

Three Take-Aways

1) Persistent uncertainty around Hormuz and US-Iran negotiations has kept oil prices elevated. While crude flows appearing more resilient than feared may prevent a sharper oil spike, inflation risks remain skewed to the upside on elevated refining margins.

2) The RBA left its policy rate unchanged, but Bullock's hawkish comments offset softer economic projections and signaled additional rate hikes remain on the table if required.

3) The Philippines' ProGRESS Bill delivers modest fiscal benefits, with higher excise taxes potentially adding to inflation pressures and reinforcing a higher-for-longer BSP policy stance.

MACRO THEME: Persistent Uncertainty

- US equities slipped overnight even as investor appetite for AI-related financing remained robust as Intel raised US\$20b, a third more than targeted with reported demand exceeding US\$100b. Meanwhile UST yields edged lower and Brent crude trended higher to trade just below US\$90 per barrel as the lack of resolution on Hormuz kept oil elevated and markets stayed cautious before Wednesday's inflation print.

- Pakistan's defense minister said the US and Iran are "close to some sort of arrangement," even as both sides hardened their public positions over the weekend.

- Separately, discussions between Iran and Oman on reopening Hormuz to selected shipping traffic are reportedly at an advanced stage, according to comments from a Qatari Foreign Ministry spokesperson. However, Iran's newly appointed National Security Council Secretary emphasised that any Oman-mediated arrangement should be viewed separately from the broader closure of Hormuz, underscoring that a shipping corridor does not equate to a full reopening of the waterway.

- Attacks have also continued with reports of a US Navy helicopter firing on a Panama-flagged cargo ship attempting to transit the blockade, while a refinery in Libya has been targeted.

- Given the lingering uncertainties surrounding a potential US-Iran arrangement, as well as unresolved details of any Oman-brokered Hormuz agreement, markets may still be some distance away from a return to unrestricted freedom of navigation through the strait.

Oil Keeps Flowing?

- Even as diplomacy remains inconclusive, physical oil flows may have been more resilient than headline risks suggest. Satellite imagery showed around a dozen ship-to-ship cargo transfers outside Hormuz on Monday, indicating some tankers continue to move crude in the region while operating "dark" to avoid detection.

- Meanwhile US Energy Secretary Chris Wright noted oil exports transiting Hormuz are currently averaging ~9mn barrels per day, rising to ~15m barrels/day when alternative pipeline routes are included. While below the ~20m barrels/day seen before the conflict, this suggests that significant volumes continue to reach global markets.

- Even as recent oil transits appear resilient which may help cap

DATA/EVENTS

Overnight	Actual	Exp.	Prior
(US) Existing Home Sales (Jul)	4.06m	4.05m	4.09m
(SG) GDP YoY/SA QoQ (2Q F)	5.9%/1.4%	5.8%/1.2%	5.7%/1.1%
(MY) Industrial Production YoY (Jun)	6.5%	7.2%	8.5%
(AU) RBA Cash Rate Target	4.35%	4.35%	4.35%

Today	Actual	Exp.	Prior
(US) CPI/Core YoY (Jul)		3.4%/2.5%	3.5%/2.6%
(US) Real Avg Weekly Earnings YoY (Jul)		--	0.2%
(JP) Machine Tool Orders YoY (Jun P)		--	52.7%
(IN) CPI YoY (Jul)		4.4%	4.4%
(KR) Unemployment rate SA (Jul)	2.8%	2.7%	2.7%

further upside in crude prices, elevated refining margins and persistent geopolitical risks will continue to pose upside risks to inflation.

Yields (2Y: -2.7bp; 10Y: -1.8bp; 30Y: -0.9bp)

Equities (Nasdaq: -0.6%; S&P500: -0.3%; Dow: -0.3%)

FX (DXY: +0.02%)

RBA: Softer Projections Against Hawkish Guidance

- The AUD initially weakened following the RBA's decision to leave rates unchanged before subsequently recovering. Markets appear divided in their interpretation of Governor Bullock's press conference remarks versus forecasts in the Statement on Monetary Policy (SoMP).

- In the SoMP, the RBA revised its forecasts for headline CPI and trimmed mean inflation modestly lower, while projecting a slightly higher unemployment rate. This may have reinforced market expectations that current policy settings are sufficiently restrictive.

- Furthermore, acknowledgements to shifting housing market momentum also reflect caution around domestic activity.

- That said, Bullock struck a more hawkish tone during the press conference, reiterating that the RBA has "already raised three times, and we will go again if we need to," while emphasising that a rate cut "isn't on the agenda."

- Overall, RBA kept possibility of further tightening alive, with incoming economic data remaining key determinants of the next policy move.

Philippines' Tax Measures: Fiscal Gains, Inflation Risks

- Measures announced during President Marcos' State of the Nation Address have since been consolidated into the ProGRESS Bill, pairing personal income tax relief and a minimum corporate income tax exemption for micro and small enterprises with offsetting revenue-raising measures, targeted for implementation from January 2027.

- The package is expected to generate a net fiscal gain of PHP47.9bn (0.17% of GDP) annually. While the fiscal impact is modest, it should provide some support to the government's fiscal trajectory, helping to offset some slippage reflected in its medium-term fiscal plans.

- Revenue gains are centred on higher excise taxes on goods ranging from sweetened beverages to alcohol and tobacco products. While inelastic demand props up revenue, implementation challenges and industry lobbying are likely to outweigh and result in collections potentially below official estimates.

- On the demand side, while the tax relief could support household consumption, the boost is likely modest given the small impulse and the offsetting drag from higher excise taxes on consumption goods.

- The excise taxes could add around 0.5%-pt to headline inflation from January 2027, adding further impediments to disinflation. With inflation already projected above the BSP's 2-4% target range in 2027, this could reinforce a higher-for-longer policy stance.

- The PHP is unlikely to derive significant support from the package given its modest fiscal impact, and should remain driven mainly by oil prices, UST yields and broader risk sentiments.

FX OUTLOOK

FX	Close (NY)	Open*	Daily %Δ	Forecast	
USDJPY	159.28	159.28	▼0.01%	158.50	- 160.00
EURUSD	1.1542	1.1543	▼0.01%	1.1460	- 1.1630
GBPUSD	1.3507	1.3509	+0.00%	1.3390	- 1.3600
AUDUSD	0.7062	0.7064	+0.10%	0.7020	- 0.7110
DXY	99.8	--	+0.02%	99.2	- 100.5
USDCNY	6.7456	--	▼0.01%	6.7200	- 6.8000
USDCNH	6.7465	6.7464	+0.01%	6.7200	- 6.8000
USDHKD	7.8467	7.8466	+0.02%	7.8200	- 7.8500
USDSGD	1.2797	1.2798	▼0.05%	1.2720	- 1.2890
USDKRW	1414	1414	+0.00%	1405	- 1425
USDTWD	32.29	--	+0.22%	32.10	- 32.50
USDINR	95.45	--	+0.15%	94.80	- 95.90
USDIDR	17840	--	+0.44%	17700	- 18000
USDMYR	4.092	4.093	+0.02%	4.060	- 4.120
USDPHP	61.27	--	+0.86%	60.90	- 61.70
USDTHB	33.16	33.14	+0.50%	32.9	- 33.4
USDVND	26137	26136	▼0.09%	25900	- 26350

*Open is as at 8am HKT/SGT.

MARKET MOVES

Bond Yields	2Y Close	10Y Close	2Y Δ (bps)	10Y Δ (bps)
UST (US)	4.216	4.690	-2.7	-1.8
JGB (JP)	1.614	2.809	0.0	0.0
Bunds (GE)	2.786	3.157	-1.2	-2.1
Gilts (UK)	4.309	4.963	-2.9	-2.4
AGB (AU)	4.588	5.035	2.7	4.0
SGS (SG)	1.689	2.305	2.2	1.7
CGB (CN)	1.247	1.706	0.2	0.5
KGB (KR)	3.605	4.242	0.0	0.0
SDL (IN)	6.171	6.779	4.0	1.5

G3 Equities	Close	Net Chg	Daily %Δ
S&P500 (US)	7728.2	-24.91	▼0.32%
Nasdaq (US)	26445.45	-159.91	▼0.60%
DJIA (US)	53791.85	-184.13	▼0.34%
N225 (JP)	66970.22	0.00	+0.00%
STOXX50 (EU)	6551.22	15.60	+0.24%

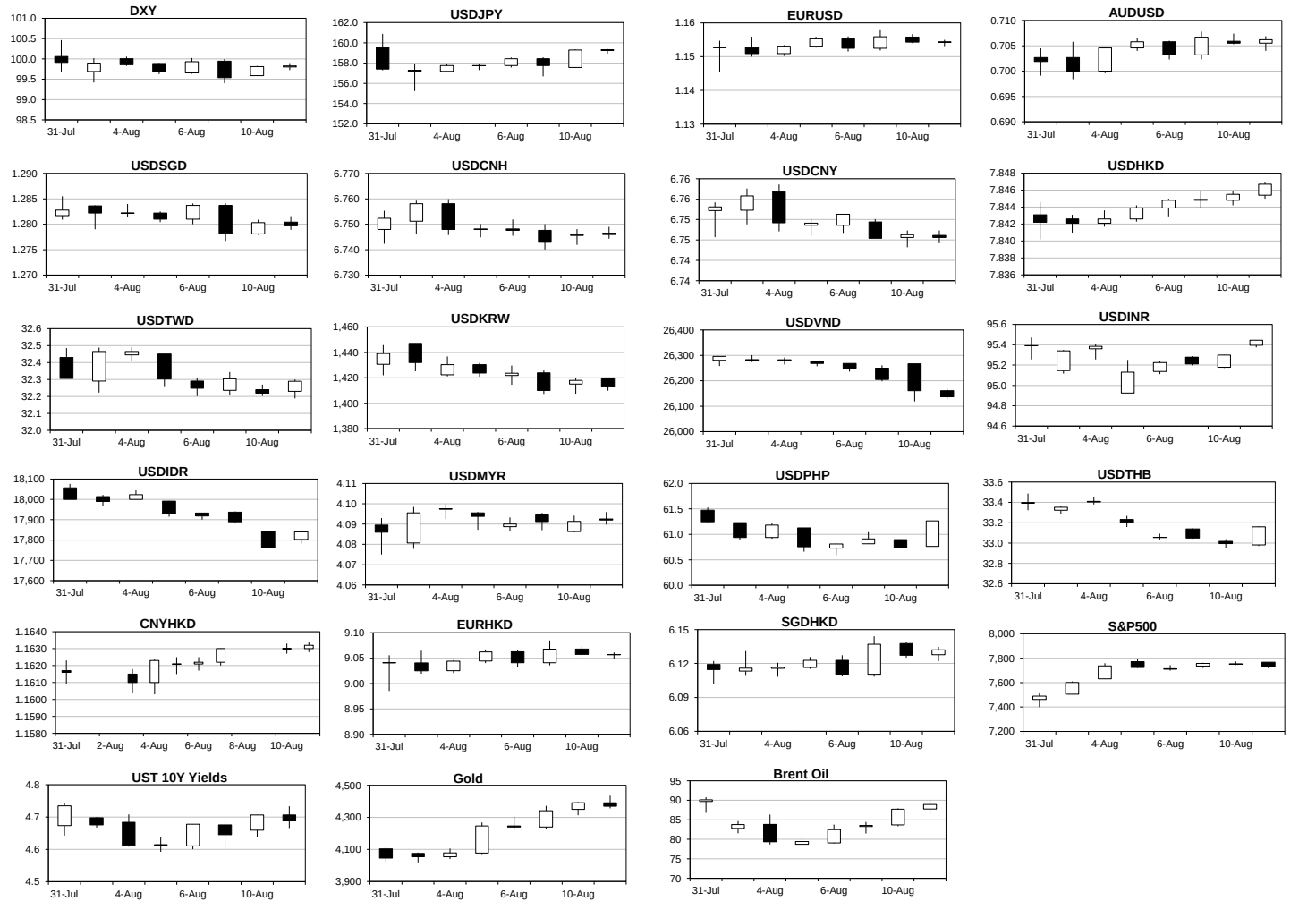
Commodity	Close	Net Chg	Daily %Δ
COPPER (LME)	14,352.36	18.13	+0.13%
IRON ORE (CN)	95.34	1.69	+0.57%
GOLD	4,370.11	-20.84	▼0.47%
SILVER	64.68	-0.03	▼0.97%
OIL (BRENT)	88.91	1.19	+1.36%
OIL (WTI)	83.20	1.07	+1.30%
NATURAL GAS	2.77	-1.06	▼1.61%

Cross FX	Close (NY)	Open*	Daily %Δ
EUR/JPY	183.85	183.86	
GBP/JPY	215.159	215.169	▼0.00%
JPY/SGD (100yen)	0.8033	0.8035	▼0.05%
JPY/HKD (100yen)	4.9257	4.9264	+0.03%
CNH/JPY	23.612	23.612	+0.03%
CNH/HKD	1.1632	1.1632	+0.02%
EUR/GBP	0.85446	0.85449	▼0.01%
AUD/NZD	1.2007	1.2015	+0.12%
EUR/CNH	7.7872	7.7876	▼0.03%
GBP/CNH	9.1133	9.1138	+0.00%
CNY/HKD	1.1632	1.1632	+0.02%
EUR/HKD	9.057	9.0576	▼0.00%
SGD/HKD	6.1322	6.1311	+0.08%

*Open is as at 8am HKT/SGT.

Asia Equities	Close	Net Chg	Daily %Δ
ASX (AU)	5847.9	-7.39	▼0.13%
STI (SG)	5754.17	55.74	+0.98%
SHCOMP (CN)	3934.093	-32.50	▼0.82%
SZCOMP (CN)	2577.619	-11.84	▼0.46%
HSI (HK)	25652.82	-284.67	▼1.10%
SENSEX (IN)	78154.25	-388.19	▼0.49%
JSE (ID)	6267.88	-97.49	▼1.53%
KLSE (MY)	1731.46	-3.91	▼0.23%
PSE (PH)	6326.89	37.68	+0.60%
SET (TH)	1612.62	-11.74	▼0.72%
VNINDEX (VN)	1773.41	0.00	▼0.19%

CHARTS



RESEARCH TEAM

Vishnu Varathan | Serena Zhou | Tan Boon Heng | Johnny Wong | Ng Jing Wen

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