Daily Treasury Outlook

Highlights

Global: US equities ended lower overnight to start the week, with the S&P 500 falling 0.3%, the Dow Jones declining 0.7%, and the Nasdaq edging 0.1% lower, as a renewed escalation in the Middle East pushed oil prices higher, adding to inflation concerns. On the geopolitical front, US-Iran hostilities reignited after a month-long lull, with US strikes on Iranian missile launches on Larak Island in the Strait of Hormuz, which Washington claimed were preparing to deploy sea mines. This prompted Iran to retaliate with missiles targeting two US air bases in Jordan. Oil prices jumped on the renewed hostilities, with Brent rising 2.7% to USD 90.49/bbl and WTI gaining 2.8% to USD 85.75/bbl, as markets priced in greater risks to supply through the Strait of Hormuz. On the data front, India's economy grew 7.8% YoY for 2Q26, comfortably beating market expectations of 7.1%, and the RBI's 7.0% forecast, although growth moderated from a revised 8.6% in the previous quarter. The strength was relatively broad based, with private consumption growing by 7.1%, while investment growth accelerated sharply to nearly 12% from 5.8% a year earlier. On the production side, manufacturing expanded 9.2%, while financial, real estate and professional services grew 12.1%. China's official manufacturing PMI improved to 49.8 in August from 49.2 in July, slightly above market expectations of 49.6, although it remains below the 50 threshold that signifies expansion. Production and new orders improved, with high tech and equipment manufacturing continuing to perform. However, the non-manufacturing PMI held steady at 49.0, highlighting continued weakness in services and domestic demand. Japan's retail sales rose 4.0% YoY in July, accelerating from a revised 0.6% increase in June and beating market expectations of 3.0%. On a monthly basis, sales rebounded 2.4% in July, reversing much of the 3.9% decline recorded in June. The improvement was led by strong motor vehicle sales, while machinery, general merchandise and food and beverage sales also recovered.

Market Watch: Today's data calendar is relatively busy. In the US, we have the ISM manufacturing PMI and JOLTs job openings reports, while Fed Governor Barr is also scheduled to speak. In Europe, the focus will be on Eurozone inflation and unemployment data. Coming back to ASEAN, Indonesia's CPI release will be the key data point to watch.

Major Markets

HK: The growth in retail sales moderated further in July, to 4.5% YoY in value terms, while staying flat at 2.3% YoY in volume terms. During the month, Hong Kong recorded 790.3mm of rainfall, making July one of the wettest months on record and likely dampening foot traffic and discretionary spending activities. On a sequential basis, retail sales declined by 1.5% MoM and 0.9% MoM respectively in value terms and volume terms in July, partly reflecting the seasonality. We expect consumption sentiment to remain lukewarm in months ahead, barring sustained increase in interest rates and increasing slack in the labour market.

Key Market Movements

Equity	Value	% chg
S&P 500	7686.1	-0.3%
DJIA	53186	-0.7%
Nikkei 225	66312	-0.1%
SH Comp	3986.3	0.9%
STI	5755.4	1.0%
Hang Seng	25567	-0.1%
KLCI	1725.9	0.0%
	Value	**% chg**
DXY	99.428	-0.3%
USDJPY	159.74	-0.2%
EURUSD	1.1618	0.3%
GBPUSD	1.3549	0.1%
USDIDR	17720	0.2%
USDSGD	1.2709	-0.3%
SGDMYR	3.1637	-0.1%
	Value	**chg (bp)**
2Y UST	4.34	-0.19
10Y UST	4.75	3.20
2Y SGS	1.70	2.70
10Y SGS	2.35	1.60
3M SORA	1.18	1.77
3M SOFR	3.64	0.04
	Value	**% chg**
Brent	90.49	1.3%
WTI	85.76	2.8%
Gold	4437	-0.4%
Silver	66.58	0.3%
Palladium	1365	-4.2%
Copper	14294	0.0%
BCOM	141.37	0.8%

Source: Bloomberg

ID: The Industry Ministry has set eight priority programmes for 2027 aimed at strengthening manufacturing productivity, competitiveness and industrial transformation. The priorities cover workforce development, strengthening small and medium industries within supply chains, downstream processing, innovation and technology, greater use of domestically made products, halal and green industries, industrial services exports and industrial-estate development. The ministry's 2027 budget is set at IDR2.01trn, down 19.5% from its initial 2026 allocation, while the ministry has proposed an additional IDR1.72trn to support priority industrial programmes, as reported by Antara.

MY: Prime Minister Anwar Ibrahim announced six measures to address cost-of-living pressures and support households and small businesses. The monthly subsidised RON95 quota under Budi95 will be restored to 300 litres from 200 litres for more than 16mn users, while eligible owners of diesel-powered pickup trucks and four-wheel-drive vehicles will receive up to 400 litres per month. The government will also raise school maintenance funding by 50% to MYR1.5bn in 2027 and provide MYR1bn to strengthen digital systems and connectivity across public hospitals and clinics. Separately, the annual e-invoice exemption threshold will rise to MYR3mn from MYR1mn, while microfinancing funding for 2026 will increase by MYR1bn to MYR6bn. A further MYR200mn grant will support hawkers, small traders and home-based businesses, as reported by Bernama.

PH: According to Bangko Sentral ng Pilipinas (BSP), headline inflation for August is expected to settle "within the range of 5.5-6.5%". BSP highlighted that upside price pressures could stem from elevated domestic petroleum pump prices and higher prices in key food commodities, including rice, vegetables, fruits and fish. These pressures are expected to be mitigated by lower prices of meat, lower utility prices, and the appreciation of the Philippine peso. The BSP also stated that it will "remain vigilant and guided by incoming data, particularly on inflation and growth prospects. It will continue to assess the impact of latest developments in the Middle East and recent weather disturbances on the country's inflation and economic outlook."

Sustainability

Rest of the world: Japan plans to support the construction of pipelines that bypass the Strait of Hormuz, as part of a new energy strategy to strengthen energy supply security. Other measures include diversifying oil procurement sources and providing support with shipping costs. The Middle East conflict and disruptions through the Strait of Hormuz exposed vulnerabilities in oil and gas supply chains, highlighting Japan's high reliance on the Middle East for its fuel imports. The measures reflect efforts to diversify energy supply routes and strengthen resilience against geopolitical disruptions.

Credit Market Updates

Market Commentary:

- The SGD SORA OIS curve traded higher yesterday with the shorter tenors trading flat to 3-4bps higher, belly tenors trading 2-3bps higher, and the 10Y tenor trading 2bps higher.

- US Investment Grade traded flat at 78bps, and US High Yield spreads widened by 1bps to 261bps respectively. Bloomberg Global Contingent Capital spreads traded flat at 201bps.
- Bloomberg Asia USD Investment Grade spreads traded flat at 55bps, and the Asia USD High Yield spreads widened by 5bps to 321bps. (Bloomberg, OCBC)

New Issues:

- There were SGD600mn of issuances in the Singdollar market yesterday, where Royal Bank of Canada issued a SGD600mn 3Y bond at 2.172%.
- The total issuances in the APAC and DM IG markets were USD500mn and zero yesterday (prior day: both zero). APAC issuance was led by ICICI Bank Ltd., who priced a USD500mn 3Y bond at 5.308%.

Credit Developments:

- China's four largest banks (AGRBK, BCHINA, CCB, ICBCAS) reported resilient 1H2026 results, with 4.5%–5.8% earnings growth, improved cost efficiency and stable asset quality despite higher impairments; CET1 ratios declined on strong risk-weighted asset growth but remained above regulatory requirements, while policy-directed lending and domestic credit risks remain key considerations.

Equity Market Updates

US: US stocks fell Monday, as escalating US-Iran tensions drove oil prices sharply higher, reviving inflation fears and reinforcing bets on a Federal Reserve rate hike. The S&P 500 declined 0.3%, the Dow shed 0.7%, and the Nasdaq edged down 0.1%. Renewed military exchanges around the Strait of Hormuz pushed crude near USD86 a barrel, lifting energy stocks whilst weighing on rate-sensitive sectors, with utilities and real estate bearing the brunt of the selling and nearly 75% of S&P 500 members closing in the red. Among megacaps, Alphabet fell 2.4%, Amazon dropped 2.1%, and Apple lost 1.7%, whilst Tesla surged 5.2% ahead of its scheduled Cybercab robotaxi launch event in Austin. The 10-year Treasury yield topped 4.75% intraday, its highest since January 2025, before closing at 4.75%, as the long end of the curve bear-steepened, partially reversing Friday's aggressive flattening, with the 2-year holding near 4.34% and the 30-year rising to 5.24%. Fed Chair Warsh, speaking at the G20 in Asheville, reiterated that US growth "appears to have strengthened," keeping rate-hike bets above 60% for September. Dallas Fed manufacturing surged to 11.6 in August, well above the 1.6 consensus estimate. On the regional front, Singapore's MAS committed SGD220m over three years to a new fintech innovation programme, and China's August manufacturing PMI came in at 49.8, beating the 49.5 estimate but remaining in contraction for a second consecutive month.

Foreign Exchange

	Day Close	% Change		Day Close
DXY	99.428	-0.27%	**USD-SGD**	1.2709
USD-JPY	159.74	-0.22%	**EUR-SGD**	1.4758
EUR-USD	1.162	0.28%	**JPY-SGD**	0.7957
AUD-USD	0.717	0.04%	**GBP-SGD**	1.7221
GBP-USD	1.355	0.08%	**AUD-SGD**	0.9110
USD-MYR	4.025	-0.21%	**NZD-SGD**	0.7520
USD-CNY	6.720	-0.15%	**CHF-SGD**	1.5722
USD-IDR	17720	0.16%	**SGD-MYR**	3.1637
USD-VND	26075	-0.01%	**SGD-CNY**	5.2868

Equity and Commodity

Index	Value	Net change
DJIA	53,185.90	-374.09
S&P	7,686.14	-25.62
Nasdaq	26,370.89	-31.53
Nikkei 225	66,311.93	-93.63
STI	5,755.36	55.43
KLCI	1,725.88	-15.84
JCI	6,525.48	7.36
Baltic Dry	3,186.00	79.00
VIX	14.92	0.49

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR
1M	2.2910	0.35%	**1M**	3.7370
3M	2.5730	0.63%	**2M**	3.7883
6M	2.7620	0.58%	**3M**	3.8299
12M	2.9810	0.85%	**6M**	3.9669
			1Y	4.1531

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.7 (+0.03)	4.34(--)
5Y	2 (+0.03)	4.5 (+0.02)
10Y	2.35 (+0.02)	4.76 (+0.03)
15Y	2.4 (+0.02)	--
20Y	2.39 (+0.02)	--
30Y	2.45 (+0.01)	5.26 (+0.04)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
09/16/2026	0.399	39.900	0.100	3.731
10/28/2026	0.645	24.600	0.161	3.793
12/09/2026	1.039	39.400	0.260	3.891

Secured Overnight Fin. Rate

SOFR	3.65

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	85.76	2.8%	Corn (per bushel)	5.150	0.6%
Brent (per barrel)	90.49	1.3%	Soybean (per bushel)	12.753	-0.1%
Heating Oil (per gallon)	449.53	3.2%	Wheat (per bushel)	7.565	-1.4%
Gasoline (per gallon)	343.70	-1.5%	Crude Palm Oil (MYR/MT)	46.280	0.8%
Natural Gas (per MMBtu)	2.94	1.6%	Rubber (JPY/KG)	4.624	1.2%
Base Metals	**Futures**	**% chg**	**Precious Metals**	**Futures**	**% chg**
Copper (per mt)	14294	0.1%	Gold (per oz)	4437	-0.4%
Nickel (per mt)	16861	-0.1%	Silver (per oz)	66.58	0.3%

Source: Bloomberg, Reuters

Economic Calenda

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
9/01/2026 7:50	JN	Capital Spending YoY	2Q	-0.30%	1.60%	0.00%	--
9/01/2026 8:00	SK	Exports YoY	Aug	63.00%	68.70%	62.80%	63.00%
9/01/2026 8:30	ID	S&P Global Indonesia PMI Mfg	Aug	--	--	50.2	--
9/01/2026 8:30	JN	S&P Global Japan PMI Mfg	Aug F	--	--	55.1	--
9/01/2026 8:30	SK	S&P Global South Korea PMI Mfg	Aug	--	--	53.1	--
9/01/2026 8:30	TA	S&P Global Taiwan PMI Mfg	Aug	--	--	55.1	--
9/01/2026 9:30	AU	Building Approvals MoM	Jul	-5.00%	--	7.20%	--
9/01/2026 9:45	CH	RatingDog China PMI Mfg	Aug	51	--	50.9	--
9/01/2026 12:00	ID	CPI YoY	Aug	3.12%	--	2.88%	--
9/01/2026 13:00	IN	HSBC India PMI Mfg	Aug F	--	--	52.9	--
9/01/2026 14:00	UK	Nationwide House PX MoM	Aug	0.10%	--	0.10%	--
9/01/2026 14:00	UK	Nationwide House Px NSA YoY	Aug	2.10%	--	1.80%	--
9/01/2026 16:00	EC	S&P Global Eurozone Manufacturing PMI	Aug F	52.8	--	52.8	--
9/01/2026 16:30	UK	Mortgage Approvals	Jul	59.4k	--	58.2k	--

Source: Bloomberg

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