PEREIRA INTERNATIONAL

GLOBAL INSIGHTS

JULY 2026

PEREIRA INTERNATIONAL

SECTION 1: GEOPOLITICAL EVENTS AND GLOBAL DEVELOPMENTS

US-Iran Conflict Re-escalates, Resetting Clock on Hormuz Reopening

Islamabad memorandum collapses as Tehran announces re-closing of Strait of Hormuz.

The Memorandum of Understanding, intended to reopen the Strait of Hormuz to commercial shipping, has all but collapsed into a series of escalating tit-for-tat strikes between Iran and the United States. After some initial strikes by the Iranian Revolutionary Guard Navy on commercial vessels on 6 July, both sides have exchanged kinetic action and have effectively declared the Memorandum void. Washington has ramped up strikes on Iranian military and logistics targets, while Iran has hit US military bases hosted in neighbouring countries. Washington also reimposed oil sanctions on Tehran and a naval blockade.

The Houthis ' blocking of the Bab-el-Mandeb Strait opens up a new front in the conflict.

After pre-warning the United States that any attacks on Iranian energy infrastructure would be met with the Yemen-based Houthis threatening shipping across the Bab-el-Mandeb Strait in the southern exit of the Red Sea, this threat has now materialised. Houthis have claimed responsibility for attacks on Saudi Arabian oil tankers through the Strait. Reports suggest that two Chinese-flagged very large crude carriers are making or resuming journeys through the Strait as of 23

July, suggesting that the closure may be a selective one – Saudi Arabia and the Houthis have had a long-standing enmity that may have motivated the targeting of Saudi vessels.

Structural conditions make a restoration of the ceasefire fraught with difficulties.

Attitudes have hardened on both sides as President Donald Trump and Supreme Leader Mojtaba Khamenei have used maximalist language against each other, narrowing the political space for moderates to reach a negotiated settlement acceptable to hardliners in their respective camps. The mediation channels have also been compromised; Qatar and Oman, the two channels that brokered the earlier off-ramps, have both come under direct Iranian attack and have denounced Tehran. Pakistan, which brokered the original Islamabad framework, has seen minimal activity in its own track since early July.

Energy market reaction has been adverse

The resumption of hostilities means that the clock for reopening the Strait of Hormuz has been reset – shipping was recovering to around one-third of pre-conflict levels prior to the memorandum breakdown and has now collapsed 50% week-on-week. Brent is now hovering close to USD 98 per barrel as of 23 July: below the USD 115 peak at the height of the intense period of conflict but high enough to cause economic damage across the globe.

Russo-Ukrainian war: Ukraine shifts strategy even as Kyiv's military leadership faces turmoil

Ukraine opens up new front in asymmetric warfare against Russia

Beginning 6 July, Ukraine's Unmanned Systems Forces opened a new phase of what the General Staff and Defence Ministry call "Logistics Lockdown," extending the campaign beyond refineries to the tankers themselves. Between 6 and 15 July, Ukrainian drone packs carried out over 136 strikes on vessels in the Sea of Azov, predominantly fuel tankers but also dry cargo ships and tugs, targeting sanctioned vessels anchored north of the Kerch Bridge awaiting passage. Vessel numbers in the Sea have fallen by around two-thirds, leading to military and civilian supply shortages in Crimea. Meanwhile, strikes on mainland Russian refineries continue to disrupt energy supply, and purchasing limits imposed in June have been expanded.

Zelensky compelled to replace commander-in-chief after public protests

Zelensky's dismissal of Defence Minister Mykhailo Fedorov on 15 July triggered six days of the largest wartime protests of the invasion and cost him Commander-in-Chief Oleksandr Syrskyi, replaced on 21 July by Mykhailo Drapatyi — the protesters' preferred candidate, and closer to Fedorov's drone-centric position than to Syrskyi's. Fedorov's removal was due to irreconcilable differences with Syrskyi over how to prosecute the war, with the former's drone- and technology-centric approach conflicting with Syrskyi's more traditional structures. The frontline implications are limited, as Russia lacks the offensive capacity to exploit any disruption in the chain of command, and Drapatyi's appointment is conducive to operational continuity.

Russia makes minimal gains on the frontline, economic pressure grows

Over the four weeks to 7 July, Russian forces achieved a net gain of around 16 km², making marginal advances on the back of mounting personnel costs of around 35,000 casualties according to Ukrainian estimates. Moscow claimed to have captured the fortified city of Kostyantynivka, its designated main effort, but this is disputed by independent mapping. Recruitment has recovered modestly to 1,080, up from 940 in the first quarter of the year, but this remains what is required to meet Moscow's recruitment targets.

Balance of diplomatic positioning has shifted towards Ukraine after NATO's Ankara Summit

As Ukraine holds its ground, Trump has shown less inclination to exert pressure on Zelenskyy to strike an unfavourable ceasefire, contrasting with his earlier stance. At the Ankara NATO summit, he announced his approval for plans of Ukrainian co-production of Patriot interceptors and announced a strategic drone agreement. In separate comments, Trump endorsed the Sanctioning Russia Act, which carries 500% secondary tariffs on buyers of Russian petroleum and uranium. In the short term, this gives Ukraine more space to shift the battlefield in its favour, although setbacks may once again shift attitudes in Washington.

A new phase in the trade war: Washington scrambling to assemble replacement tariffs

Trump targets Canada in latest tariff salvo, maintains talks with Mexico

Trump declined to extend USMCA on 1 July, triggering an automatic ten-year wind-down of the pact rather than outright termination. He later signed three Section 338 proclamations imposing 50% tariffs on Canadian wine, dairy, autos and cement, effective 20 July, framed as retaliation for Canadian barriers on US alcohol and dairy exports. Ottawa has also been excluded from a parallel track of trilateral talks Washington is running with Mexico City under an "economic security" banner aimed at curbing Chinese transhipment through North America. With the wind-down clock now running, Ottawa faces a decade of eroding preferential access if the current arrangement holds without replacement alternatives.

Looming expiry of Section 122 tariffs will lead to a more uncertain tariff landscape

The 10% global tariffs imposed under Section 122 — the fallback authority Washington leaned on after the Supreme Court struck down the "Liberation Day" duties in February — expire this Friday, 24 July, with no sign Congress will extend them. Washington previously announced some replacement tariffs, including a 10-15% tariff based on forced labour inputs on around 60 trading partners covering almost all US imports. Previously-announced investigations into sector-based tariffs, including semiconductors and critical minerals, are also expected to report back with tariff recommendations. It remains uncertain how these new tariffs interact with previously-signed "agreements of reciprocal trade".

China-Taiwan: Beijing holds live-fire drills in Taiwan Strait shortly after Rubio-Wang meeting

Beijing ran two days of live-fire drills in the Taiwan Strait from 23 July, around Dongshan Island near Fujian — timed a day after Wang Yi's 90-minute meeting with Rubio on the sidelines of the ASEAN foreign ministers' gathering in Manila. Rubio and Wang's meeting was a preparatory discussion ahead of a Trump-Xi summit expected in Washington around late September, following Trump's May visit to Beijing. Rubio confirmed the $14bn Taiwan arms package remains "under review" — a delay partly tied to munitions being redirected toward the Iran war but also to avoid creating an irritant that may jeopardise the Trump-Xi talks.

Our assessment is that the Trump-Xi summit will proceed as scheduled, given the US' willingness to soften language on the Taiwan arms package to avoid provoking Beijing. China also wants the summit, but is negotiating it from a position of engineered leverage: drills immediately after the Manila meeting signal it will extract concessions — on arms sales and Taiwan policy language — as the price of a smooth visit. A formal agenda has not been released for the summit, but we expect some form of extension for the tariff truce, as well as export controls on technology and rare earths.

OVERVIEW OF REGIONAL DEVELOPMENTS

Country	Regional Developments
China	• China reimposes rare earth export controls on a number of US firms, in retaliation for the expanded US "Chinese Military Companies List". • Xi Jinping promotes two generals to fill military command posts that were left vacant by his anti-corruption purge. • Beijing and Moscow conducted the 12th edition of their joint naval exercises in the Yellow Sea.
India	• Youth protests have shaken Delhi and several other cities, reflecting the increasing frustration among India's aspiring young generation. • The Indian government blocked popular messaging app Telegram for a week following a high-profile national exam paper leak fraud. • India signed a deal with Australia to import uranium for peaceful use, while signing a Joint Declaration on Defence and Security Cooperation. • Modi also visited Indonesia and New Zealand in early July, making the first visit there in 40 years as part of India's "Act East" policy push.
Singapore	• Singapore's advance GDP recorded 5.7% growth, outperforming on the back of electronics manufacturing and buoyant trade. • Key opposition party chief Pritam Singh survived an internal confidence challenge, retaining 80% support despite his parliamentary conviction.

Country	Regional Developments
Malaysia	• The Barisan Nasional party won a landslide victory in the Johor state elections, deepening the cracks in the 'unity' coalition government ahead of other elections — including the general election by 2027. • Parties are now preparing for the Negeri Sembilan state election, where Barisan and Perikatan have formed a seat-splitting agreement. • Malaysia's central bank held rates at 2.75%, as steady growth and a controlled rise in inflation provided room for a wait-and-see approach.
Indonesia	• A 32% price in non-subsidised fuel led to the largest student protests since 2025, with demand for lower food and fuel prices and termination of the free meals programme (MBG). • Jakarta signed a deal with New Delhi to purchase USD 630mn worth of India's BrahMos missile systems, making it the third country to procure the BrahMos systems, after Philippines and Vietnam. • Following two rate hikes in June, including an off-cycle one, the central bank held rates steady in July as the rupiah stabilised.

Country	Regional Developments
Thailand	• The Constitutional Court upheld the government's THB 400bn emergency borrowing deal as legal, fending off opposition attempts to block the stimulus and energy reform package. • Bangkok's governor won an unprecedented second term in a landslide victory, as voters prioritized competence over party-line ideology. • Thailand's central bank held rates steady at 1.00% as the rise in inflation remains within range; the focus remains on growth recovery. • A standoff between Thai and Cambodian troops over the installation of border fencing was resolved, but tensions persisted when the two countries' premiers met on the sidelines of the ASEAN-Russia summit.
Vietnam	• Vietnam has neared completion of a major military runway in the Spratly Islands while building infrastructure at 27 other sites, prompting diplomatic protests from China. • Vietnam posted the strongest half-year growth in 15 years of 8.2%, led by manufacturing, while strength was broad-based.
Philippines	• The prolonged Senate deadlock was resolved by the appearance of Senator Francis Escudero, enabling a new acting Senate President to be elected ahead of the Duterte impeachment trial. • The second impeachment trial of Vice President Sara Duterte began in July, with charges of betrayal of public trust and graft, among others.

Country	Regional Developments
South Korea	• Memory giants Samsung and SK Hynix commit over USD 500bn as part of government's industrial plan targeting AI and semis sector. • Korea's central bank raised its policy rate to 2.75% in July, marking the first hike in 3 years as inflation runs well above target.
Taiwan	• Taiwan commissioned a new Littoral Combat Command on July 1, with a focus on anti-ship missiles, coastal radar and unmanned vessels. • Taiwan experienced power disruptions to over 200 thousand households due to Typhoon Bavi, with estimated USD 1mn damage.

SECTION 2:
ECONOMIC DEVELOPMENTS IN ASIA

The energy reprieve has reversed, and the reopening timeline is now open-ended

The mid-June truce proved to be a false calm. The memorandum that was to reopen the Strait of Hormuz collapsed once again, voiding the 60-day reopening timeline, and effectively resetting the clock. Energy-supply normalisation is now open-ended rather than a matter of months, as previously thought. Brent crude prices have retraced all of their post-ceasefire declines, transits through the Strait have again been cut sharply, and the downside tail risks to the global economy have widened materially. This is a serious deterioration as active strike exchanges have resumed, but it is not a return to the most acute phase: the worst case of Brent sustained at USD 100–120 through 2026 is still not the base case, and our full-year working assumption of USD 90/barrel, a roughly 15% increase on the year, appears intact.

The central expectation therefore remains a manageable slowdown across Asia, not a rupture. Prices should stay elevated over the next one to two quarters, as the physical restoration of supply lags any diplomatic settlement and prolonged shut-ins become harder to reverse the longer the disruption runs; beyond that, the balance still skews to the downside as OPEC+ supply returns and demand softens structurally. The immediate cost falls on the region’s energy importers — the Philippines, Thailand, South Korea and Taiwan — which enter this second leg with inventories already drawn down and little buffer left to absorb it.

Headline inflation is peaking, but underlying pressures are broadening

Headline inflation eased across most of the region in June, but that is the wrong number to watch. The Philippines, still the region's highest at 6.4%, and Vietnam, down to 4.7%, both slowed at the headline level even as their core rates held firm at 4.4% and 4.5% respectively, while South Korea accelerated to 3.2% — the fastest since December 2023 — and Indonesia rose to 3.3%. The pattern is consistent, and it is the core, not the headline, that matters: second-round pass-through into broader production and services costs is now the dominant dynamic, which is precisely why central banks have kept tightening as headline prints roll over. The energy relapse now threatens to reverse the incipient easing in input costs before it takes hold, while elevated fertiliser prices and an anticipated severe El Niño keep food the dominant medium-term risk. Regional inflation should still peak over the coming quarters, with the drag on growth lagging by about a quarter — but the July escalation pushes that peak further out.

Manufacturing has cooled from a stockpiling-driven peak, but the AI-hardware core holds up

Regional activity is still expanding, but the strength is not widespread. Manufacturing has cooled from its stockpiling-driven spring peak — the global PMI eased to 52.2 — and the expansion that remains is narrow. The AI-hardware exporters are pulling clear of the rest: Taiwan leads on new chip orders, with its manufacturing PMI at 55.2, and the tech-heavy economies posted the quarter's strongest growth, Singapore at 5.7% and Malaysia at 5.8%. One the other hand, the more domestically oriented economies have faltered, with Indonesia's PMI slipping into clear contractionary territory at 46.9. Moreover, the quality of expansion is of concern. Order books are being propped by front-loading ahead of both feared supply shortages and the expiry of

US tariff relief, not by any genuine pick-up in end-demand. The lack of hiring despite apparent momentum in output reveals the slipping optimism as output is met from existing capacity rather than new investment, even while supply frictions keep production lead times at multi-year highs.

Consumer sentiment has held up, with the global confidence index rising for a second month to 47.9 and Asian readings relatively firm — India strongest at 63.8, and Malaysia, Singapore, Thailand and Indonesia all above 50 — but that survey work predates the collapse of the Hormuz deal and captures the de-escalation optimism, so a softer reading should be expected as the escalation feeds through. The composite picture is of demand borrowed from future quarters, with the divergence widening and the balance of risks tilted to the downside into the third quarter.

China is running on a shrinking number of engines

China's second-quarter growth slowed to 4.3%, its weakest since early 2023, and the official figure probably flatters the reality: alternative estimates put underlying growth closer to 3.5%, given a fixed-asset investment contraction of 5.7% in 1H26 that is hard to reconcile with the headline. First-half GDP growth of 4.7% sits just inside Beijing's 4.5–5.0% target, but the composition of growth is the key concern. Growth is increasingly narrowly supported and externally-dependent. Industrial output rose 5.3% and the June trade surplus hit a record USD 125.6bn, while retail sales grew just 1.0% and property investment fell 18%, highlighting the imbalance between domestic-oriented and external drivers. The price data expose the same imbalance: producer prices hit a four-year high of 4.1%, but the gain is almost entirely in upstream, energy-linked prices, while consumer prices rose just 1.0% and consumer goods prices fell outright. Domestic-facing firms cannot pass higher input costs on due to weak final demand, leaving margins squeezed and the profit recovery hollow.

The more important point is that Beijing has accepted this outcome. Official signalling now emphasises defending the 4.5% lower bound of the target rather than chasing a rebound and the late-July Politburo meeting is unlikely to change that. As such, only marginal loosening can be expected, with the PBoC continuing to hold its loan prime rates steady. A decelerating China has regional and global reverberations: as domestic demand weakens, the external sector must work harder to hold up growth, aggravating trade frictions with both the US and the EU and pushing China's surplus capacity onto the rest of Asia. Still, China retains strong trade leverage — especially over critical minerals — that enables it to navigate trade tensions.

Regional trade is caught between a narrowing AI upcycle and a hardening US tariff wall

Regional trade rests on two forces pulling in opposite directions, and both are becoming less favourable. The AI build-out in US remains the primary export engine, and the near-term is underwritten by contracted rather than speculative spending. Hyperscaler investment budgets have ratcheted higher, to the order of USD 180–190bn at Alphabet and USD 125–145bn at Meta, while memory producers have order books full into 2027. That secures the next couple of quarters, but beyond that the tailwind starts to lose steam. Investment spending, partly funded by equity market gains, is dangerously concentrated, while the financial base is thinning as a swelling queue of equity and bond issuance competes for capital at the same time as repatriation of Japanese capital drains global liquidity. Market conviction has already begun to crack — South Korea's KOSPI, the best performing major market in 2026, swung into bear market territory on doubts about the durability of AI spending. The direction of that spending remains upward, but the margin for error is thinning: this is a genuine tail risk and a reversal falls not just on South Korea, but the region's electronics exporters as a whole.

Trade policy is moving against the region just as that tailwind narrows, and the shift is structural rather than cyclical. The temporary 10% Section 122 surcharge expires on 24 July, but nothing improves for Asia: it is set to be replaced by Section 301 forced-labour duties of 10–12.5% on some sixty economies, with parallel investigations into excess-capacity allegations and semiconductor tariffs still ongoing. Unlike the surcharge it replaces, Section 301 carries no rate cap and no expiry, so effective tariff rates could rise durably. The only meaningful offset is political: a likely Democratic gain at the November midterms would restore some guardrails on trade policy; this is a moderating force at best, not a reversal.

Selective tightening as the easing window stays shut

The regional policy stance is turning more restrictive, but unevenly. The Bank of Korea hiked rates by 25bps on 16 July — its first in over three years — with hawkish guidance and further increases signalled as 2Q26 advance GDP came in strong at 3.7% amid inflation hitting a post-Covid high. Despite facing a similar inflationary backdrop, several central banks like Taiwan's opted to hold steady. Others with contained inflation due to subsidy buffers also opted to wait and see, with Malaysian policy rates steady at 2.75% for a sixth consecutive meeting despite strong growth, while the Bank of Thailand's rates remain at a post-pandemic low as it prioritises growth recovery.

The binding constraint, though, is external. A hawkish Federal Reserve, holding at 3.5–3.75%, and safe-haven dollar demand keep Asian currencies under pressure, and the energy relapse has revived it: the rupiah, rupee and peso are the most exposed after months of reserve-draining intervention, while the Singapore dollar, ringgit and Taiwan dollar are better cushioned by policy buffers and electronics-driven export strength. The window for the second-half rate cuts some had expected has closed, the recovery is now hostage to how quickly the energy and tariff shocks resolve, and a durable currency rebound looks unlikely before 2027.

‘SECTION 3: THE KEY TAKEAWAYS

After tensions in the Strait of Hormuz appeared to calm down and traffic began to resume towards end-June, the peace deal fell apart once again as physical fighting restarted, prolonging the uncertainty over the status of the Strait. Still, the significant decline in oil prices over the past month provided optimism to Asian economies, particularly Thailand and Philippines, providing more breathing room for central banks ahead of upcoming rate decisions. Meanwhile, the AI capex buildout continues to support above-trend economic growth in electronics exporters like Singapore and South Korea, setting the region up for a strong 1H26 performance overall in view of Hormuz. The looming expiry of blanket US tariffs towards end-July led to a re-escalation of hostile US trade policy, but in a more disaggregated fashion, constrained by the timeline of investigations and procedures relating to the new tariffs.

Macroeconomy:

Commodity markets & inflation

Energy prices have started climbing again, following Trump’s proposal for a US toll and blockade, in the wake of the deal’s collapse. As of 23 July, prices had pushed past USD 95/barrel for Brent crude, though it remains below prices at the peak of Hormuz disruption. Though food inflation has yet to see a widespread surge, reports of an extreme El Nino phenomenon this year have increased, adding a fresh layer of shocks just as the pressures from energy prices appeared to be fading.

Growth

As inflationary pressures appear to be peaking, the release of second-quarter GDP has shifted the focus towards growth for a number of countries, though performance is highly bifurcated. Electronics exporters like Singapore and Malaysia saw their advance GDP figures beat estimates once again, but this optimism was countered by the continued slowdown in China's economy, creating spillovers for regional demand. Nonetheless, weak domestic demand remains a pervasive issue even for the regional outperformers, with cracks in the financial market adding to the stresses weighing on consumer sentiment, particularly for South Korea.

Geopolitics

US-China relations

Even as the US has ramped up trade policy actions against key trading partners, it has been comparatively benign towards China, likely cognisant of its weaker bargaining position compared to before the Middle East conflict. Nonetheless, small-scale hostile actions by both sides continue to persist, ranging from investment and export controls.

Diplomatic visits

Diplomatic activity slowed its pace in Vietnam, similar to the rest of the region. The upcoming ASEAN chairmanship transition for 2027 saw the Philippines' President Marcos Jr. make a high-profile visit to Singapore, doubling as an investment drive following the Philippines upgrade to upper-middle income status by the World Bank. Progress in maritime defence cooperation was focused on strengthening existing partnerships rather than new deals.

ASEAN

The Myanmar issue saw a notable progress, with the first in-person meeting between the foreign ministers of Myanmar and the rest of ASEAN. While no shift in stance emerged from either side, the meeting marked the first step in a broader normalisation of ties, which has been pursued bilaterally with more friendly nations like Thailand and Laos. Meanwhile, the Thai-Cambodia diplomatic arbitration proceedings have continued, with a tense border standoff signalling that tensions remain ready to erupt into full-scale fighting anytime despite the ceasefire façade.

Relative positioning of countries in June:

Given the current landscape, here is the outlook for the region as of end-June:

Country	Domestic Macro	External Demand	Domestic Politics	International Position
China	↓			
India				
South Korea		↑		
Taiwan	↑			
Singapore		↑		
Malaysia		↑		
Indonesia	↓		↓	
Thailand	↑			
Vietnam				
Philippines	↑			

Note: ↑=improvement from previous month, ↓=deterioration from previous month

Derwin Pereira
Founder & Chief Executive Officer
Pereira International Pte Ltd

Pereira International Pte Ltd
1 Fullerton Road,
#02-01, One Fullerton,
Singapore 049213
Tel : +65 6248 4790
Cell : +65 9622 3361

www.pereiraintl.com

email :
info@pereiraintl.com
derwin.pereira@pereiraintl.com