

Daily Treasury Outlook

20 May 2025

Highlights

Global: Market participants largely looked past Moody's credit rating downgrade last Friday and took positive cues from Trump's expansionary bill and potential talk between Russia and Ukraine to end the war. US stock markets closed the Monday session marginally higher, erasing early losses. S&P 500 closed higher for a sixth consecutive day and was within 3% of its all-time high. US treasury also bounced back from session low, with buyers stepping in as UST 30s surpassed the 5% level. Dollar weakened across board, particular against the high beta names like AUD and NZD. Fed officials continued to sound cautious on further rate cut. The Fed's Williams suggested policymakers may not be ready to cut rates before September amid a murky economic outlook. Jefferson said "must ensure any price increases stemming from policy changes in Washington don't lead to a persistent rise in inflation". Bostic saw one cut this year due to tariff-induced uncertainty. On trade talk, Japan's Prime Minister Ishiba said the country won't compromise its national interests in trade talks with the US and won't accept a deal that doesn't address the 25% tariff on cars. Data dump coming out of China generally missed expectations, but highlighted the resilience of the economy despite the tariff woes.

China's retail sales and industrial production growth slowed to 5.1% YoY and 6.1% YoY in April respectively. Fixed asset investment growth also moderated to 4.0% YoY, while jobless rate edged down by 0.1 percentage point to 5.1%. Property market however is painting a very different picture. New home prices in 70 cities fell at a faster pace at 0.12% MoM, whereas prices of used home also declined by 0.41% MoM.

Market Watch: Investors await China's 1- and 5-year loan prime rate (LPR), and RBA's rate decision to be announced later today. PBOC is widely expected to cut the LPR, while commercial banks are also expected to cut deposit rates. The Australia swaps market implies a 98.5% chance of a 25bp cut today. Economic calendar in Asia comprises of South Korea's 1Q household credit, Malaysia's April trade, Taiwan's April export orders, and Hong Kong's April unemployment rate. Later today, the market will watch Canada's April CPI, Germany's April PPI, as well as Eurozone's May consumer confidence.

Key Market Movements

| Equity | Value | % chg |
|------------|---------|----------|
| S&P 500 | 5963.6 | 0.1% |
| DJIA | 42792 | 0.3% |
| Nikkei 225 | 37499 | -0.7% |
| SH Comp | 3367.6 | 0.0% |
| STI | 3876.2 | -0.6% |
| Hang Seng | 23333 | -0.1% |
| KLCI | 1556.1 | -1.0% |
| | Value | % chg |
| DXY | 100.426 | -0.7% |
| USDJPY | 144.86 | -0.6% |
| EURUSD | 1.1240 | 0.7% |
| GBPUSD | 1.3361 | 0.6% |
| USDIDR | 16430 | -0.1% |
| USDSGD | 1.2947 | -0.4% |
| SGDMYR | 3.3162 | 0.3% |
| | Value | chg (bp) |
| 2Y UST | 3.98 | -2.30 |
| 10Y UST | 4.45 | -2.96 |
| 2Y SGS | 2.17 | 0.50 |
| 10Y SGS | 2.58 | 5.50 |
| 3M SORA | 2.31 | -1.00 |
| 3M SOFR | 4.36 | -0.10 |
| | Value | % chg |
| Brent | 65.54 | 0.2% |
| WTI | 62.69 | 0.3% |
| Gold | 3230 | 0.8% |
| Silver | 32.36 | 0.2% |
| Palladium | 976 | 1.2% |
| Copper | 9524 | 0.8% |
| BCOM | 100.83 | -0.1% |

Source: Bloomberg

Commodities: Crude oil benchmarks extended their gains for the second consecutive trading session, with WTI and Brent edging up by 0.3% and 0.2%, respectively, to USD62.7/bbl and USD65.5/bbl. The intraday trading was choppy. Oil prices fell during Asian trading hours due to slowing growth in Chinese activity data for April (i.e., retail sales, industrial production, and fixed asset investment). During Asian trading hours, both WTI and Brent declined by 1.5%, reaching intraday lows of USD61.6/bbl and USD64.4/bbl, respectively. Nevertheless, losses were pared back during the NY session due to uncertainties surrounding negotiations in the US-Iran nuclear talks.

Major Markets

CN: China's economy demonstrated continued resilience in April, underpinned by two key drivers: sustained momentum in high-tech manufacturing and the tangible impact of policy support measures. The value-added output of large-scale high-tech manufacturing enterprises rose by 10% YoY, highlighting the sector's role as a structural growth engine. Policy execution, particularly under the "two priorities and two new" initiatives, gained traction and helped expand market demand, stimulate industrial activity, and support investment.

On the production side, equipment manufacturing led the way, with value-added output increasing by 9.8% YoY in April—contributing 55.9% to overall industrial output growth. Large-scale equipment renewal efforts continued to fuel investment activity. In the first four months of the year, equipment investment surged 18.2% YoY, accounting for 64.5% of total investment growth. On the consumption front, the cumulative effects of consumer goods trade-in initiatives became increasingly evident. Categories such as home appliances, audio-visual equipment, office supplies, furniture, communication devices, and construction materials registered strong growth. Collectively, these eligible product groups contributed 1.4 percentage points to the overall retail sales growth in April. Meanwhile, public investment continued to serve as a key stabilizer. As the pace of local government special bond issuance and deployment accelerated, infrastructure investment rose by 5.8% YoY in the January–April period, outpacing the growth in overall fixed asset investment. This suggests that proactive fiscal policy remains an important lever in maintaining growth momentum amid external uncertainties.

ID: Thailand and Indonesia have elevated their relationship to a strategic partnership, pledging stronger trade, investment, and security cooperation. During President Prabowo's first official visit to Thailand on Monday (19 May), both countries agreed to form a joint trade committee and explore investment deals, including through Indonesia's Danantara wealth fund and energy projects. Other key areas of collaboration include defense, cybercrime, drug trafficking, and new direct flight routes between major cities.

MY: Vehicle sales rose slightly by 1% YoY to 60,527 units in April 2025, but cumulative sales for the first four months fell 5% to 248,730 units reflecting declines in commercial and passenger vehicle segments. Vehicle production remained weak, marking its eighth consecutive monthly YoY drop, with April output down 2% to 56,313 units, with cumulative year-to-April production dropped by 13% YoY to 233,916 unit, as reported by The Edge citing the Malaysian Automotive Association (MAA). Nonetheless, the MAA expects sales to rebound in May, partly supported by festive demand in East Malaysia, more working days, and recent model launches.

PH: The balance of payments (BOP) deficit widened to USD2.6bn in April versus USD2.0bn in March. According to Bangko Sentral ng Pilipinas (BSP), the deficit in April reflected "reflected the national government's (NG) drawdowns on its foreign currency deposits with the BSP to meet its external debt obligations and pay for its various expenditures, and the BSP's net foreign exchange operations." Consequently, the year-to-date BOP deficit widened to USD5.5bn, compared to a surplus of USD0.6bn in 2024. Meanwhile, the final gross international reserves (GIR) level decreased to USD105.3bn (as of end-April) from 106.7bn (as of end-March). The BSP noted that "the latest GIR level provides a robust external liquidity buffer, equivalent to 7.3 months' worth of imports of goods and payments of services and primary income. Additionally, it covers approximately 3.7 times the country's short-term external debt based on residual maturity."

TH: 1Q25 GDP growth slowed modestly to 3.1% YoY from an upwardly revised 3.3% in 4Q24. The details show that private sector demand remained quite subdued. Private sector consumption and investment spending remained weak at 2.6% YoY and -0.9% versus 3.4% and -2.1% in 4Q24. Public sector contribution also narrowed to 1.7pp from 2.4pp in 4Q24, driven mainly by government consumption spending even as public investment growth remained robust albeit slightly slower at 26.3% YoY (4Q24: 39.4%). The contribution of domestic final demand narrowed to 3.0pp from 3.9pp in 4Q24. Corroborating the weaker domestic demand picture, import growth slowed to 2.1% YoY in 1Q25 versus 8.2% in 4Q24. By contrast, export growth picked up to 12.3% YoY versus 11.5% in 4Q24, mainly due to front-loading of goods exports specifically electronics and rubber. Services exports slowed sharply to 7.0% YoY versus 22.9% in 4Q24. The contribution of net exports increased to 7.0pp in 1Q25 versus 2.4pp in 4Q24. Growth momentum in 2Q25 will likely remain supported by the frontloading of exports to the US, but we expect GDP growth will slow sharply to 1.3% in 2H25, and 2.0% YoY in 2025 as reciprocal tariffs hit. Any positive outcomes from negotiations with the US will put upside risks to our forecasts. Nonetheless, we expect Bank of Thailand (BoT) to deliver another 25bp rate cut for the remainder of the year.

VN: The government has launched Resolution No. 139/NQ-CP to boost private sector growth by cutting red tape and streamlining inspections. Specifically, the authorities aim to reduce administrative processing time, compliance costs, and business conditions by at least 30% by end-2025. Ministries must eliminate overlapping regulations and shift from licensing to self-declaration, backed by post-checks. To improve transparency and fairness, businesses will face no more than one inspection per year unless violations occur, with a focus on digital scheduling and risk-based monitoring.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher yesterday with shorter tenors trading 1-4bps higher, belly tenors trading 5-7bps higher and 10Y trading 9bps higher. China Vanke Co Ltd ("VANKE") has repaid RMB14.4bn in publicly-traded bonds since local government intervention in January aimed at stabilizing its operations. According to Bloomberg, its longer-term dollar bonds have risen over 44 cents to above 74 cents on the dollar in four months. We expect a limited impact to credit markets from the US sovereign rating change with implications to be indirect at best. Credit markets will continue to be driven by fundamental influences in our view rather than any direct impact from the sovereign rating action. Indirect influences may rise through FX risks and higher funding costs although we expect such impacts will likely be softened by recent structural developments within regional credit markets. In line with this, Bloomberg Asia USD Investment Grade spreads widened by 1bps to 81bps while Bloomberg Asia USD High Yield spreads tightened by 6bps to 478bps respectively. (Bloomberg, OCBC)

New Issues:

There were two notable issuances in the Asiadollar market yesterday.

- Korea Railroad Corp priced a USD400mn 3Y Fixed bond at T+63bps.
- Golden Energy and Resources Limited (guarantor: Golden Investments Australia Pte Ltd) issued a USD160mn retap of its existing GERSP 8.5% '27s.

There were no notable issuances in the Singdollar market yesterday.

Mandates:

- CDBL Funding 1 (guarantor: CDB Aviation Lease Finance Designated Activity Co., Keepwell: China Development Bank Financial Leasing Co.) may issue USD denominated Senior notes.
- Kubota Credit Corporation, U.S.A. (guarantor: KUBOTA CORPORATION) may issue USD denominated 3Y Senior Unsecured Fixed bonds.

Foreign Exchange

| | Day Close | % Change | | Day Close | % Change |
|---------|-----------|----------|---------|-----------|----------|
| DXY | 100.426 | -0.66% | USD-SGD | 1.2947 | -0.44% |
| USD-JPY | 144.860 | -0.58% | EUR-SGD | 1.4553 | 0.28% |
| EUR-USD | 1.124 | 0.69% | JPY-SGD | 0.8938 | 0.12% |
| AUD-USD | 0.646 | 0.80% | GBP-SGD | 1.7299 | 0.20% |
| GBP-USD | 1.336 | 0.59% | AUD-SGD | 0.8361 | 0.36% |
| USD-MYR | 4.291 | -0.07% | NZD-SGD | 0.7679 | 0.47% |
| USD-CNY | 7.214 | 0.00% | CHF-SGD | 1.5512 | -0.01% |
| USD-IDR | 16430 | -0.06% | SGD-MYR | 3.3162 | 0.28% |
| USD-VND | 25948 | 0.10% | SGD-CNY | 5.5714 | 0.43% |

SOFR

| Tenor | EURIBOR | Change | Tenor | USD SOFR | Change |
|-------|---------|--------|-------|----------|--------|
| 1M | 2.0890 | -1.46% | 1M | 4.3225 | 0.01% |
| 3M | 2.1010 | -1.22% | 2M | 4.3298 | 0.02% |
| 6M | 2.1560 | -0.23% | 3M | 4.3248 | -0.01% |
| 12M | 2.1420 | -0.88% | 6M | 4.2660 | -0.08% |
| | | | 1Y | 4.0675 | 0.02% |

Fed Rate Hike Probability

| Meeting | # of Hikes/Cuts | Implied Rate Change | Expected Effective Fed Funds Rate |
|------------|-----------------|---------------------|-----------------------------------|
| 06/18/2025 | -0.086 | -8.6 | -0.021 |
| 07/30/2025 | -0.354 | -26.9 | -0.089 |
| 09/17/2025 | -0.904 | -54.9 | -0.226 |
| 12/10/2025 | -2.126 | -68.2 | -0.531 |
| | | | 3.8 |

Equity and Commodity

| Index | Value | Net change |
|------------|-----------|------------|
| DJIA | 42,792.07 | 137.33 |
| S&P | 5,963.60 | 5.22 |
| Nasdaq | 19,215.46 | 4.36 |
| Nikkei 225 | 37,498.63 | -255.09 |
| STI | 3,876.20 | -21.67 |
| KLCI | 1,556.14 | -15.61 |
| JCI | 7,141.09 | 34.57 |
| Baltic Dry | 1,388.00 | 83.00 |
| VIX | 18.14 | 0.90 |

Government Bond Yields (%)

| Tenor | SGS (chg) | UST (chg) |
|-------|--------------|--------------|
| 2Y | 2.17 (--) | 3.97(--) |
| 5Y | 2.23 (+0.04) | 4.06 (-0.03) |
| 10Y | 2.58 (+0.05) | 4.45 (-0.03) |
| 15Y | 2.65 (+0.06) | -- |
| 20Y | 2.67 (+0.05) | -- |
| 30Y | 2.68 (+0.05) | 4.9 (-0.04) |

Financial Spread (bps)

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

Secured Overnight Fin. Rate

| | |
|------|------|
| SOFR | 4.30 |
|------|------|

Commodities Futures

| Energy | Futures | % chg | Soft Commodities | Futures | % chg |
|--------------------------|----------|--------|-------------------------|---------|-------|
| WTI (per barrel) | 62.69 | 0.32% | Corn (per bushel) | 4.475 | 0.9% |
| Brent (per barrel) | 65.54 | 0.20% | Soybean (per bushel) | 10.508 | 0.1% |
| Heating Oil (per gallon) | 212.77 | -0.60% | Wheat (per bushel) | 5.290 | 0.8% |
| Gasoline (per gallon) | 213.88 | -0.14% | Crude Palm Oil (MYR/MT) | 45.090 | 0.5% |
| Natural Gas (per MMBtu) | 3.11 | -6.63% | Rubber (JPY/KG) | 309.500 | 2.8% |
| Base Metals | Futures | % chg | Precious Metals | Futures | % chg |
| Copper (per mt) | 9523.50 | 0.80% | Gold (per oz) | 3229.6 | 0.8% |
| Nickel (per mt) | 15562.00 | -0.55% | Silver (per oz) | 32.4 | 0.2% |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

| Date Time | Country | Event | Period | Survey | Actual | Prior | Revised |
|---------------------|---------|---|--------|--------|--------|-----------|---------|
| 5/20/2025 9:00 | CH | 1-Year Loan Prime Rate | 20-May | 3.00% | -- | 3.10% | -- |
| 5/20/2025 9:00 | CH | 5-Year Loan Prime Rate | 20-May | 3.50% | -- | 3.60% | -- |
| 5/20/2025 11:00 | SK | South Korea Household Credit | 1Q | -- | -- | KR1927.3t | -- |
| 5/20/2025 12:00 | MA | Exports YoY | Apr | 7.50% | -- | 6.80% | -- |
| 5/20/2025 12:00 | MA | Imports YoY | Apr | 2.50% | -- | -2.80% | -- |
| 5/20/2025 12:00 | MA | Trade Balance MYR | Apr | 13.70b | -- | 24.72b | -- |
| 5/20/2025 12:30 | AU | RBA Cash Rate Target | 20-May | 3.85% | -- | 4.10% | -- |
| 5/20/2025 12:30 | AU | RBA-Statement on Monetary Policy | | | | | |
| 5/20/2025 16:00 | EC | ECB Current Account SA | Mar | -- | -- | 34.3b | -- |
| 5/20/2025 16:30 | HK | Unemployment Rate SA | Apr | 3.20% | -- | 3.20% | -- |
| 5/20/2025 17:00 | EC | Construction Output MoM | Mar | -- | -- | -0.50% | -- |
| 5/20/2025 17:00 | EC | Construction Output YoY | Mar | -- | -- | 0.20% | -- |
| 5/20/2025 20:30 | US | Philadelphia Fed Non-Manufacturing Activity | May | -- | -- | -42.7 | -- |
| 5/20/2025 22:00 | EC | Consumer Confidence | May P | -16 | -- | -16.7 | -- |
| 5/19/2025-5/20/2025 | CH | FDI YTD YoY CNY | Apr | -- | -- | -10.80% | -- |

Source: Bloomberg



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