

Daily Treasury Outlook

13 May 2025

Highlights

Global: The substantial progress made in US-China trade talk gave market more than what it needs to cheer. Washington's conciliatory approach raised hope that trade talks will eventually result in lower tariffs across board and worst of the global trade crisis is over. Polymarket implied US recession risk dropped 11 ppt to 39%, ahead of other positive catalysts such as tax cuts and deregulation. US major equity indexes (S&P 500: 3.3%, Nasdaq: 4.4%, Dow: 2.8%) and the USD soared, while the classic recession hedges unwound, with yen, Swiss franc and bullion prices leading declines. US treasury curve bearish flattened, with front-end yields up by as much as 13 bps. The market saw solid repricing of Fed rate cut expectations, to a total of 56bps of cuts for this year, while US inflation expectations also fell notably. The dollar index jumped by 1.4%, the largest daily gain since the US election last November.

China and US agreed to lower their tariff rates substantially to 10% and 30% (10% on the reciprocal base line tariff and 20% fentanyl) for 90 days after the weekend Geneva trade talk. US Treasury Secretary Bessent later said that the reductions however do not include sector specific tariffs. China added that the "non-tariff countermeasures" imposed since 2 April would also be suspended. According to the joint statement, both parties agreed to establish a mechanism to continue discussions about economic and trade relations, and recognized the importance of their bilateral relationship. Meanwhile, global political tensions also appear to be cooling, with ceasefire between India and Pakistan. On central bank front, BoE officials warned against rushing to further rate cuts, with BoE's Taylor saying he would have to rethink his support for lower rates if there was rapid progress on trade.

Market Watch: More agreement between the US and other major trading partners may be struck in the coming weeks. For the week ahead, watch for the 1Q GDP readings coming out of Eurozone (second reading), UK, Japan, Malaysia (final estimate), Hong Kong (final estimate) and Macau, as well as April CPI, PPI and retail sales for US, March industrial production and trade balance for Eurozone, March unemployment rate, industrial production and manufacturing production for UK, April labour market data and NAB business confidence for Australia, April CPI for India, and April trade data for Indonesia. On the central bank front, watch for BOJ summary of opinions, as well as speech by Fed's Powell and other officials. On the corporate earnings front, Walmart, Cisco and Applied Materials are reporting results.

Key Market Movements

Equity	Value	% chg
S&P 500	5844.2	3.3%
DJIA	42410	2.8%
Nikkei 225	37644	0.4%
SH Comp	3369.2	0.8%
STI	3876.2	0.0%
Hang Seng	23549	3.0%
KLCI	1546.5	0.0%
	Value	% chg
DX	101.788	1.4%
USDJPY	148.46	2.1%
EURUSD	1.1087	-1.4%
GBPUSD	1.3176	-1.0%
USDIDR	16515	0.0%
USDSGD	1.3062	0.6%
SGDMYR	3.3130	0.0%
	Value	chg (bp)
2Y UST	4.01	11.93
10Y UST	4.47	9.24
2Y SGS	2.08	0.00
10Y SGS	2.43	0.00
3M SORA	2.33	0.00
3M SOFR	4.36	-0.24
	Value	% chg
Brent	64.96	1.6%
WTI	61.95	1.5%
Gold	3236	-2.7%
Silver	32.60	-0.4%
Palladium	949	-3.1%
Copper	9521	0.8%
BCOM	102.29	-0.5%

Source: Bloomberg

Major Markets

CN: With the most irrational elements of the tariff war now removed, two conclusions can be drawn. First, hardliners within the Trump Administration appear to have taken a step back—for now. Second, the “Trump put” may still be in place, reinforcing the perception that brinkmanship remains a tactical tool rather than a fixed policy path.

That said, this de-escalation does not equate to a full return to normalcy. Over the next 90 days and beyond, the trajectory of trade relations will largely depend on two factors: (1) the progress of direct U.S.-China negotiations. The removal of the 20% fentanyl related tariff appears to be a low hanging fruit, especially considering that China's police chief was also involved in the trade discussions. (2) how both sides engage third-party countries and trade blocs through broader consultations and coalition-building.

From the U.S. perspective, efforts to form a trade alignment with like-minded allies are likely to continue, with the aim of coordinating and amplifying pressure on China. Even after the current dust settles, China is still likely to remain at the bottom tier of the U.S.'s new tariff hierarchy, given its persistent and sizeable trade surplus with the U.S.

From China's perspective, the strategic response will likely include continued efforts to reduce reliance on the U.S. export market—via both supply chain restructuring and third-country transshipment routes in the short to medium term. Moreover, the temporary truce is unlikely to deter China's longer-term export market diversification strategy.

ID: The government plans to redirect up to 60% of its fuel imports from Singapore to the US as part of a broader negotiation to ease the 32% US tariff on its goods. Energy Minister Bahlil Lahadalia said the shift would begin gradually over six months, involving increased purchases of US fuel, crude oil, and LPG. Previously, the government had revealed that it aims to raise total US energy imports by around USD10bn, including a tenfold rise in US crude imports, which currently make up only 4%. Elsewhere, the Indonesian market is closed today for the Vesak holiday.

MY: The unemployment rate steadied at 3.1% in March similar to February, with the number of unemployed persons dropping by 3.2k to 529.6k. Meanwhile, the number of employed persons rose further by 44.5k to 16.8mn, with increases in employment seen in manufacturing, construction, agriculture, and mining and quarrying. Chief Statistician Uzir Mahadin attributed the labor market progress to stable domestic demand and improved economic momentum, and he expects that labor market conditions will remain resilient amid global uncertainty.

TH: The Bank of Thailand Governor Sethaput Suthiwartnarueput noted that the central bank has limited “ammunition” for monetary policy after the recent interest rate cuts, as reported by Bloomberg. In addition, Governor Sethaput emphasized the need for caution due to high uncertainty from trade tensions and warned that the effects of US tariffs may become clearer in the latter half of the year. Following a back-to-back rate cut, the BoT has reduced its GDP growth forecast for the year to 1.3%–2% and lowered its inflation estimate to 0.2%–0.5%.

VN: Vietnam and Russia have agreed to fast-track negotiations for building nuclear power plants in Vietnam, aiming to support the country’s growing energy needs. The project is targeting a capacity of up to 6.4 GW and is expected to be online between 2030 and 2035. This move revives Vietnam’s nuclear ambitions nearly a decade after shelving previous plans. In addition, both nations pledged deeper cooperation in oil and gas, including Russian crude and LNG supply, and mutual expansion of energy companies.

ESG

SG: Mitsubishi has joined Acen, GenZero and Keppel in exploring the early retirement of a 246MW coal-fired power plant in the Philippines and replace its generation output with clean energy, with the use of high-integrity transition credits backed by the MAS. Transition credits aim to monetise emissions savings from the early closure of coal plants. Revenue would come from the sale of high-integrity carbon credits to companies or governments. The early retirement of the coal plant by 2030, ahead of its scheduled closure in 2040, is expected to reduce 19mn tonnes of emissions. Transition credits, albeit nascent, may help to bridge the gap in revenue from the coal plant’s early retirement by funding the revenue loss and costs of replacing coal power for renewable energy. The initiative, if successful, can be a model for similar initiatives and accelerate Southeast Asia’s energy transition as the region is heavily reliant on coal.

Rest of the World: Japan, China, South Korea and all 10 ASEAN countries agreed to enhance their regional financial safety net by launching a new lending facility aimed at responding to crises caused by pandemics and natural disasters. They have agreed to establish the new facility under their currency swap arrangement known as the Chiang Mai Initiative Multilateralization (CMIM), which was designed to support regional financial stability by allowing members to tap currency swap lines. The CMIM pool currently amounts to US\$240 bn in foreign exchange reserves, with Japan and China each contributing US\$76.8 bn, South Korea US\$38.4 bn and the 10 ASEAN countries a combined US\$48 bn. This can enable members to access emergency financing without conditions, in the event of sudden shocks from financial or natural crises.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher last Friday with shorter tenors trading 2bps higher, belly tenors trading 2-3bps higher and 10Y trading 2bps higher. The High Court of Hong Kong has scheduled a hearing on 25 June regarding an application from Evergrande's liquidators seeking approval for the transfer of one ordinary share in CEG Holdings from China Evergrande Group to Shengjian (BVI), an indirect wholly-owned subsidiary of Evergrande. Additionally, Evergrande's shares will remain suspended until further notice. Credit spreads tightened following a de-escalation of the trade war between China and the US. Bloomberg Asia USD Investment Grade spreads tightened by 4bps to 83bps while Bloomberg Asia USD High Yield spreads tightened by 28bps to 493bps respectively yesterday. Singapore markets were closed yesterday in observance of Vesak Day. (Bloomberg, OCBC)

New Issues:

There was one notable issuance in the Asiadollar market last Friday or yesterday.

- Agricultural Bank of China Limited of Hong Kong priced a USD200mn 2Y FRN at SOFR+43bps.

There were no notable issuances in the Singdollar market last Friday or yesterday.

Mandates:

- Woodside Finance Limited, a wholly-owned finance subsidiary of Woodside Energy Group Ltd, may issue USD denominated multi-tranche Senior Unsecured bonds.
- Guoneng Environmental Protection Investment Group Co., Limited (guarantor: Jinan Energy Group Co., Ltd.) may issue USD denominated Senior Unsecured Green bonds.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX1	101.788	1.44%	USD-SGD	1.3062	0.64%
USD-JPY	148.460	2.13%	EUR-SGD	1.4480	-0.82%
EUR-USD	1.109	-1.45%	JPY-SGD	0.8797	-1.48%
AUD-USD	0.637	-0.65%	GBP-SGD	1.7210	-0.33%
GBP-USD	1.318	-0.98%	AUD-SGD	0.8322	0.01%
USD-MYR	4.301	0.44%	NZD-SGD	0.7646	-0.30%
USD-CNY	7.205	-0.45%	CHF-SGD	1.5445	-1.04%
USD-IDR	16515	0.12%	SGD-MYR	3.3130	0.02%
USD-VND	25972	-0.01%	SGD-CNY	5.5145	-1.13%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	2.1140	-0.80%	1M	4.3280	0.02%
3M	2.1240	-0.65%	2M	4.3313	-0.01%
6M	2.1110	-1.08%	3M	4.3253	0.00%
12M	2.0240	-0.59%	6M	4.2571	-0.04%
			1Y	4.0633	-0.07%

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
05/07/2025	-0.019	-1.9	-0.005
06/18/2025	-0.116	-11.6	-0.029
07/30/2025	-0.446	-33.1	-0.112
09/17/2025	-1.102	-65.6	-0.276
12/10/2025	-2.282	-63.6	-0.57

Equity and Commodity

Index	Value	Net change
DJIA	42,410.10	1160.72
S&P	5,844.19	184.28
Nasdaq	18,708.34	779.42
Nikkei 225	37,644.26	140.93
STI	3,876.16	27.94
KLCI	1,546.50	3.76
JCI	6,832.80	5.05
Baltic Dry	1,299.00	-17.00
VIX	18.39	-3.51

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.08 (+0.01)	4(-)
5Y	2.09 (+0.02)	4.11 (+0.11)
10Y	2.43 (+0.02)	4.46 (+0.09)
15Y	2.53 (+0.02)	--
20Y	2.58 (+0.02)	--
30Y	2.59 (+0.02)	4.9 (+0.07)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.28
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	61.95	1.52%	Corn (per bushel)	4.403	-0.3%
Brent (per barrel)	64.96	1.64%	Soybean (per bushel)	10.660	2.1%
Heating Oil (per gallon)	211.11	2.16%	Wheat (per bushel)	4.990	-1.3%
Gasoline (per gallon)	213.31	1.17%	Crude Palm Oil (MYR/MT)	45.090	0.5%
Natural Gas (per MMBtu)	3.65	-3.93%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9520.50	0.79%	Gold (per oz)	3236.4	-2.7%
Nickel (per mt)	15635.00	-1.07%	Silver (per oz)	32.6	-0.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Country	Event	Period	Survey	Actual	Prior	Revised
5/13/2025 14:00	UK	Average Weekly Earnings 3M/YoY	Mar	5.20%	--	5.60%	--
5/13/2025 14:00	UK	Weekly Earnings ex Bonus 3M/YoY	Mar	5.70%	--	5.90%	--
5/13/2025 14:00	UK	Private Earnings ex Bonus 3M/YoY	Mar	5.70%	--	5.90%	--
5/13/2025 14:00	UK	ILO Unemployment Rate 3Mths	Mar	4.50%	--	4.40%	--
5/13/2025 14:00	UK	Employment Change 3M/3M	Mar	115k	--	206k	--
5/13/2025 14:00	UK	Payrolled Employees Monthly Change	Apr	-32k	--	-78k	--
5/13/2025 18:00	US	NFIB Small Business Optimism	Apr	95	--	97.4	--
5/13/2025 20:30	US	CPI MoM	Apr	0.30%	--	-0.10%	--
5/13/2025 20:30	US	CPI Ex Food and Energy MoM	Apr	0.30%	--	0.10%	--
5/13/2025 20:30	US	CPI YoY	Apr	2.40%	--	2.40%	--
5/13/2025 20:30	US	CPI Ex Food and Energy YoY	Apr	2.80%	--	2.80%	--
5/13/2025 20:30	US	CPI Index NSA	Apr	320.906	--	319.799	--
5/13/2025 20:30	US	CPI Core Index SA	Apr	326.629	--	325.659	--
5/13/2025 20:30	US	Real Avg Hourly Earning YoY	Apr	--	--	1.40%	--
5/13/2025 20:30	US	Real Avg Weekly Earnings YoY	Apr	--	--	0.80%	1.10%

Source: Bloomberg

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