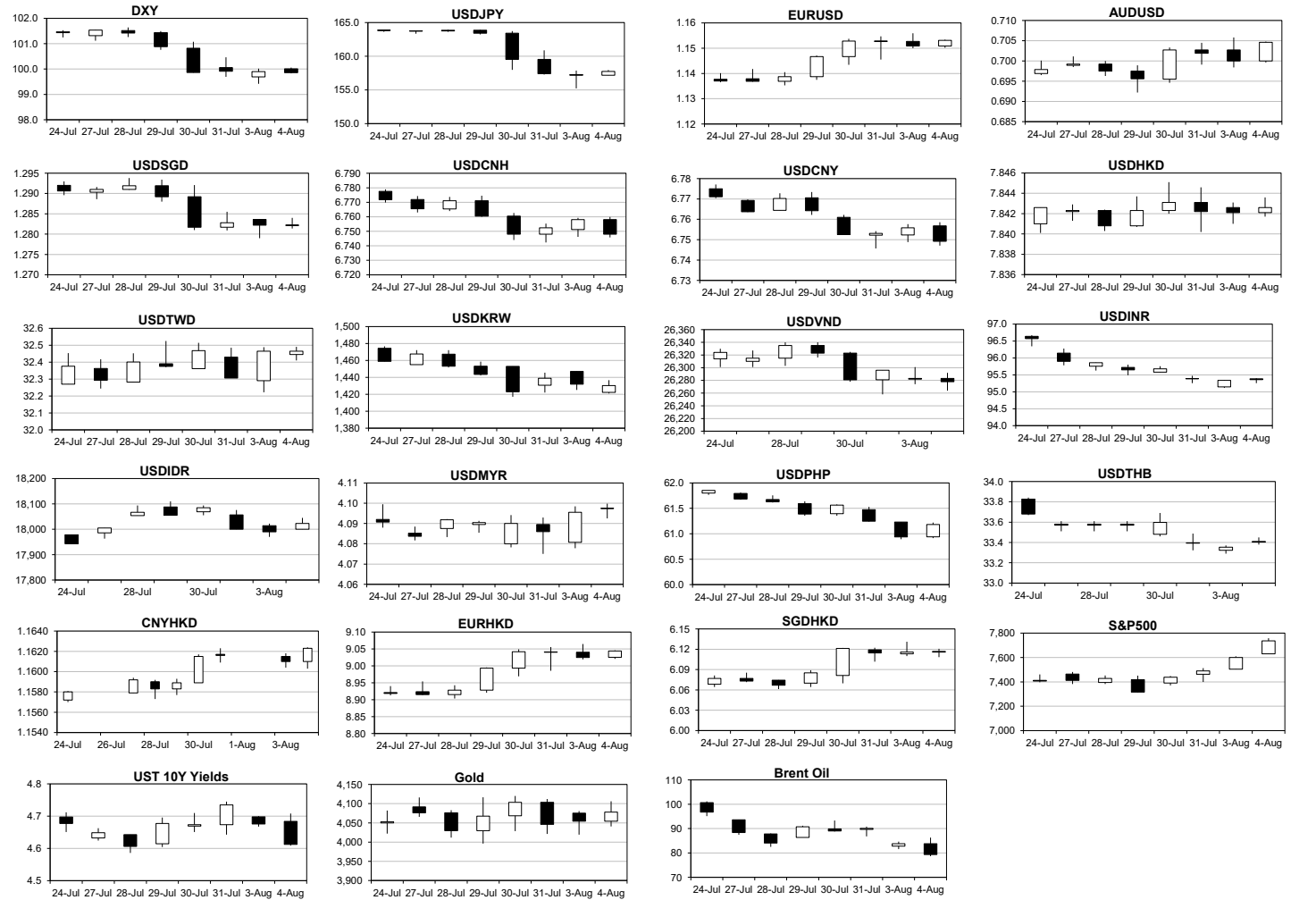
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	14,168.88	225.31	+1.62%
IRON ORE (CN)	93.65	-4.46	+0.01%
GOLD	4,077.99	23.66	+0.58%
SILVER	59.55	-0.10	▼3.56%
OIL (BRENT)	79.36	-4.41	▼5.26%
OIL (WTI)	75.77	-4.57	▼5.69%
NATURAL GAS	2.68	1.38	+2.38%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	181.88	181.91	+0.54%
GBP/JPY	212.185	212.16	+0.50%
JPY/SGD (100yen)	0.8129	0.8127	▼0.37%
JPY/HKD (100yen)	4.972	4.9717	▼0.35%
CNH/JPY	23.362	23.374	+0.69%
CNH/HKD	1.1623	1.1621	+0.11%
EUR/GBP	0.85725	0.8574	+0.05%
AUD/NZD	1.1954	1.1999	+0.25%
EUR/CNH	7.7813	7.7813	+0.05%
GBP/CNH	9.0777	9.0755	▼0.01%
CNY/HKD	1.1623	1.1621	+0.11%
EUR/HKD	9.044	9.0439	+0.21%
SGD/HKD	6.1168	6.1173	+0.01%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5855.17	16.91	+0.29%
STI (SG)	5612.25	-0.03	▼0.00%
SHCOMP (CN)	3822.285	12.62	+0.33%
SZCOMP (CN)	2486.099	66.08	+2.73%
HSI (HK)	25852.92	-156.48	▼0.60%
SENSEX (IN)	78428.95	-210.08	▼0.27%
JSE (ID)	6319.613	85.12	+1.37%
KLSE (MY)	1732.66	6.93	+0.40%
PSE (PH)	6296.64	-38.08	▼0.60%
SET (TH)	1617.13	-4.77	▼0.29%
VNINDEX (VN)	1777.23	0.01	+0.82%

CHARTS



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