

Daily Treasury Outlook

22 May 2025

Highlights

Global: US markets were under pressure overnight with equities (S&P: -1.6%; NADAQ: -1.4%; Dow Jones: -1.9%) and UST yields rising sharply across the curve with the 10-yr closing the session at 4.608% and the 30-yr at 5.1051%; and the curve bear-steepening. The DXY index traded in a relatively range bound manner. Given the relatively light data calendar overnight, the focus was on the ongoing discussions in the White House on the tax bill and UST auctions. On the former, President Trump is still trying to rally the House Republicans to support his “big, beautiful” bill which includes provisions to make permanent the 2017 tax cuts, raise the State and Local Taxes cap to USD30k from USD10k and remove taxes on tips, ahead of the Speaker’s self-imposed 26 May (or Memorial Day) deadline. According to the Congressional Budget Office, the US public debt to GDP ratio is ~100% for FY25. On the latter, the tepid response to the 20-year bond auction caught market attention. The treasury sold USD16bn in 20-year bond a yield of 5.047% and bid-to-cover of 2.46. Bank Indonesia lowered its policy rate at its 21 May meeting by 25bps, in line with our expectations and consensus. BI also eased macroprudential measures by raising the bank foreign funding ratio and lowering the macroprudential liquidity buffer. It cut its 2025 GDP and loan growth forecasts.

Market Watch: This morning, Singapore’s 1Q25 GDP growth was released (more below). The official 2025 GDP forecast range of 0-2% remained unchanged. Over in Japan, the preliminary Jibun Bank PMI composite index eased to 49.8 in May from 51.2 in April, as weakness in the services PMI (50.8, down from 52.4) more than offset the slight improvement in the manufacturing PMI (49.0, up from 48.7). For the day ahead, data releases include Indonesia’s 1Q25 balance of payments data, Malaysia’s April CPI, India’s May preliminary HSBC PMI ahead of the RBI’s dividend announcement tomorrow, Germany’s May Ifo, preliminary May Eurozone PMI, US April existing home sales, and weekly labor market data.

Commodities: Crude oil benchmarks extended their losses for the second consecutive trading session, with WTI and Brent declining by 1.6% and 0.7%, respectively, to USD61.6/bbl and USD64.9/bbl. The decline was driven by reports that the US and Iran would hold a new round of discussion regarding a nuclear deal. Further exerting downward pressure on prices, the Energy Information Administration (EIA) reported a larger-than-expected increase in US crude and fuel inventories, which rose by 1.3mn bbls (consensus: -0.7mn bbls) to 443.2mn bbls, for the week ending 16 May. Similarly, gasoline and distillate inventories rose by 0.8mn bbls (consensus: -1.1mn bbls) and 0.6mn bbls (consensus: -1.7mn bbls), respectively, reaching 225.5mn bbls and 104.1mn bbls.

Key Market Movements

Equity	Value	% chg
S&P 500	5844.6	-1.6%
DJIA	41860	-1.9%
Nikkei 225	37299	-0.6%
SH Comp	3387.6	0.2%
STI	3882.6	0.0%
Hang Seng	23828	0.6%
KLCI	1544.8	-0.3%
	Value	% chg
DXY	99.559	-0.6%
USDJPY	143.68	-0.6%
EURUSD	1.1331	0.4%
GBPUSD	1.3420	0.2%
USDIDR	16395	-0.1%
USDSGD	1.2889	-0.5%
SGDMYR	3.3093	-0.2%
	Value	chg (bp)
2Y UST	4.02	4.90
10Y UST	4.60	11.16
2Y SGS	2.08	-2.60
10Y SGS	2.52	0.91
3M SORA	2.30	-0.38
3M SOFR	4.35	-0.09
	Value	% chg
Brent	64.91	-0.7%
WTI	61.57	-0.7%
Gold	3315	0.8%
Silver	33.39	0.9%
Palladium	1029	1.0%
Copper	9534	0.1%
BCOM	102.56	0.4%

Source: Bloomberg

Major Markets

SG: PM Lawrence Wong announced his Cabinet lineup on 21 May. In the latest Cabinet reshuffle, PM Lawrence Wong will remain as the Finance Minister. Similarly, DPM Gan Kim Yong will retain his portfolios as the Deputy Prime Minister and the Minister for Trade and Industry. A second DPM was not announced to replace outgoing DPM Heng Swee Keat. In addition, Home Affairs Minister K Shanmugam, Defence Minister Chan Chun Sing, and Health Minister Ong Ye Kung will also take up new roles as the Coordinating Minister for National Security, Public Services and Social Policies, respectively. Meanwhile, the 1Q25 GDP rose more-than-expected to 3.9% YoY (Consensus and OCBC: 3.6%) in 1Q25 versus advance estimates of 3.8%. By sector, the construction sector grew at a faster 5.5% YoY versus advance estimates of 4.6% growth. Similarly, the services sector grew 3.6% YoY versus advance estimates of 3.4% growth. In contrast, the manufacturing sector grew 4.0% versus 5.0% in its advance estimates. Our 2025 growth forecast remains at 1.6% YoY. Meanwhile, Enterprise Singapore (ESG) has maintained its full-year NODX forecast for 2025 at 1-3% (OCBC: -1% to +1%) in its 1Q25 trade review. ESG highlighted that the lower bound of the forecast has built in "a weaker 2H25 outlook amidst an evolving tariff situation. Notwithstanding the recent US-China trade tension de-escalation, downside risks could intensify following the expiration of the 90-day reciprocal tariff reprieve."

ID: Bank Indonesia (BI) lowered its benchmark rate by 25bp to 5.50% on Wednesday (21 May), in line with expectations (Consensus & OCBC: 5.50%). The confirmation of slowing growth momentum underscored in the 1Q25 GDP print (4.9% YoY versus 5.0% in 4Q24) and the recent appreciation of IDR versus USD (~2.6% since BI's 23 April meeting) provided BI with room to lower its policy rate. BI also eased macroprudential tools, raising the foreign funding ratio to 35% from 30%, and lowering the liquidity buffer to 4%, effective 1 June. BI downgraded its 2025 GDP forecast to 4.6–5.4% from 4.7%–5.5% and loan growth to 8–11% from 11–13% previously, highlighting slower domestic demand. We see the bias for monetary policy as focussed on growth risks. With GDP growth likely to slow to 4.7% YoY in 2025 by our forecasts, we see room for BI to deliver on additional rate cuts. Our baseline is for an additional 25bp rate cut for the remainder of the year. We expect BI will remain opportunistic and cut by more if rupiah stability can be upheld for longer periods of time.

MY: Investment Minister Tengku Zafrul announced that MITI will unveil targeted incentives in July to support the semiconductor industry, marking one year of the National Semiconductor Strategy. Speaking at Semicon SEA 2025, he highlighted the sector's critical role, contributing USD130bn to exports and 13% of global back-end output. Malaysia remains committed to global cooperation while diversifying markets, with 17 FTAs ratified and talks ongoing with the EU, China, India, and South Korea. The country is also progressing on the Digital Economic Framework Agreement to boost trade and tech integration.

TH: The Bank of Thailand (BoT) has revised its forecast for foreign arrivals downward to 37.5mn in 2025 (previous: 39.5mn). This downward revision was mainly attributed to projections of lower Chinese tourist arrivals. The BoT also highlighted that economic uncertainties, including US tariff policies and a global economic slowdown, could further weaken the tourism sector and its contribution to Thailand's GDP.

VN: A delegation led by Trade Minister Nguyen Hong Dien met with major US companies, including Excelerate Energy, Lockheed Martin, SpaceX, and Google, to encourage increased investment in Vietnam, as reported by Bloomberg. Excelerate Energy proposed a joint venture for LNG infrastructure, while Lockheed Martin expressed interest in aerospace collaboration as Vietnam plans to launch a satellite by 2026. SpaceX aims to invest USD1.5bn in building ground stations for internet access, and Google was approached for support in logistics and supply chain diversification, with Minister Dien emphasizing the need for Vietnam to be prioritized as a US trade partner.

Credit Market Updates

Market Commentary: The SGD SORA OIS curve traded higher yesterday with shorter tenors trading 1-2bps higher, belly tenors trading 2-3bps higher and 10Y trading 4bps higher. Per Bloomberg, New World Development Co. Ltd. ("New World") aims to refinance HKD87.5bn in loans by the end of June to enhance liquidity. With the covenant waiver on its current loans expiring next month, failure to secure refinancing could lead some banks to demand immediate repayment. Additionally, the company has bond coupon payments of at least USD116.6mn due in June and is looking to raise up to HKD15.6bn in a new loan, using Victoria Dockside as collateral. Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 79bps while Bloomberg Asia USD High Yield spreads tightened by 4bps to 475bps respectively. (Bloomberg, OCBC).

New Issues:

There were three notable issuances from two issuers in the Asiadollar market yesterday.

- China Construction Bank Corporation of Hong Kong issued USD1.5bn of debt in two tranches: a USD1bn 3Y FRN at SOFR+52bps and a USD500mn 5Y FRN at SOFR+60bps.
- Asian Development Bank priced a USD4bn 5Y Fixed bond at SOFR+MS42bps.

There was one notable issuance in the Singdollar market yesterday.

- Cagamas Global P.L.C. (guarantor: Cagamas Bhd) priced a SGD193mn 1Y Fixed bond at 2.42%.

Mandates:

There were no notable mandates yesterday.

Foreign Exchange

	Day Close	% Change		Day Close	% Change
DXY	99.559	-0.56%	USD-SGD	1.2889	-0.49%
USD-JPY	143.680	-0.57%	EUR-SGD	1.4606	-0.06%
EUR-USD	1.133	0.43%	JPY-SGD	0.8971	0.09%
AUD-USD	0.644	0.19%	GBP-SGD	1.7296	-0.28%
GBP-USD	1.342	0.20%	AUD-SGD	0.8296	-0.30%
USD-MYR	4.271	-0.62%	NZD-SGD	0.7655	-0.25%
USD-CNY	7.202	-0.21%	CHF-SGD	1.5622	-0.08%
USD-IDR	16395	-0.12%	SGD-MYR	3.3093	-0.24%
USD-VND	25966	0.02%	SGD-CNY	5.5874	0.24%

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR	Change
1M	2.0640	-1.76%	1M	4.3224	0.03%
3M	2.0600	-0.72%	2M	4.3346	0.08%
6M	2.1210	0.05%	3M	4.3276	0.00%
12M	2.0950	0.05%	6M	4.2674	-0.15%
			1Y	4.0686	-0.27%

Fed Rate Hike Probability

Fed Rate Hike Probability				Expected Effective Fed Funds Rate
Meeting	# of Hikes/Cuts	Implied Rate Change		
06/18/2025	-0.036	-3.6	-0.009	4.317
07/30/2025	-0.294	-25.8	-0.074	4.253
09/17/2025	-0.816	-52.1	-0.204	4.122
12/10/2025	-2.03	-65.5	-0.507	3.819

Equity and Commodity

Index	Value	Net change
DJIA	41,860.44	-816.80
S&P	5,844.61	-95.85
Nasdaq	18,872.64	-270.07
Nikkei 225	37,298.98	-230.51
STI	3,882.55	0.05
KLCI	1,544.80	-4.07
JCI	7,142.46	47.86
Baltic Dry	1,337.00	-3.00
VIX	20.87	2.78

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	2.08 (-0.03)	4.01(--)
5Y	2.16 (--)	4.16 (+0.09)
10Y	2.52 (+0.01)	4.6 (+0.11)
15Y	2.59 (+0.02)	--
20Y	2.62 (+0.02)	--
30Y	2.64 (+0.01)	5.09 (+0.12)

Financial Spread (bps)

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

Secured Overnight Fin. Rate

SOFR	4.27
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	61.57	-1.58%	Corn (per bushel)	4.610	1.4%
Brent (per barrel)	64.91	-0.72%	Soybean (per bushel)	10.628	0.9%
Heating Oil (per gallon)	213.91	0.48%	Wheat (per bushel)	5.493	0.6%
Gasoline (per gallon)	214.98	-0.11%	Crude Palm Oil (MYR/MT)	45.090	0.5%
Natural Gas (per MMBtu)	3.37	-1.72%	Rubber (JPY/KG)	309.500	2.8%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	9533.50	0.15%	Gold (per oz)	3315.0	0.8%
Nickel (per mt)	15602.00	0.54%	Silver (per oz)	33.4	0.9%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Economic Calendar

Date Time	Country	Event	Period	Survey	Actual	Prior	Revised
5/22/2025 7:50	JN	Core Machine Orders MoM	Mar	-1.60%	13.00%	4.30%	--
5/22/2025 8:00	SI	GDP YoY	1Q F	3.60%	3.90%	3.80%	--
5/22/2025 8:30	JN	Jibun Bank Japan PMI Mfg	May P	--	49	48.7	--
5/22/2025 12:00	MA	CPI YoY	Apr	1.40%	--	1.40%	--
5/22/2025 13:00	IN	HSBC India PMI Mfg	May P	--	--	58.2	--
5/22/2025 15:15	FR	HCOB France Manufacturing PMI	May P	48.9	--	48.7	--
5/22/2025 15:15	FR	HCOB France Services PMI	May P	47.7	--	47.3	--
5/22/2025 15:15	FR	HCOB France Composite PMI	May P	48.1	--	47.8	--
5/22/2025 15:30	GE	HCOB Germany Manufacturing PMI	May P	48.8	--	48.4	--
5/22/2025 15:30	GE	HCOB Germany Services PMI	May P	49.5	--	49	--
5/22/2025 16:00	GE	IFO Business Climate	May	87.3	--	86.9	--
5/22/2025 16:00	EC	HCOB Eurozone Manufacturing PMI	May P	49.2	--	49	--
5/22/2025 16:00	GE	IFO Expectations	May	88	--	87.4	--
5/22/2025 16:30	UK	S&P Global UK Manufacturing PMI	May P	46.1	--	45.4	--
5/22/2025 16:30	UK	S&P Global UK Services PMI	May P	50	--	49	--
5/22/2025 16:30	HK	CPI Composite YoY	Apr	1.60%	--	1.40%	--

Source: Bloomberg



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