

Daily Treasury Outlook

18 June 2025

Highlights

Global: Sentiment remains fragile as tensions between Israel and Iran show no signs of easing. U.S. markets found little comfort in President Trump's verbal warning that America's patience is wearing thin, which only added to investor unease. Oil prices rebounded on heightened geopolitical risks, while U.S. equities ended lower.

Adding to the market's concerns, U.S. retail sales data came in weaker than expected. Retail sales fell 0.9% MoM in May—the sharpest drop since January—following a downwardly revised 0.1% decline in April. The decline was broad-based: sales at auto and parts dealerships tumbled 3.5%, while receipts at service stations fell 2.0%, partly due to lower oil prices in May. Notably, spending at food services and drinking places—a proxy for discretionary consumption—dropped 0.9%, reflecting growing household caution. That said, the control group (retail sales excluding autos, gasoline, building materials, and food services) rose 0.4% in May, after a revised 0.1% fall in April, supported by gains in clothing, furniture, and sporting goods.

Despite soft consumption data, the Atlanta Fed's GDPNow model forecasts U.S. GDP to rebound at a 3.5% annualized rate in Q2, largely driven by a reversal in import drag. Import prices excluding fuels and food rose 0.4% in May after a 0.5% gain in April, likely reflecting recent dollar weakness. However, factory output excluding motor vehicles fell 0.3%, suggesting patchy momentum in manufacturing.

In Europe, German investor sentiment rose more than expected. The ZEW Economic Sentiment Index jumped to 47.5 in June from 25.2 in May, driven by improved expectations amid fiscal expansion plans by the new government and recent ECB rate cuts. The outlook for Germany has brightened, with most analysts expecting a return to growth this year after two consecutive years of contraction.

In Asia, the Bank of Japan kept its policy rate unchanged at 0.50% for a third straight meeting, as expected. The BoJ also announced a slower pace of bond tapering—from JPY400 billion to JPY200 billion per quarter starting April 2026 through March 2027—with an interim review scheduled for June 2026. By March 2027, total JGB holdings are projected to fall to around JPY490 trillion, equivalent to 44% of outstanding JGBs. BoJ Governor Ueda reiterated that interest rates could be raised if the likelihood of achieving the 2% inflation target increases, given that real interest rates remain deeply negative.

Market Watch: Looking ahead, investor attention will turn to the FOMC decision later today. Key data releases include UK CPI and U.S. housing figures, both of which could offer fresh signals on inflation and policy direction.

Key Market Movements

Equity	Value	% chg
S&P 500	5982.7	-0.8%
DJIA	42216	-0.7%
Nikkei 225	38537	0.6%
SH Comp	3387.4	0.0%
STI	3930.6	0.6%
Hang Seng	23980	-0.3%
KLCI	1511.6	-0.5%
	Value	% chg
DXY	98.820	0.8%
USDJPY	145.29	0.4%
EURUSD	1.1480	-0.7%
GBPUSD	1.3429	-1.1%
USDIDR	16280	0.1%
USDSGD	1.2864	0.5%
SGDMYR	3.3102	-0.1%
	Value	chg (bp)
2Y UST	3.95	-1.46
10Y UST	4.39	-5.74
2Y SGS	1.85	-2.10
10Y SGS	2.30	-1.93
3M SORA	2.18	-0.66
3M SOFR	4.34	0.01
	Value	% chg
Brent	76.45	4.4%
WTI	74.84	4.3%
Gold	3388	0.1%
Silver	37.11	2.2%
Palladium	1052	1.7%
Copper	9669	-0.4%
BCOM	106.78	1.0%

Source: Bloomberg

Commodities: New satellite imagery revealed that Iran's underground uranium-enrichment facilities at Natanz have been damaged by Israeli strikes, as reported by the International Atomic Energy Agency. So far, critical crude oil-exporting infrastructure in Iran remains largely intact. Still, the oil complex is on edge, with the Israel-Iran conflict entering its sixth day. Additionally, media reports indicate that US President Donald Trump met with his national security team to discuss issues related to the escalating conflict in the Middle East. President Trump also posted on social media demanding Iran's "unconditional surrender". WTI and Brent crude oil prices edged higher by 0.4% to USD75.2/bbl and USD76.8/bbl during Asian open.

Major Markets

ID: Finance Minister Sri Mulyani announced on Tuesday (17 June) that the state budget recorded a deficit of IDR21,0trn, equivalent to 0.09% of GDP, at the end of May 2025. Revenue reached IDR999.3trn at the end of May, marking a 11.4% YoY contraction and about 33.1% of the target. Similarly, government expenditure contracted by 11.3% YoY, reaching IDR1,016.3trn at the end of May, which is 28.1% of the target. In the same press conference, the Ministry of Finance reaffirmed that the budget would remain a countercyclical instrument to address the risk of slowing growth. FM Mulyani added that the government will continue to monitor external risks stemming from volatility in commodity and financial markets, as well as geopolitical tensions.

MY: Prime Minister Anwar Ibrahim confirmed that Malaysia will move ahead with the RON95 fuel subsidy rationalisation, as reported by the New Straits Times. PM Anwar argued the reform is essential to redirect funds toward aiding the poor, improving education, and strengthening public services. Finance Minister II Amir Hamzah had earlier announced the plan would roll out in 2H25, with current efforts focused on identifying eligible recipients.

ESG

MY: State utility Tenaga Nasional has committed 43 bn ringgit to upgrade the national grid infrastructure, that can help meet the country's ambitions in artificial intelligence and battery energy storage systems. This can also support cross-border low-carbon electricity trade in the region, potentially contributing to the broader vision of developing an ASEAN power grid. Petronas also plans to develop three carbon capture and storage facilities in the country's offshore waters to serve various industries including the oil and gas sector, which can support the decarbonisation of hard-to-abate sectors.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded lower yesterday with shorter tenors trading 2-3bps lower, belly tenors and 10Y trading 2bps lower. As per Bloomberg, New World Development Co. Ltd. ("New World") has made the interest payment on a dollar note, providing the company with some relief as it works to complete an HKD87.5bn loan refinancing deal. The firm had a USD5.05mn interest payment due on Monday for its 5.875% bond and failing to meet this obligation within 14 days of the due date could lead to a default. New World is currently dealing with HKD210.9bn in liabilities and is focusing on discussions with banks to secure a refinancing deal to alleviate its liquidity pressures. In other news by Bloomberg, Indonesian corporate bond sales are expected to reach a seven-year high in the first half of 2025 as borrowers refinance and investors seek to secure yields. Outside of Asia, the size of London's sterling corporate bond market is shrinking with British corporate borrowers are opting instead for the larger US dollar and euro markets for funding. Bloomberg Asia USD Investment Grade spreads widened by 1 bps to 73bps and Bloomberg Asia USD High Yield spreads tightened by 19bps to 454bps respectively. (Bloomberg, OCBC)

New Issues:

There was one notable issuance in the Asiadollar market yesterday.

- Shin Kong Life Singapore Pte Ltd (guarantor: Shin Kong Life Insurance Co Ltd) priced a USD400mn 10Y Tier 2 at T+265bps.

There were no notable issuances in the Singdollar market yesterday.

Mandates:

There were no notable mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DX	98.820	0.84%	USD-SGD	1.2864	0.49%
USD-JPY	145.290	0.37%	EUR-SGD	1.4768	-0.21%
EUR-USD	1.148	-0.70%	JPY-SGD	0.8855	0.12%
AUD-USD	0.648	-0.75%	GBP-SGD	1.7276	-0.61%
GBP-USD	1.343	-1.10%	AUD-SGD	0.8331	-0.26%
USD-MYR	4.244	0.05%	NZD-SGD	0.7736	-0.30%
USD-CNY	7.187	0.09%	CHF-SGD	1.5753	0.14%
USD-IDR	16280	0.09%	SGD-MYR	3.3102	-0.10%
USD-VND	26067	-0.03%	SGD-CNY	5.5838	-0.48%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	1.9110	-0.31%	1M	4.3210	-0.01%
3M	2.0010	-0.15%	2M	4.3218	-0.01%
6M	2.0540	-0.10%	3M	4.3220	-0.07%
12M	2.0840	0.00%	6M	4.2444	-0.12%
			1Y	4.0598	-0.12%

Fed Rate Hike Probability

Fed Rate Hike Probability				Expected Effective Fed Funds Rate
Meeting	# of Hikes/Cuts	Implied Rate Change		
06/18/2025	-0.001	-0.1	0	4.329
07/30/2025	-0.145	-14.5	-0.036	4.293
09/17/2025	-0.707	-56.2	-0.177	4.152
12/10/2025	-1.804	-61.8	-0.451	3.878

Equity and Commodity

Index	Value	Net change
DJIA	42,215.80	-299.29
S&P	5,982.72	-50.39
Nasdaq	19,521.09	-180.12
Nikkei 225	38,536.74	225.41
STI	3,930.64	22.18
KLCI	1,511.64	-8.35
JCI	7,155.85	38.26
Baltic Dry	1,975.00	7.00
VIX	21.60	2.49

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.85 (-0.02)	3.95(--)
5Y	1.91 (-0.02)	3.99 (-0.04)
10Y	2.3 (-0.02)	4.39 (-0.06)
15Y	2.43 (-0.01)	--
20Y	2.47 (-0.01)	--
30Y	2.48 (-0.01)	4.89 (-0.06)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.32
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	74.84	4.28%	Corn (per bushel)	4.315	-0.7%
Brent (per barrel)	76.45	4.40%	Soybean (per bushel)	10.740	0.4%
Heating Oil (per gallon)	250.51	4.67%	Wheat (per bushel)	5.490	2.3%
Gasoline (per gallon)	227.19	2.34%	Crude Palm Oil (MYR/MT)	45.090	0.5%
Natural Gas (per MMBtu)	3.85	2.75%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9669.00	-0.35%	Gold (per oz)	3388.1	0.1%
Nickel (per mt)	14924.00	-0.96%	Silver (per oz)	37.1	2.2%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Country	Event	Period	Survey	Actual	Prior	Revised
6/18/2025 14:00	UK	CPI YoY	May	3.30%	--	3.50%	--
6/18/2025 14:00	UK	CPI Core YoY	May	3.50%	--	3.80%	--
6/18/2025 14:00	UK	RPI MoM	May	0.20%	--	1.70%	--
6/18/2025 14:00	UK	RPI YoY	May	4.20%	--	4.50%	--
6/18/2025 14:00	UK	RPI Ex Mort Int. Payments (YoY)	May	--	--	4.20%	--
6/18/2025 15:20	ID	BI-Rate	18-Jun	5.50%	--	5.50%	--
6/18/2025 16:00	SI	Automobile COE Open Bid Cat A	18-Jun	--	--	96999	--
6/18/2025 16:00	SI	Automobile COE Open Bid Cat E	18-Jun	--	--	113900	--
6/18/2025 16:00	EC	ECB Current Account SA	Apr	--	--	50.9b	--
6/18/2025 16:00	SI	Automobile COE Open Bid Cat B	18-Jun	--	--	113000	--
6/18/2025 16:30	UK	House Price Index YoY	Apr	--	--	6.40%	--
6/18/2025 17:00	EC	CPI YoY	May F	1.90%	--	1.90%	--
6/18/2025 17:00	EC	CPI Core YoY	May F	2.30%	--	2.30%	--
6/18/2025 19:00	US	MBA Mortgage Applications	13-Jun	--	--	12.50%	--
6/18/2025 20:30	US	Housing Starts	May	1350k	--	1361k	--
6/18/2025 20:30	US	Building Permits	May P	1422k	--	1422k	--

Source: Bloomberg

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