

Daily Treasury Outlook

3 June 2025

Highlights

Global: Cautious optimism seemed to be the tone for the first trading day of the month, despite the concerns over US-China trade tensions, increased US' steel and aluminium tariffs, and US' weaker-than-expected ISM manufacturing index in May. US major equity indices recorded moderate gains on Monday (S&P 500: 0.41%, Nasdaq: 0.67%, Dow: 0.08%), led by the energy and technology sectors, amid some late session buying. US treasury yields were up 4bps across curve, while the dollar slid to six-week low. Market attention has again turned to trade talks. US commerce secretary said to expect a trade deal with India soon, while the White House said to expect a Trump-Xi talk this week. Reportedly, the US is pushing trading partners to offer their trade deal terms ahead of 8 July deadline. On data front, US ISM manufacturing index edged down to 48.5 in May (vs. market consensus at 49.5), from 48.7 in April. The report highlighted a stagflationary scenario. Only 2 of the 18 industries surveyed do not see higher input prices, with most suppliers saying they are passing the additional costs to the consumer. Imports (-7.0), inventories (-4.1), and new export orders (-3.0) sub-indexes were the big drags. On the other hand, the Atlanta Fed's GDPNow estimate of annualised GDP growth in 2Q25 was raised to 4.6% from 3.8%. Elsewhere, final reading of Eurozone's May manufacturing PMI was little changed at 48.4, while that of UK rose to 46.4 from the preliminary reading of 45.1. Chicago Fed president Goolsbee said he continued to expect rate cuts ahead after the tariff-related uncertainty eases, echoing similar comments by Fed Governor Waller.

Market Watch: South Korea will hold a snap presidential election today, two years ahead of schedule. Asian market is likely to open with a slightly upbeat tone. Economic calendar in Asia comprises of New Zealand's 1Q terms of trade index (+1.9% QoQ), Japan's May monetary base (-3.4% YoY), Malaysia's May manufacturing PMI (48.8), Australia's 1Q current account, RBA's May meeting minutes and China's May Caixin manufacturing PMI. Later today, the market will watch Eurozone's May CPI data, US' April factory orders and April JOLTS job openings report with focus on the quits and layoffs rate.

Key Market Movements

Equity	Value	% chg
S&P 500	5935.9	0.4%
DJIA	42305	0.1%
Nikkei 225	37471	-1.3%
SH Comp	3347.5	0.0%
STI	3890.6	-0.1%
Hang Seng	23158	-0.6%
KLCI	1508.4	0.0%
	Value	% chg
DX	98.706	-0.6%
USDJPY	142.71	-0.9%
EURUSD	1.1441	0.8%
GBPUSD	1.3544	0.6%
USDIDR	16248	-0.3%
USDSGD	1.2852	-0.4%
SGDMYR	3.3038	0.2%
	Value	chg (bp)
2Y UST	3.94	3.91
10Y UST	4.44	3.95
2Y SGS	1.99	-1.10
10Y SGS	2.43	-0.94
3M SORA	2.27	-1.03
3M SOFR	4.35	-0.07
	Value	% chg
Brent	64.63	2.9%
WTI	62.52	2.8%
Gold	3382	2.8%
Silver	34.76	5.4%
Palladium	995	2.2%
Copper	9617	1.2%
BCOM	102.03	2.0%
Source: Bloomberg		

Major Markets

ID: Headline CPI eased to 1.6% YoY in May from 1.9% in April and was below consensus expectations (OCBC: 1.8%; OCBC: 1.9%). Similarly, the core CPI printed at 2.4% YoY, down from 2.5% in April. The May CPI print brings the average CPI to 1.8% YoY for the Apr-May period, up from 0.6% YoY in 1Q25, and brings the January-May average to 1.0%. Looking ahead, the inflation outlook for June and July is expected to reflect continued disinflation, in line with the government's plan to implement various stimulus measures, including a 50% discount on electricity tariffs similar to those rolled out in January and February, but limited to households with power usage below 1,300 VA, compared to up to 2,200 VA previously. We forecast headline inflation to average 2.0% YoY in 2025, but the risks are clearly to the downside.

MY: The Malaysian market will reopen today following the holiday on Monday (2 June) for the birthday of the Yang di-Pertuan Agong. The S&P Global manufacturing PMI improved slightly to 48.8 in May from 48.6 in April, signalling "a sustained but softer moderation in operating conditions," as subdued new order inflows weigh on output. Looking ahead, the survey noted that manufacturing sentiment was positive in May, though the sentiment level eased to the softest since June 2021 amid concerns about the future of US trade policy. The weakness in the manufacturing PMI mirrors that of Indonesia (47.4 from 46.7) and Vietnam (49.8 from 45.6), while the Philippines saw a smaller expansion (50.1 from 53).

VN: A delegation, led by Minister of Agriculture and Environment Do Duc Duy, will visit the US from 2 to 7 June to promote trade and increase imports of American agricultural products. Comprising 50 government agencies and businesses, the delegation will hold meetings in Iowa, Ohio, and Washington, D.C. A statement from the ministry also emphasized that the new Decree 73/2025/ND-CP, issued on 31 March 2025, reduces tariffs to 0% for agricultural, forestry, and fishery exports that may be significant from the United States.

ESG

SG: Singapore and Indonesia are planning for a new subsea electricity cable connecting both countries, that will support Singapore's target of importing up to 6GW of low-carbon electricity by 2035. The Singapore Government has also appointed the Singapore Energy Interconnections (SGEI), a newly incorporated government-linked company, to specialise in developing cross-border power infrastructure. These are positive developments towards enhancing regional energy security via the ASEAN power grid, although barriers such as the lack of electricity pricing mechanisms need to be overcome.

Rest of the world: The International Air Transport Association expects the amount of sustainable aviation fuel (SAF) produced to double in 2025 to reach 2 mn tonnes, representing 0.7% of airlines' fuel consumption. However, there are still scarce supplies of SAF, and the IATA highlighted that airlines may struggle to meet their sustainability goals as the production of SAF has been slow due to the higher prices compared to conventional jet fuel.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower yesterday with shorter tenors and belly tenors trading 1bps lower and 10Y trading flat. Per Bloomberg, executives at New World Development Co. Ltd. (“New World”) are worried about the future of their USD2.6bn mega-mall, 11 Skies, near Hong Kong's airport. Slow tenant preparations, carriers' reluctance to shift flights, and a weak economic outlook have hindered progress. Currently, only 40% of the mall's space is leased, with its first major attraction, KidZania, set to open in July and retail stores expected by late this year or early next. New World is under pressure to repay loans, making the success of 11 Skies critical amid Hong Kong's struggling economy and shifting consumer spending habits. In other news, New World has now secured written commitments from banks for 60% of the HKD87.5bn (~USD11.2bn) loan refinancing deal, according to sources. More than 20 banks have submitted their commitments. Bloomberg Asia USD Investment Grade spreads widened by 1bps to 77bps while Bloomberg Asia USD High Yield spreads tightened by 15bps to 481bps respectively. (Bloomberg, OCBC)

New Issues:

There were no notable issuances in the Asiadollar and Singdollar markets yesterday.

Mandates:

- Hong Kong Government International Bond may issue USD denominated Green Fixed bonds.
- Industrial Bank of Korea may issue USD denominated Social 3Y FXD/FRN and/or 5Y FXD/FRN bonds.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	98.706	-0.63%	USD-SGD	1.2852	-0.45%
USD-JPY	142.710	-0.91%	EUR-SGD	1.4705	0.39%
EUR-USD	1.144	0.83%	JPY-SGD	0.9006	0.51%
AUD-USD	0.650	1.00%	GBP-SGD	1.7407	0.22%
GBP-USD	1.354	0.63%	AUD-SGD	0.8349	0.55%
USD-MYR	4.257	0.32%	NZD-SGD	0.7757	0.75%
USD-CNY	7.199	0.18%	CHF-SGD	1.5730	0.25%
USD-IDR	16248	-0.26%	SGD-MYR	3.3038	0.20%
USD-VND	26018	-0.02%	SGD-CNY	5.5982	0.27%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	1.9960	0.25%	1M	4.3170	0.02%
3M	1.9950	-0.05%	2M	4.3215	0.04%
6M	2.0690	0.63%	3M	4.3174	0.00%
12M	2.0900	0.97%	6M	4.2498	-0.03%
			1Y	4.0435	-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	-0.047	-4.7	-0.012	4.319
07/30/2025	-0.254	-20.7	-0.063	4.267
09/17/2025	-0.867	-61.3	-0.217	4.114
12/10/2025	-2.067	-65.3	-0.517	3.814

Equity and Commodity

Index	Value	Net change
DJIA	42,305.48	35.41
S&P	5,935.94	24.25
Nasdaq	19,242.61	128.84
Nikkei 225	37,470.67	-494.43
STI	3,890.59	-4.02
KLCI	1,508.35	-10.63
JCI	7,065.07	-110.75
Baltic Dry	1,418.00	65.00
VIX	18.36	-0.21

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.99 (-0.01)	3.94(--)
5Y	2.09 (-0.01)	4 (+0.04)
10Y	2.43 (-0.01)	4.44 (+0.04)
15Y	2.53 (--)	--
20Y	2.56 (-0.01)	--
30Y	2.58 (+0.01)	4.97 (+0.03)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.35
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	62.52	2.85%	Corn (per bushel)	4.383	-1.3%
Brent (per barrel)	64.63	1.14%	Soybean (per bushel)	10.335	-0.8%
Heating Oil (per gallon)	204.45	1.35%	Wheat (per bushel)	5.390	0.9%
Gasoline (per gallon)	205.25	0.69%	Crude Palm Oil (MYR/MT)	45.090	0.5%
Natural Gas (per MMBtu)	3.69	7.17%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9616.50	1.25%	Gold (per oz)	3381.6	2.8%
Nickel (per mt)	15537.00	1.97%	Silver (per oz)	34.8	5.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Country	Event	Period	Survey	Actual	Prior	Revised
6/03/2025 7:50	JN	Monetary Base YoY	May	--	-3.40%	-4.80%	--
6/03/2025 7:50	JN	Monetary Base End of period	May	--	¥654.2t	¥666.4t	--
6/03/2025 9:45	CH	Caixin China PMI Mfg	May	50.7	--	50.4	--
6/03/2025 17:00	EC	CPI Estimate YoY	May P	2.00%	--	2.20%	--
6/03/2025 17:00	EC	CPI MoM	May P	0.00%	--	0.60%	--
6/03/2025 17:00	EC	CPI Core YoY	May P	2.40%	--	2.70%	--
6/03/2025 17:00	EC	Unemployment Rate	Apr	6.20%	--	6.20%	--
6/03/2025 22:00	US	Factory Orders	Apr	-3.20%	--	4.30%	3.40%
6/03/2025 22:00	US	Factory Orders Ex Trans	Apr	0.20%	--	-0.20%	-0.40%
6/03/2025 22:00	US	Durable Goods Orders	Apr F	-6.30%	--	-6.30%	--
6/03/2025 22:00	US	JOLTS Job Openings	Apr	7100k	--	7192k	--
6/03/2025 22:00	US	JOLTS Job Openings Rate	Apr	--	--	4.30%	--
6/03/2025 22:00	US	JOLTS Quits Level	Apr	3271k	--	3332k	--
6/03/2025 22:00	US	JOLTS Quits Rate	Apr	--	--	2.10%	--
6/03/2025 22:00	US	JOLTS Layoffs Level	Apr	1614k	--	1558k	--
6/03/2025 22:00	US	JOLTS Layoffs Rate	Apr	--	--	1.00%	--

Source: Bloomberg

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