

The challenge clearly lies in the forward-looking nature of financial markets. The issue is not whether everything appears fine in the rearview mirror, but whether the situation will deteriorate in the second half 2026.

One major issue for the rest of the year could be elevated and rising real yields which is the cost of capital. It results from the balance between a slowly moving supply of capital and a more variable demand, shaped by the cycle, financing needs and expected returns.

What began as higher-for-longer rate adjustment has evolved into something much broader on persistence of inflation uncertainty, fiscal deterioration, issuances, rising public debt, resilient private investment and improving capital productivity.

For context, 10-year Treasury yield finished last week up 11bps to 4.48% while yields on 10-year Bunds rose 8.5bps to 2.93% - despite signs of weakening in the US jobs market, a weaker-than-expected prices paid figure on the ISM mfg and weak EZ CPI that followed lower inflation in UK.

One may argue the willingness of central banks to walk back hawkish rhetoric is limited even though oil prices have retreated. Long-term real yields are not monetary phenomenon: they reflect the economy's cost of capital. As long as demand for capital is strong and productivity continues to improve, real yields in US won't fall and drag the rest of the world with it.

The past 12 months have strained NATO - for sure - (Trump threats to take Greenland from Denmark and Iran conflict). Russia-Ukraine war will form the backdrop to NATO summit, which starts tomorrow. Europe keen to show they're spending more

China works to rebuild trust and reassure Europe ahead of China-EU summit. But, hollowing out of German industry by China mirrors hollowing-out of British finance at the hands of US. This factor keeps Europe under pressure. German budget proposes huge increase in borrowing and EUR/USD weakness persists.

PLA's first known submarine-based missile test since 1982, and the first to be fired from a nuclear-powered submarine - advanced display causing jitters in the region. Otherwise BIS data: China's real residential property prices (adjusted for inflation) have fallen sharply back to levels not seen since 2006.

Burnham has committed to a new direction for Britain but the same old problems remain. Borrowing is elevated, the national debt is at the highest level since the 1960s, growth is weak, and the demands to spend on defence, net zero and to support an ageing population

are rising. Upmove till 1.3400 as expected. Now should see 1.3200 coming under pressure .

Bankruptcies linked to the weak yen totalled 45 in the first half of the year, up 32.3% from a year earlier, with wholesalers facing the sharpest squeeze from higher import costs. Weaker yen stems from multiple complex factors, none of which offer a quick or simple resolution. So no intervention expected. Buying dips for 165.00 is prudent.

Global markets monitoring adequacy metrics through ARA may view the Fx reserves adjusted for forward shorts estimated at USD 560.33 bio as one which requires close observation. 95.30 95.80.