

Daily Treasury Outlook

2 June 2025

Highlights

Global: U.S. Treasury yields declined modestly last Friday on renewed trade tension after President Donald Trump accused China of backtracking on commitments to roll back tariffs. A U.S. official noted that Beijing was slow to issue export licenses for rare earth minerals, further aggravating concerns. Additionally, Trump announced that the U.S. would double tariffs on steel and aluminum imports from 25% to 50%, effective June 4.

On the data front, the U.S. Personal Consumption Expenditures (PCE) Price Index rose 0.1% MoM in April after remaining flat in March. The increase was driven by a 0.1% uptick in goods prices, while service prices also edged up by 0.1%, down from 0.2% in March. On a YoY basis, headline PCE inflation eased to 2.1% from 2.3%, suggesting continued disinflation. Core PCE, the Federal Reserve's preferred inflation gauge, also climbed 0.1% MoM, consistent with the upwardly revised March reading. U.S. consumer spending slowed to 0.2% MoM in April, following a strong 0.7% MoM gain in March that was likely driven by frontloading ahead of anticipated price increases. The household saving rate rose to a one-year high of 4.9% from 4.3% in March, signaling growing consumer caution. Meanwhile, the goods trade deficit narrowed significantly to US\$87.6 billion in April. Imports dropped sharply by US\$68.4 billion to US\$276.1 billion, reflecting the effects of tariffs and weaker domestic demand. The improvement in net exports could provide some support to second-quarter GDP growth.

Market Watch: With U.S. equity indices hovering near record highs, markets will require stronger economic data to justify further upside. Attention will turn to the upcoming non-farm payroll report, especially after the Fed's latest meeting minutes indicated that policymakers could face "difficult tradeoffs" between rising inflation and softening labor market conditions. On the fiscal front, the U.S. Senate will begin deliberations on a tax and spending bill recently passed by the House, with potential implications for fiscal outlook and monetary policy. Across the Atlantic, the European Central Bank is widely expected to cut interest rates by 25bps at its June 5 meeting, reinforcing the global pivot toward monetary easing.

Commodities: OPEC+ has announced a production increase for July, continuing an identical trend from May and June. In a smaller group meeting, eight key OPEC+ members have agreed to boost output by 0.41 mbpd, equivalent to three monthly increments. According to the press release, "the gradual increases may be paused or reversed subject to evolving market conditions. This flexibility will allow the group to continue to support oil market stability." Despite this, crude oil benchmarks advanced during early Asian trading session due to concerns over heightened geopolitical risks. On the eve of Russia-Ukraine peace talks, Ukraine conducted drone strikes on air bases deep within Russia, damaging more than 40 Russian aircrafts.

Key Market Movements

| Equity | Value | % chg |
|------------|--------|----------|
| S&P 500 | 5911.7 | 0.0% |
| DJIA | 42270 | 0.1% |
| Nikkei 225 | 37965 | -1.2% |
| SH Comp | 3347.5 | -0.5% |
| STI | 3894.6 | -0.6% |
| Hang Seng | 23290 | -1.2% |
| KLCI | 1508.4 | -0.7% |
| | Value | % chg |
| DXY | 99.329 | 0.1% |
| USDJPY | 144.02 | -0.1% |
| EURUSD | 1.1347 | -0.2% |
| GBPUSD | 1.3459 | -0.2% |
| USDIDR | 16290 | 0.0% |
| USDSGD | 1.291 | 0.3% |
| SGDMYR | 3.2972 | 0.2% |
| | Value | chg (bp) |
| 2Y UST | 3.90 | -4.11 |
| 10Y UST | 4.40 | -1.76 |
| 2Y SGS | 2.00 | -1.30 |
| 10Y SGS | 2.44 | -0.92 |
| 3M SORA | 2.28 | -0.17 |
| 3M SOFR | 4.35 | -0.07 |
| | Value | % chg |
| Brent | 62.78 | -0.9% |
| WTI | 60.79 | -0.2% |
| Gold | 3289 | -0.9% |
| Silver | 32.98 | -1.0% |
| Palladium | 974 | -0.4% |
| Copper | 9498 | -0.7% |
| BCOM | 99.99 | -0.9% |

Source: Bloomberg

Major Markets

CN: China's official manufacturing PMI in May rose modestly to 49.5, up from 49.0 in April, reflecting early signs of stabilization amid a temporary de-escalation in U.S.-China trade tensions. Although the headline index remains in contractionary territory, key subcomponents show improvement, suggesting a possible bottoming in industrial activity. The production sub-index returned to expansionary territory at 50.7, likely driven by frontloading activity in exports. On the demand side, both new orders and new export orders improved to 49.8 and 47.5, respectively, up from 49.2 and 44.7 in April — signaling firmer external and domestic demand.

By enterprise size, PMI for large and small enterprises rose to 50.7 and 49.3, respectively, from 49.2 and 48.7, indicating broader support across firm sizes. The forward-looking business expectations index also edged up to 52.5 from 52.1, suggesting a modest improvement in corporate sentiment. However, inventory and pricing indicators continue to reflect caution. The producer price index subcomponent fell 0.1ppt to 44.7, while the finished goods inventory sub-index declined by 0.8ppt to 46.5. These declines suggest firms remain hesitant to rebuild inventories due to lingering uncertainties surrounding trade policy and overall demand recovery.

ID: Agriculture Minister Andi Amran Sulaiman notes that the planned rollout of B50 (a fuel blend of 50% palm-based biofuel and 50% diesel) in 2026 is expected to boost global CPO prices. The program will divert around 5.3mn tons of CPO for domestic use, potentially cutting exports from 26mn to 21mn as reported by Antara. This morning, the S&P Global Manufacturing PMI improved slightly to 47.4 in May from 46.7 in April, marking two consecutive months of readings below 50. Elsewhere, consensus expects the headline CPI to remain largely steady (Consensus: 1.9%; OCBC: 1.8%) at 1.9% in May, similar to April.

MY: More than MYR8bn in potential investments has been secured through 20 MOUs signed during the first two months of Expo 2025 Osaka, achieving over 60% of the MYR13bn target. The MOUs span across sectors including renewable energy, biotechnology, and caregiving innovation, with an emphasis on decarbonization and green hydrogen. A total of 101 Malaysian companies were involved in the 20 signed MOUs, with 398 meetings held in the Malaysia pavilion so far, as reported by The Edge.

PH: According to Bangko Sentral ng Pilipinas (BSP), headline inflation for May 2025 is expected to "settle within the 0.9-1.7% range". The BSP highlighted that easing rice and fish prices, due to favourable domestic supply conditions, along with lower oil and electricity prices and the appreciation of the peso, have contributed to the downward price pressure in May. Meanwhile, higher prices for vegetables and meat items are expected to provide some offset to these downward price pressures. Moving forward, the BSP states that it will "continue to take a measured approach in adjusting the monetary policy stance in line with its price stability objectives conducive to balanced and sustainable growth of the economy and employment."

TH: April economic activity showed mixed results relative to March. Export growth slowed, while growth in the private sector was mixed. Nevertheless, government spending remained robust. On the domestic demand front, growth in private investment index accelerated to 16.6% YoY (March: 0.3%), while growth in private consumption index declined to -0.4% YoY in April. In contrast, growth in government spending remained robust at 32.1% YoY in April (March: 55.4%), marking eight consecutive months of double-digit growth. On the external front, export growth eased to 9.9% YoY (March: 17.7%) while import growth accelerated to 17.3% YoY (March: 9.4%). As a result, the trade balance flipped into a deficit of USD1.4bn, down from a surplus of USD3.4bn in March. Similarly, the current account balance shifted to a deficit of USD1.5bn (March: +USD2.3bn), mainly driven by the trade deficit. Our baseline is for one more 25bp cut from BoT this year.

ESG

MY: Malaysia is considering allowing companies to offset up to 5% of their emissions under a planned carbon tax set to be implemented by 2026, as part of efforts to stimulate demand in the domestic carbon market. The carbon tax is likely to cover emissions-intensive sectors including iron, steel and energy sectors to drive greater decarbonisation efforts in these sectors. Utilising high-quality carbon credits can provide an additional decarbonisation pathway for hard-to-abate sectors that may find it challenging to reduce residual emissions.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower last Friday with shorter tenors trading 1-3bps lower, belly tenors trading 2-3bps lower and 10Y trading 3bps lower. New World Development Co. ("New World") will defer coupon payments totalling USD77.2mn on four perpetual notes due in June, per a Hong Kong Stock Exchange filing on Friday. Prices of its perpetuals naturally plunged including the NWDEVL 6.15 PERP (fell from ~58 to ~26) with a USD10.6mn coupon due 16 June. June marks a pivotal month for New World as it targets to complete a HKD87.5bn refinancing deal. The board of Adani Ports and Special Economic Zone Limited has approved a tender offer for its outstanding dollar bonds, with a total value of up to USD1bn, as stated in a notification. The offer will be executed in one or multiple tranches over the next six financial quarters, although the company has yet to finalize the timing, terms, and conditions. Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 76bps while Bloomberg Asia USD High Yield spreads widened by 8bps to 496bps respectively. (Bloomberg, OCBC)

New Issues:

There were two notable issuances in the Asiadollar markets last Thursday.

- SDG Finance Limited (guarantor: Shandong Gold Group Co Ltd) priced a USD100mn PerpNC3 Subordinated note at T+92.20bps.
- Linyi City Development International Co., Limited (guarantor: Linyi City Development Group Co Ltd) issued a USD38mn retap of its existing LYCDIN 6 '28s.

There were no notable issuances in the Singdollar markets last Friday.

Mandates:

There were no notable mandates last Friday.

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DXY | 99.329 | 0.05% | USD-SGD | 1.2910 | 0.30% |
| USD-JPY | 144.020 | -0.13% | EUR-SGD | 1.4648 | 0.11% |
| EUR-USD | 1.135 | -0.20% | JPY-SGD | 0.8960 | 0.39% |
| AUD-USD | 0.643 | -0.17% | GBP-SGD | 1.7369 | 0.02% |
| GBP-USD | 1.346 | -0.24% | AUD-SGD | 0.8303 | 0.16% |
| USD-MYR | 4.257 | 0.32% | NZD-SGD | 0.7699 | 0.23% |
| USD-CNY | 7.199 | 0.18% | CHF-SGD | 1.5691 | 0.33% |
| USD-IDR | 16290 | 0.10% | SGD-MYR | 3.2972 | 0.25% |
| USD-VND | 26022 | -0.03% | SGD-CNY | 5.5830 | -0.07% |

SOFR

| Tenor | EURIBOR | Change | Tenor | USD SOFR | Change |
|-------|---------|--------|-------|----------|--------|
| 1M | 1.9960 | 0.25% | 1M | 4.3210 | 0.07% |
| 3M | 1.9950 | -0.05% | 2M | 4.3247 | 0.09% |
| 6M | 2.0690 | 0.63% | 3M | 4.3189 | 0.03% |
| 12M | 2.0900 | 0.97% | 6M | 4.2424 | -0.06% |
| | | | 1Y | 4.0219 | -0.08% |

Fed Rate Hike Probability

| Fed Rate Hike Probability | | | | Expected Effective Fed Funds Rate |
|---------------------------|-----------------|---------------------|--------|-----------------------------------|
| Meeting | # of Hikes/Cuts | Implied Rate Change | | |
| 06/18/2025 | -0.003 | -0.3 | -0.001 | 4.325 |
| 07/30/2025 | -0.251 | -24.8 | -0.063 | 4.262 |
| 09/17/2025 | -0.873 | -62.2 | -0.218 | 4.107 |
| 12/10/2025 | -2.161 | -70.9 | -0.54 | 3.785 |

Equity and Commodity

| Index | Value | Net change |
|------------|-----------|------------|
| DJIA | 42,270.07 | 54.34 |
| S&P | 5,911.69 | -0.48 |
| Nasdaq | 19,113.77 | -62.10 |
| Nikkei 225 | 37,965.10 | -467.88 |
| STI | 3,894.61 | -22.23 |
| KLCI | 1,508.35 | -10.63 |
| JCI | 7,175.82 | -23.15 |
| Baltic Dry | 1,418.00 | 65.00 |
| VIX | 18.57 | -0.61 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|-------|--------------|--------------|
| 2Y | 2 (-0.01) | 3.9(--) |
| 5Y | 2.1 (-0.01) | 3.96 (-0.03) |
| 10Y | 2.44 (-0.01) | 4.4 (-0.02) |
| 15Y | 2.53 (-0.01) | -- |
| 20Y | 2.57 (--) | -- |
| 30Y | 2.57 (-0.01) | 4.93 (+0.01) |

Financial Spread (bps)

| Value | Change |
|-------------|----------|
| EURIBOR-OIS | #N/A N/A |
| TED | 35.36 |

Secured Overnight Fin. Rate

| | |
|------|------|
| SOFR | 4.33 |
|------|------|

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|----------|--------|-------------------------|---------|-------|
| WTI (per barrel) | 60.79 | -0.25% | Corn (per bushel) | 4.440 | -0.7% |
| Brent (per barrel) | 63.90 | -0.39% | Soybean (per bushel) | 10.418 | -1.0% |
| Heating Oil (per gallon) | 201.72 | -1.51% | Wheat (per bushel) | 5.340 | 0.0% |
| Gasoline (per gallon) | 203.84 | -1.02% | Crude Palm Oil (MYR/MT) | 45.090 | 0.5% |
| Natural Gas (per MMBtu) | 3.45 | -2.13% | Rubber (JPY/KG) | 309.500 | 2.8% |
| Base Metals | Futures | % chg | Precious Metals | Futures | % chg |
| Copper (per mt) | 9498.00 | -0.73% | Gold (per oz) | 3289.3 | -0.9% |
| Nickel (per mt) | 15237.00 | -0.90% | Silver (per oz) | 33.0 | -1.0% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

| Date Time | Country | Event | Period | Survey | Actual | Prior | Revised |
|-----------------|---------|---------------------------------|--------|--------|--------|--------|---------|
| 6/02/2025 12:00 | ID | CPI YoY | May | 1.87% | -- | 1.95% | -- |
| 6/02/2025 12:00 | ID | CPI Core YoY | May | 2.50% | -- | 2.50% | -- |
| 6/02/2025 12:00 | ID | CPI NSA MoM | May | -0.14% | -- | 1.17% | -- |
| 6/02/2025 16:00 | EC | HCOB Eurozone Manufacturing PMI | May F | 49.4 | -- | 49.4 | -- |
| 6/02/2025 16:30 | UK | M4 Ex IOFCs 3M Annualised | Apr | -- | -- | 5.60% | -- |
| 6/02/2025 16:30 | HK | Retail Sales Value YoY | Apr | 3.20% | -- | -3.50% | -- |
| 6/02/2025 16:30 | HK | Retail Sales Volume YoY | Apr | 2.60% | -- | -4.80% | -- |
| 6/02/2025 16:30 | UK | S&P Global UK Manufacturing PMI | May F | 45.1 | -- | 45.1 | -- |
| 6/02/2025 21:00 | SI | Purchasing Managers Index | May | -- | -- | 49.6 | -- |
| 6/02/2025 21:00 | SI | Electronics Sector Index | May | -- | -- | 49.8 | -- |
| 6/02/2025 21:45 | US | S&P Global US Manufacturing PMI | May F | 52.3 | -- | 52.3 | -- |
| 6/02/2025 22:00 | US | ISM Manufacturing | May | 49.5 | -- | 48.7 | -- |
| 6/02/2025 22:00 | US | ISM Prices Paid | May | 68.7 | -- | 69.8 | -- |
| 6/02/2025 22:00 | US | ISM New Orders | May | -- | -- | 47.2 | -- |
| 6/02/2025 22:00 | US | ISM Employment | May | -- | -- | 46.5 | -- |

Source: Bloomberg

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