Daily Treasury Outlook

Highlights

Global: This week kicked off with headlines on setback of the US-Iran ceasefire deal. Iran reportedly halted exchange of message with US, in protest of Israel's intensified attacks on Lebanon. Brent jumped to intraday high of around US$ 98/bbl, while dollar rose in lockstep. Both later pared back part of gains as President Trump said talks were on track, and Hezbollah and Israel had agreed to stop their attacks. On a more positive note, Iran president noted that the country will ensure "greater ease" of passage for Japanese ships through the Strait of Hormuz, after call with the Japanese PM Takaichi.

In early US session, bonds and equities saw some selling pressure. The S&P 500 ended the day higher, led by tech, for the eighth straight session. UST bearish flattened, as ISM data showed manufacturing activity expanded the most in four years. Fed's Kashkari noted that it may be "premature" to conclude that rate hikes are necessary and added that "we need to keep watching the data and watching how the conflict in the Middle East unfolds before I want to make any adjustments." ECB's Schnabel noted that he can no longer look through the energy shock, and "the risk of de-anchoring inflation expectations is rising."

On data front, US' May ISM manufacturing PMI beat estimate at 54 (vs consensus at 85.0), the strongest in four years, amid data centre related demand. The new order sub-index also climbed to 56.8 (vs consensus at 54.5), close to the highest level since 2022. The prices paid sub-index unexpectedly dipped to 82.1 (vs consensus at 85.0) but remained elevated.

Eurozone's unemployment rate was flat at 6.3% in April, after 0.1 percentage point upward revision in March. Meanwhile, 1-year and 3-year consumer inflation expectations were little changed at 4.0% and 2.9% respectively. Australia's Melbourne Institute inflation index fell 0.3% MoM in May amid a notable decline in petrol prices during the month but rose 4.4% YoY. Japan's capital spending printed well below forecast, staying flat on year-on-year term (vs. consensus at 4.0% YoY) while capex excluding software unexpectedly fell, by 1.4% YoY (vs. consensus at 5.4% YoY). Companies' profit rose by 14.6% YoY (vs. consensus at 5.3% YoY).

Market Watch: This week, market focus will remain on progress in US-Iran peace talks, as well as Fed speaks and RBI's decision. The market will watch if Fed speak drums up the hawkish rhetorics, after several FOMC members had expressed concerns over inflation outlook. On the data front, US' nonfarm payroll in May will be the key theme. After two back-to-back surprisingly strong reports, market now expects labour market to remain stable with projected payroll at 93k and unemployment rate at 4.3% in May. Meanwhile, US' May ISM services PMI, April factory order, other second-tier job data (i.e. Jolts and ADP report), and Fed's Beige Book will be watched closely. In Canada, May labour market data is due on Friday. In Europe, attention will turn to Eurozone-wide May inflation data on Tuesday, PPI data on Wednesday, followed by retail sales data on Thursday. In

Key Market Movements

Equity	Value	% chg
S&P 500	7600.0	0.3%
DJIA	51079	0.1%
Nikkei 225	66934	0.9%
SH Comp	4057.7	-0.3%
STI	5037.9	0.0%
Hang Seng	25398	0.9%
KLCI	1683.1	0.0%

	Value	% chg
DXY	99.201	0.3%
USDJPY	159.66	0.2%
EURUSD	1.1631	-0.2%
GBPUSD	1.3454	0.0%
USDIDR	17874	0.0%
USDSGD	1.2788	0.2%
SGDMYR	3.1036	0.0%

	Value	chg (bp)
2Y UST	4.03	2.87
10Y UST	4.45	1.77
2Y SGS	1.52	0.00
10Y SGS	2.03	0.00
3M SORA	1.06	0.00
3M SOFR	3.64	-0.20

	Value	% chg
Brent	94.98	4.2%
WTI	92.16	5.5%
Gold	4485	-1.2%
Silver	74.84	-0.6%
Palladium	1362	0.1%
Copper	13832	1.4%
BCOM	136.68	1.2%

Source: Bloomberg

Asia-Pacific, Australia's 1Q GDP and April trade data will be released on Wednesday and Thursday. Lastly, we see the RBI decision on Friday as a close call and while consensus is looking for no change, we believe the baseline has tilted towards a 25bp hike.

Major Markets

CH: The manufacturing PMI edged down by 0.3ppt to 50.0 in May, broadly in line with seasonal patterns. Among the major sub-indices, the production index slipped 0.3ppt to 51.2 but remained in expansion territory, indicating continued resilience in industrial activity. Meanwhile, the new orders index declined by 0.7ppt to 49.9, with the new export orders index falling more sharply by 1.7ppt to 48.6, pointing to a moderation in external demand.

The deterioration in demand was also reflected in inventory and procurement indicators. The raw material inventory index and purchasing volume index fell by 0.7ppt and 1.3ppt to 48.6 and 49.8, respectively, suggesting that firms remained cautious toward replenishment amid a less supportive demand environment. Sectoral divergence remained evident. New export orders indices for equipment manufacturing and high-tech manufacturing stayed above 51, likely benefiting from sustained overseas demand linked to the global energy transition and AI-related investment. In contrast, the new export orders index for consumer goods manufacturing plunged by 4.8ppt from the previous month, further reinforcing the K-shaped nature of the global economy, where investment-driven sectors continue to outperform consumption-related industries.

Higher energy costs also weighed on business activity. The PMI for high energy-consuming industries fell by 0.8ppt to 47.1. Within this category, petroleum processing, rubber, and plastics remained below the 50 threshold, suggesting that the supply shock stemming from elevated oil prices continues to filter through the industrial sector. On the non-manufacturing side, both construction and services activity improved in May, pointing to a modest stabilization in domestic demand. The construction PMI rose by 0.8ppt to 48.8, outperforming historical seasonal trends and indicating that policy support is beginning to gain traction.

Looking ahead, ongoing policy support for urban renewal projects and the development of the "Six Networks" infrastructure initiative should continue to underpin activity in domestic demand-related sectors. Nevertheless, escalating geopolitical tensions are likely to keep oil prices elevated for an extended period. At the same time, downstream and midstream segments of the petrochemical value chain are facing rising rigid cost pressures, while inventory drawdowns have proceeded at a faster-than-seasonal pace. As a result, business sentiment across petrochemical-related industries is likely to remain under pressure in the coming months, even as broader domestic demand gradually stabilizes.

ID: Coordinating Economic Minister Airlangga Hartarto said coal, palm oil and ferro alloy exporters must start submitting export documents to PT Danantara Sumberdaya Indonesia from 1 June, as Indonesia moves to centralise key commodity exports. The Danantara unit is expected to take over specific export activities as early as September or by 1 Jan at the latest, although limited details have raised regulatory uncertainty for natural resource producers. Separately, Finance Minister Purbaya Yudhi Sadewa said exporters complying with DHE SDA placement rules will receive lower income tax rates, including 0% tax on DHE SDA instruments, compared with up to 20% on regular investment instruments. Non-oil and gas natural resource exporters must place 100% of proceeds domestically for at least 12 months, while oil and gas exporters must place at least 30% for at least three months.

MY: Politics is in the limelight following the dissolution of Johor's assembly on 1 June. The election must be held by on or before 60 days from dissolution and will be a litmus test for PM Anwar's Pakatan Harapan (PH) coalition. UMNO's incumbent CM Onn Hafiz Ghazi had previously said BN will contest all 56 seats without PH. State elections are also due in Melaka and Sarawak in the next 12 months, with the spectre of snap national elections rising. Election outcomes tend to test the resolve for reforms.

PH: According to the Bangko Sentral ng Pilipinas (BSP), headline inflation for May is expected to settle "within the range of 7.1-7.9%". The BSP highlighted that higher price of major food items such as rice, vegetables, and meat, along with the depreciation of the peso, have contributed to upward price pressure. Meanwhile, the recent rollbacks in domestic fuel prices, lower fish prices, and slightly reduced electricity rates have provided some partial offset to these inflationary pressures.

TH: According to Finance Minister Ekniti Nitithanprapas, the "Thais Help Thais Plus" co-payment scheme launched smoothly on Monday, receiving positive responses from both consumers and merchants. Under the scheme, the state covers 60% of each purchase, subject to a limit of THB200 per person per day and THB1,000 per month for four months, helping households reduce daily expenses amid rising living costs from the Middle East conflict. The scheme applies to consumer goods and transport tickets, with ~26mn consumers and ~1mn merchants registered to participate. A distinctive feature of the scheme is the integrated AI agent "Nok Krasip" (Whispering Bird), which assists participating vendors in analysing daily sales, evaluating product popularity, recommending optimal pricing and timing, and calculating costs. The resulting data can help vendors build financial records that support bank loan applications. The Fiscal Policy Office reported that by 3pm on launch day, 3.8mn buyers had spent nearly THB798mn, of which the government subsidised about THB464mn.

ESG

MY: Malaysia and the Maldives are strengthening cooperation in addressing shared global challenges, particularly climate change and rising sea levels that threaten the fisheries and agriculture sectors. Both counties agreed on the urgency to develop climate-resilient infrastructure and strengthen coral reef conservation efforts amid rising ocean temperatures. Malaysia has invited the Maldives delegation to participate in the International Greentech and Eco Products Exhibition and Conference Malaysia (IGEM) this October, to support technology sharing and green solutions, with interest in the Maldives' exploration of ocean thermal energy as an alternative to solar power limitations as well as sustainable fishing practices.

Credit Market Updates

Market Commentary:

- The SGD SORA OIS curve traded lower on Friday with shorter tenors trading 1-3bps lower while belly tenors traded 4-5bps lower and 10Y traded 5bps lower.
- US Investment Grade spreads traded flat since Thursday and remain at 72bps while US High Yield spreads tightened 1bps to 259bps over the same period. Bloomberg Global Contingent Capital Index ended last week at 226bps.
- Bloomberg Asia USD Investment Grade traded flat to end last week at 52bps while Asia USD High Yield spreads similarly traded flat to end last week at 373bps. (Bloomberg, OCBC)

New Issues:

- There were no notable issuances in the Singdollar market last Friday.
- The total issuance volumes for APAC and DM IG markets yesterday were USD1.45bn and USD14.52bn respectively (prior day: USD3.13mn and USD5.54bn respectively). The highest issuance in DM IG market came from electricity transmission and distribution company Chpe LLC which priced USD4.0bn of debt in four tranches, while the highest issuance in APAC market came from Macquarie Bank Ltd which priced USD1.25bn of 11NC10 Tier 2 notes. (Bloomberg, OCBC)

Recent Coverage Developments:

- CapitaLand Ascott Trust is divesting Robertson House by The Crest Collection in Singapore for SGD360mn (4% premium to the book value as at end-2025) to an unnamed third party. ARTSP expects to complete the transaction in 3Q2026, which enhances ARTSP's financial flexibility. Separately, ARTSP's redevelopment of Somerset Clarke Quay in Singapore is on track to complete by end-2026 and expected to begin contributing income progressively from early-2027.
- Keppel Ltd announced that commercial operations at the Keppel Sakra Cogen Plant has commenced. This is a 600MW combined cycle gas turbine facility which increases KEPSP's power capacity by ~45%. The power plant is 70% owned by Keppel Asia Infrastructure Fund, KEPSP's flagship unlisted infrastructure fund and 30% owned by KEPSP. In our view, this is also an asset that may form pipeline assets for its other sponsored funds, such as Keppel Infrastructure Trust
- Toronto-Dominion Bank delivered a strong set of 2QFY2026 results; adjusted earnings are up 15% y/y, provision for credit losses ("PCL") are down and capital profile remains strong despite buybacks. The US anti money laundering ("AML") remediation remains the lingering uncertainty around the US restructuring program.
- Royal Bank of Canada registered net income of CAD5.5bn (+25% y/y) with all five business segments delivering strong performance and ROE of 17.4%. Credit losses moderated further. CET1 of 13.5% is at the top end of RY's stated 12.5%-13.5% target range. Buybacks shaved off 23bps of CET1.

Equity Market Updates

US: US stocks advanced Monday, with all three major indices closing at fresh record highs, extending their winning streak to eight consecutive sessions, the longest run since May 2025. The S&P 500 rose 0.3%, the Nasdaq gained 0.4%, and the Dow added 0.1%. The session was volatile, driven by shifting headlines around the US-Iran conflict: early losses were triggered by reports that Iran had halted diplomatic exchanges with the US, before a late-session recovery followed President Trump's remarks that talks were continuing at a rapid pace and that Israel and Hezbollah had agreed to a ceasefire. Nvidia surged 6.3%, leading index gains after unveiling the RTX Spark PC chip and CEO Jensen Huang's comments dismissing AI disruption risks, which also lifted software stocks; ARM Holdings ADRs rose sharply in sympathy. Anthropic's confidential IPO filing added to AI optimism. Energy stocks outperformed as Brent crude surged over 4% to USD95 a barrel on fears the US-Iran standoff could disrupt the Strait of Hormuz. Treasury yields rose across the curve, snapping a five-day declining streak, with the 10-year yield climbing approximately 2.2 basis points to 4.475% and the 2-year rising approximately 3.8 basis points to 4.051%, as bond traders positioned ahead of Friday's US non-farm payrolls release.

Foreign Exchange

	Day Close	% Change		Day Close
DXY	99.201	0.26%	USD-SGD	1.2788
USD-JPY	159.66	0.24%	EUR-SGD	1.4875
EUR-USD	1.163	-0.24%	JPY-SGD	0.8009
AUD-USD	0.716	-0.36%	GBP-SGD	1.7208
GBP-USD	1.345	-0.01%	AUD-SGD	0.9153
USD-MYR	3.965	-0.37%	NZD-SGD	0.7587
USD-CNY	6.767	0.01%	CHF-SGD	1.6258
USD-IDR	17874	#DIV/0!	SGD-MYR	3.1036
USD-VND	26319	0.02%	SGD-CNY	5.2912

Equity and Commodity

Index	Value	Net change
DJIA	51,078.88	46.42
S&P	7,599.96	19.90
Nasdaq	27,086.81	114.19
Nikkei 225	66,934.33	604.83
STI	5,037.86	48.67
KLCI	1,683.07	-1.86
JCI	6,127.38	6127.38
Baltic Dry	3,224.00	-2.00
VIX	16.05	0.73

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR
1M	1.9830	2.11%	1M	3.6175
3M	2.2680	1.66%	2M	3.6338
6M	2.5470	1.80%	3M	3.6535
12M	2.8040	1.56%	6M	3.7132
			1Y	3.8468

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.52 (-0.04)	4.04(--)
5Y	1.69 (-0.03)	4.17 (+0.02)
10Y	2.03 (-0.03)	4.45 (+0.02)
15Y	2.04 (-0.02)	--
20Y	2 (-0.02)	--
30Y	2.04 (-0.02)	4.97(--)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
06/17/2026	0.017	1.700	0.004	3.626
07/29/2026	0.102	8.600	0.026	3.648
09/16/2026	0.277	17.400	0.069	3.691
10/28/2026	0.412	13.600	0.103	3.725
12/09/2026	0.689	27.700	0.172	3.794

Financial Spread (bps)

	Value	Change
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	3.63

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	92.16	5.5%	Corn (per bushel)	4.440	-0.6%
Brent (per barrel)	94.98	3.2%	Soybean (per bushel)	11.808	-0.5%
Heating Oil (per gallon)	363.94	2.9%	Wheat (per bushel)	6.088	-0.3%
Gasoline (per gallon)	308.47	-1.3%	Crude Palm Oil (MYR/MT)	44.700	#DIV/0!
Natural Gas (per MMBtu)	3.18	-3.4%	Rubber (JPY/KG)	4.067	-0.4%
Base Metals	**Futures**	**% chg**	**Precious Metals**	**Futures**	**% chg**
Copper (per mt)	13832	1.4%	Gold (per oz)	4485	-1.2%
Nickel (per mt)	19251	1.0%	Silver (per oz)	74.84	-0.6%

Source: Bloomberg, Reuters

Economic Calendar

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
6/02/2026 7:00	SK	CPI MoM	May	0.20%	0.50%	0.50%	--
6/02/2026 7:00	SK	CPI YoY	May	2.90%	3.10%	2.60%	--
6/02/2026 7:00	SK	CPI Ex Food and Energy YoY	May	2.20%	2.50%	2.20%	--
6/02/2026 8:30	ID	S&P Global Indonesia PMI Mfg	May	--	--	49.1	--
6/02/2026 8:30	MA	S&P Global Malaysia PMI Mfg	May	--	--	51.6	--
6/02/2026 8:30	TH	S&P Global Thailand PMI Mfg	May	--	--	52.7	--
6/02/2026 12:00	ID	Imports YoY	Apr	2.64%	--	1.51%	--
6/02/2026 12:00	ID	Exports YoY	Apr	9.00%	--	-3.10%	--
6/02/2026 12:00	ID	Trade Balance	Apr	$1300m	--	$3320m	--
6/02/2026 12:00	ID	CPI YoY	May	2.96%	--	2.42%	--
6/02/2026 12:00	ID	CPI Core YoY	May	2.50%	--	2.44%	--
6/02/2026 12:00	ID	CPI NSA MoM	May	0.14%	--	0.13%	--
6/02/2026 16:30	UK	Net Consumer Credit	Apr	1.7b	--	1.9b	--
6/02/2026 16:30	UK	Consumer Credit YoY	Apr	--	--	8.90%	--
6/02/2026 16:30	UK	Net Lending Sec. on Dwellings	Apr	5.4b	--	6.2b	--
6/02/2026 16:30	UK	Mortgage Approvals	Apr	62.0k	--	63.5k	--

Source: Bloomberg

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