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OCBC Group Research

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Daily Treasury Outlook

Highlights

Global: The US paused strikes on Iran for the third consecutive day, and President Trump confirmed that the two sides are engaged in talks. Meanwhile, Iranian and Omani officials are reportedly working to resume shipping through the Strait of Hormuz. The de-escalation in US-Iran hostilities sent crude oil prices sharply lower, falling by around 9% on Monday. In parallel, this triggered a steep sell-off in European natural gas markets. The US equity market delivered a mixed performance, with AI- and semiconductor-related stocks coming under pressure. Nvidia's latest AI deals, along with reports that China has begun mass production of a domestically developed DUV lithography machine, reignited concerns about circular financing and the competitive landscape of the industry. The dollar traded firmer, while US Treasury yields drifted lower as market-implied inflation expectations declined alongside energy prices. US Trade Representative Jamieson Greer indicated that ongoing excess-capacity probes into economies such as Vietnam and China could result in additional tariffs. Chinese authorities, meanwhile, stated that the US had committed to capping replacement tariffs on Chinese goods at 20%. On the data front, US durable goods orders increased modestly by 0.3% in June, rebounding from May's 4.0% decline but falling short of the 1.8% consensus forecast. New orders rose by 0.6% excluding transportation and by 0.3% excluding defense. The increase was driven primarily by computers and electronic products. In Germany, the Ifo business climate index rose to 86.6 in July, marking a third consecutive monthly increase. The improvement was driven by stronger optimism about future business conditions, with the expectations index rising to 86.7, despite a slight dip in the current conditions index to 86.5.

Market Watch: Asian markets are likely to open on a cautious note today. The economic calendar during the Asian session this morning includes New Zealand's June filled jobs data and India's June industrial production figures, while RBA Governor Michele Bullock is also scheduled to speak. Later today, investors will be watching for the US July Conference Board Consumer Confidence Index, June wholesale inventories, the May FHFA House Price Index, and the weekly ADP employment report.

Major Markets

CN: China's industrial profit growth moderated by 6 percentage points to 18.3% YoY in June. For the first half of the year, industrial profits increased by 18.7% YoY, remaining above the 15.5% growth recorded in the first quarter and pointing to a continued improvement in overall corporate profitability.

Sectoral performance remained highly uneven. Profits across the petrochemical value chain continued to weaken, as the lagged pass-through of elevated oil prices to input costs became more pronounced under FIFO accounting. By contrast, surging demand for computing power lifted profits in the computer, communications and other electronic equipment manufacturing sector by 96.9%

Key Market Movements

Equity	Value	% chg
S&P 500	7413.2	0.0%
DJIA	52210	0.5%
Nikkei 225	64931	0.5%
SH Comp	3858.2	1.2%
STI	5620.2	0.6%
Hang Seng	25207	1.0%
KLCI	1713.1	0.7%
	Value	**% chg**
DXY	101.535	0.1%
USDJPY	163.75	0.0%
EURUSD	1.1369	0.0%
GBPUSD	1.3289	-0.3%
USDIDR	18005	0.3%
USDSGD	1.291	0.0%
SGDMYR	3.1670	-0.1%
	Value	**chg (bp)**
2Y UST	4.32	-0.83
10Y UST	4.65	-2.84
2Y SGS	1.78	-4.00
10Y SGS	2.42	-4.44
3M SORA	1.16	0.52
3M SOFR	3.63	-0.07
	Value	**% chg**
Brent	88.36	-8.7%
WTI	82.61	-7.5%
Gold	4076	0.6%
Silver	58.37	0.3%
Palladium	1292	3.6%
Copper	13733	0.6%
BCOM	131.83	-2.3%

Source: Bloomberg

YoY in the first half, making it the largest contributor to overall industrial profit growth. Automobile manufacturing was the largest drag, subtracting more than 1 percentage point from headline profit growth. Overall, the data suggest that the recovery in industrial profits remains narrowly concentrated in AI- and computing-related industries, while traditional manufacturing sectors continue to face margin pressure.

HK: Exports surged 53.4% YoY in June, the fastest pace of growth since March 1984, on the back of strong global AI infrastructure demand. The trade deficit widened to HK$52 billion from HK$44.2 billion in May.

ID: Bank Indonesia (BI) Governor Perry Warjiyo resigned on 27 July, with Senior Deputy Governor Destry Damayanti assuming the role. The new Governor brings a wealth of experience. She has been at BI since 2019 and was formerly the Chief Economist of Bank Mandiri. Her appointment signals near-term policy continuity with BI remaining focused on IDR stability. There is limited clarity at this juncture on whether this appointment is temporary or permanent. Although BI sounded less convinced about additional policy rate hikes at its meeting on 22 July, we have not removed our call for further rate hikes in 2026.

MY: Economy Minister Akmal Nasrullah Mohd Nasir said an extreme El Nino event could raise Malaysia’s electricity consumption and disrupt food supply chains, adding to inflationary pressures. He said peak electricity demand had already risen by about 2.5 gigawatts, while hotter weather between October this year and January 2027 could further increase household energy use as cooling equipment usage rises. Minister Akmal said rice stocks remain sufficient through year end and some meat and vegetable prices have eased, but he flagged essential goods price fluctuations and continued West Asia tensions as downside risks to inflation and fuel prices.

AU: Australia and Singapore have officially signed the Protocol of Economic Resilience and Essential Supplies, incorporating it into their pre-existing free trade agreement. The framework was first announced in April by PM Wong and PM Albanese during the latter’s official visit to Singapore. The protocol formalises both countries’ commitment to strengthening the security of essential supply chains while ensuring trade continues to flow during periods of disruption. It also establishes mechanisms for advance notification, consultation, and the review and withdrawal of trade-related measures. In addition, the protocol establishes the Australia-Singapore Economic Resilience Dialogue, a new platform to facilitate cooperation on economic resilience and essential goods trade.

Sustainability

ID: Indonesia is planning to develop a 194km Green Hydrogen Corridor to support the country's transition toward a low-carbon future and its energy self-sufficiency agenda. By linking Jakarta, Karawang and Patimban, the corridor will connect clean energy production with major industrial hubs, key ports and economic growth centers. The project aims to establish an integrated supply chain connecting Green Hydrogen Plants, Hydrogen Refueling Stations (HRS), industrial areas, logistics networks, ports and end users within a single low-carbon economic corridor. Developing a domestic hydrogen framework would also be key to achieving

Indonesia's broader goals of energy self-sufficiency, industrial downstreaming and long-term decarbonisation.

Credit Market Updates

Market Commentary:

- The SGD SORA OIS curve traded lower yesterday with shorter tenors trading 3-5bps lower, belly tenors trading 5bps lower, and the 10Y tenor trading 5bps lower.
- US Investment Grade spreads widened by 1bps to 80bps, and US High Yield spreads widened by 1bps to 281bps. Bloomberg Global Contingent Capital Index tightened by 2bps to 210bps.
- Bloomberg Asia USD Investment Grade traded flat at 56bps, and the Asia USD High Yield spreads tightened 1bps to 342bps. (Bloomberg, OCBC)

New Issues:

- There were no issuances in the Singdollar market yesterday.
- The total issuances in the APAC and DM IG markets respectively were USD300mn and USD2.85bn yesterday (prior day: zero and USD50mn respectively). The largest issuance in APAC came from KEB Hana Bank (priced USD300mn 5Y bond at SOFR +68bps) and the largest issuance from DM IG markets came from Pacific Gas and Electric Co. (which priced USD1bn 10Y bond at T+122bps and another USD700mn long 5Y bond at T+90bps). (Bloomberg, OCBC)

Credit Developments:

- ESR-REIT (EREIT) – ESR-REIT is expanding its Australian logistics portfolio through another Melbourne acquisition, with funding from asset divestments, debt, and potentially perpetual securities, while maintaining manageable leverage levels.
- AIMS APAC REIT (AAREIT) – AIMS APAC REIT announced a planned CEO transition, with CFO Lim Joo Lee set to succeed Russell Ng from October 2026, supporting leadership continuity following a period of significant portfolio growth.
- Woodside Energy (WDSAU) – Woodside's Browse project received State Significant Project Status from the Western Australian Government, enhancing regulatory support and prioritisation for project approvals.

Equity Market Updates

US: US stocks ended mixed on Monday, as an early relief rally driven by a sharp drop in oil prices, with Brent crude falling over 6% after the US and Iran paused hostilities for a third consecutive night, was swiftly reversed by a severe semiconductor selloff. The S&P 500 was flat, the Dow gained 0.5%, whilst the Nasdaq slipped 0.2%, weighed by a near 4% decline in the Philadelphia Semiconductor Index after reports that a Chinese state-backed company had begun mass-producing homegrown DUV chipmaking tools, raising concerns over competitive displacement; ASML ADRs fell as much as 8%. Treasury yields declined modestly across the curve, with the 10-year at 4.65% and the 2-year at 4.32%, as easing oil prices dampened near-term inflation expectations, with 2-year TIPS breakevens falling around 9 basis points. After the close, Johnson & Johnson surged over 5% on news of a proposed resolution to its ovarian talc litigation. Markets remain on edge ahead of the Federal Reserve's rate decision on Wednesday and a heavy Magnificent Seven earnings week, with investor focus squarely on AI capital expenditure guidance following Alphabet's upward capex revision.

Foreign Exchange

	Day Close	% Change		Day Close
DXY	101.535	0.07%	**USD-SGD**	1.2910
USD-JPY	163.75	-0.05%	**EUR-SGD**	1.4678
EUR-USD	1.137	-0.01%	**JPY-SGD**	0.7886
AUD-USD	0.699	0.19%	**GBP-SGD**	1.7158
GBP-USD	1.329	-0.27%	**AUD-SGD**	0.9025
USD-MYR	4.084	-0.17%	**NZD-SGD**	0.7456
USD-CNY	6.764	-0.11%	**CHF-SGD**	1.5761
USD-IDR	18005	0.35%	**SGD-MYR**	3.1670
USD-VND	26315	-0.03%	**SGD-CNY**	5.2384

Equity and Commodity

Index	Value	Net change
DJIA	52,210.08	262.83
S&P	7,413.18	1.20
Nasdaq	24,932.08	-43.74
Nikkei 225	64,931.19	320.04
STI	5,620.24	31.90
KLCI	1,713.09	12.07
JCI	6,185.78	-10.65
Baltic Dry	2,696.00	-47.00
VIX	18.67	0.09

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR
1M	2.1980	-0.77%	**1M**	3.7533
3M	2.4880	0.65%	**2M**	3.7958
6M	2.7230	0.78%	**3M**	3.8481
12M	2.9930	1.56%	**6M**	3.9821
			1Y	4.1437

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.78 (-0.04)	4.31(--)
5Y	1.97 (-0.05)	4.4 (-0.02)
10Y	2.42 (-0.04)	4.63 (-0.03)
15Y	2.44 (-0.05)	--
20Y	2.44 (-0.05)	--
30Y	2.49 (-0.05)	5.12 (-0.02)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
07/29/2026	0.379	37.900	0.095	3.723
09/16/2026	1.099	71.900	0.275	3.902
10/28/2026	1.399	30.100	0.350	3.977
12/09/2026	1.786	38.700	0.447	4.074

Financial Spread (bps)

Value	Change	
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	3.64

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.61	-7.5%	Corn (per bushel)	4.518	-2.7%
Brent (per barrel)	88.36	-8.7%	Soybean (per bushel)	12.085	-3.2%
Heating Oil (per gallon)	411.16	-1.7%	Wheat (per bushel)	6.600	-2.7%
Gasoline (per gallon)	332.73	-2.0%	Crude Palm Oil (MYR/MT)	45.510	-0.9%
Natural Gas (per MMBtu)	2.77	-3.6%	Rubber (JPY/KG)	4.172	2.3%
Base Metals	**Futures**	**% chg**	**Precious Metals**	**Futures**	**% chg**
Copper (per mt)	13733	0.6%	Gold (per oz)	4076	0.6%
Nickel (per mt)	17213	-1.0%	Silver (per oz)	58.37	0.3%

Source: Bloomberg, Reuters

Economic Calendar

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
7/28/2026 5:00	SK	Consumer Confidence	Jul	--	106.8	106.6	--
7/28/2026 7:01	UK	BRC Shop Price Index YoY	Jul	1.10%	0.90%	1.20%	--
7/28/2026 18:30	IN	Industrial Production YoY	Jun	6.00%	--	5.10%	--
7/28/2026 20:15	US	ADP Weekly Employment Change	11-Jul	--	--	16.500k	--
7/28/2026 20:30	US	Advance Goods Trade Balance	Jun	-$100.0b	--	-$105.8b	-$105.9b
7/28/2026 20:30	US	Advance Goods Imports MoM SA	Jun	--	--	3.60%	4.00%
7/28/2026 20:30	US	Advance Goods Exports MoM SA	Jun	--	--	-5.40%	-5.30%
7/28/2026 20:30	US	Retail Inventories MoM	Jun	0.40%	--	0.60%	--
7/28/2026 20:30	US	Wholesale Inventories MoM	Jun P	0.40%	--	0.10%	--
7/28/2026 21:00	US	FHFA House Price Index MoM	May	0.10%	--	-0.10%	--
7/28/2026 21:00	US	S&P Cotality CS 20-City MoM SA	May	0.00%	--	-0.04%	--
7/28/2026 21:00	US	S&P Cotality CS 20-City YoY NSA	May	1.30%	--	1.14%	--
7/28/2026 21:00	US	S&P Cotality CS US HPI YoY NSA	May	1.00%	--	0.85%	--
7/28/2026 22:00	US	Richmond Fed Manufact. Index	Jul	6	--	4	--
7/28/2026 22:00	US	Richmond Fed Business Conditions	Jul	-2	--	-9	--
7/28/2026 22:00	US	Conf. Board Consumer Confidence	Jul	92.4	--	91.2	--
7/28/2026 22:00	US	Conf. Board Present Situation	Jul	117.5	--	116.4	--

Source: Bloomberg

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