

Bank Dhofar Morning Market Update



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Global Update

Asian equities extended their decline as investors continued to rotate out of technology and semiconductor stocks amid growing concerns that the enormous sums being invested in artificial intelligence may not generate commensurate returns. South Korea's market led the losses, with major chipmakers SK Hynix and Samsung Electronics falling sharply despite strong earnings growth at the former, while the broader Asia-Pacific equity benchmark declined 1.6%. Risk sentiment was further undermined by renewed geopolitical tensions in the Middle East. Oil prices surged more than 4%, with Brent crude rising above USD 88 per barrel after the United States reported intercepting an Iranian attack and retaliating against Iran. The escalation has renewed concerns over potential disruptions to oil flows through the Strait of Hormuz and the resulting inflationary impact. The technology sector remains under pressure as investors question whether AI-related spending by large technology companies is becoming excessive. Concerns surrounding crowded positioning, rising debt levels and complex funding arrangements have weighed heavily on semiconductor stocks globally, pushing Wall Street's chip index lower and bringing the Nasdaq 100 close to a technical correction. Market attention is now firmly on upcoming earnings from Microsoft, Meta, Apple and Amazon, along with central bank decisions from the Federal Reserve, Bank of Japan and Bank of England. Investors will be looking for evidence that AI investments are translating into sustainable earnings growth while assessing the impact of higher oil prices on inflation and monetary policy.

The Bank of Japan (BoJ) is widely expected to keep its policy rate unchanged at 1.00% at Friday's meeting after June's 25bp hike, but policymakers are likely to maintain a hawkish tone as inflation risks remain elevated amid persistent yen weakness, higher energy prices and strong AI-related investment demand.

Market participants continue to debate the timing of the next rate increase, with expectations centred on a potential move in September or October should inflation remain sticky and the yen continue to depreciate. While several BoJ officials have signalled that interest rates should gradually move closer to neutral levels, political pressure to support economic growth may temper the pace of future tightening. In the FX market, USD/JPY recently surged to a fresh 40-year high of 163.97 before easing slightly. The broader trend remains bullish, supported by the wide interest-rate differential between the United States and Japan. From a technical perspective, the next key upside target is around 164.50. However, any hawkish surprise from the BoJ or renewed concerns about potential intervention by Japanese authorities could trigger a corrective move towards the 162.00 area.



Source: Reuters, Bloomberg

Currencies				Rates		
	Open	High	Low		Last Price	Previous Day Close
EURUSD	1.1387	1.1403	1.1382	O/N SOFR	3.640	3.640
GBPUSD	1.3289	1.3300	1.3281	1 month SOFR	3.740	3.740
USDJPY	163.85	163.8800	163.48	3 month SOFR	3.833	3.833
USDINR	95.72	95.80	95.70	6 months SOFR	3.971	3.971
USDCNY	6.7706	6.7734	6.7702	12 month SOFR	4.147	4.147
USDCHF	0.8192	0.8198	0.8174	3 years IRS	4.109	4.102

Internal

AUDUSD	0.6975	0.6983	0.6938	5 years IRS	4.090	4.083
NZDUSD	0.5784	0.5789	0.5775	The yield on 10-year Treasuries was little changed at 4.61%.Japan’s 10-year yield declined 1.5 basis points to 2.760%.Australia’s 10-year yield declined seven basis points to 4.89%.		
The euro rose 0.1% to \$1.1400.The Japanese yen rose 0.1% to 163.65 per dollar.The offshore yuan was little changed at 6.7725 per dollar						

				Global Markets			
			Current Levels		Level	1-Day Change (%)	YTD (%)
CBO Repo Rate			4.25				
O/N OMIBOR			4	S&P 500	7429	0.210	8.52
*Bank Deposit Rates for 1 years			4.45	Euro Stoxx 600	647	0.352	9.24
				ShanghaiComposite Index	3793	-0.528	-4.43
Bank Deposit Rates for 5 years			4.00	MSX-30	7247	0.860	23.53
*Amount>500k OMR				NIFTY-50	24212	0.946	-7.34
				Brent Crude (\$/bbl)	87.59	4.174	45.59
				Gold (\$/oz.)	4025	-0.113	-6.81
						-0.134	
				DXY	101		3.01
				Silver(\$/oz.)	57	0.416	-19.91
Calendar							
Key Data Watch	Time (GST)	Expected	Prior				
MBA Mortgage Applications	15:00		1.9%				
FOMC Rate Decision (Upper Bound)	22:00	3.75%	3.75%				

For any Treasury related requirement, please contact:
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