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OCBC Group Research

By Global Markets | 3 August 2026

Daily Treasury Outlook

Highlights

Global: Hopes of a deal being negotiated with Iran may see risk sentiments kick off this week with a better tone after US president Trump shelved military strikes. Last week's FOMC meeting saw markets swinging wildly amid the perceived lack of clear forward guidance from Fed chair Warsh. Still, the S&P 500 recovered from Wednesday's tumble to rebounded 0.7% last Friday, helped by stronger-than-expected earnings from Amazon. The three Fed dissenters also spoke, with Hammack opining that "the longer that high inflation persists, the more challenging and costly it can be to bring it back down", while Kashmiri noted he "would rather tighten policy incrementally as we gather more data on the path of inflation and employment" and Logan also said "modest action in the near term would reduce the likelihood of needing to take sharper action later". The 10-year UST bond yield rose 6bps to 4,74% while the 30-year yield rose to a 19-year high of 5.27% as investors demanded higher risk premiums for policy uncertainty. US' 2Q26 GDP growth eased to an annualised 1.5%, but consumer spending strengthened to 3.2%, while core PCE deflator slowed to 0.1% MoM. Separately, OPEC+ agreed to add a further 188k barrels daily in September.

Market Watch: Asian markets may trade with a firmer tone today, while awaiting the manufacturing PMIs from Asia, as well as the Indonesian trade and inflation, US' manufacturing ISM. For the week ahead, keep an eye on incoming US' JOLTS job openings, ADP employment, ISM services and Friday's non-farm payrolls, unemployment rate and average hourly earnings (forecast: 85k, 4.2% and 0.3% MoM respectively versus 49k, 4.2% and 0.3% previously), as well as Indonesia and Philippines' 2Q26 GDP growth and China's manufacturing and services PMIs and July trade data. On the corporate earnings front, SpaceX, BP, Caterpillar, DBS, Eli Lily, Glencore,HSBC, McDonald's, OCBC, Palanthir, UOB, Walt Disney etc are also scheduled for this week. On the central bank front, RBI is tipped to keep its repurchase rate steady at 5.25% on 5 August, while BOJ is publishing its June meeting minutes on Wednesday. Fed's Cook, Daly, Musalem, Barkin and Bowman are also speaking this week and may clarify September rate intentions.

SG: The manufacturing and electronics PMIs are due later today and may hold around the June readings of 51.3 and 52.2 respectively.

Major Markets

CN:. China's manufacturing PMI fell by 1.1 points to 49.2 in July, underperforming seasonal norms and returning to contraction. The decline likely reflected a combination of the traditional summer slowdown and unusually early and severe extreme weather associated with a strong El Niño, including typhoons, heavy rainfall and flooding across parts of the country. Both supply and demand weakened, although the deterioration was more pronounced on the demand side. The production index declined by 1.5 points to 49.9, while the new orders index fell by 2.7 points to 48.5. By comparison, the new export orders index edged down by only 0.5 points, suggesting that domestic demand and production softened more sharply, while external demand remained relatively resilient.

Key Market Movements

Equity	Value	% chg
S&P 500	7489.7	0.7%
DJIA	52485	0.5%
Nikkei 225	64362	4.0%
SH Comp	3832.3	0.7%
STI	5628.5	-0.8%
Hang Seng	25884	0.1%
KLCI	1724.9	0.3%
	Value	**% chg**
DXY	99.914	0.1%
USDJPY	157.4	-1.3%
EURUSD	1.1527	0.0%
GBPUSD	1.3483	0.1%
USDIDR	18000	-0.5%
USDSGD	1.2828	0.1%
SGDMYR	3.1840	0.4%
	Value	**chg (bp)**
2Y UST	4.29	4.53
10Y UST	4.73	6.14
2Y SGS	1.71	-4.70
10Y SGS	2.35	-6.59
3M SORA	1.15	-0.20
3M SOFR	3.63	0.01
	Value	**% chg**
Brent	90.12	1.2%
WTI	84.67	1.3%
Gold	4046	-1.4%
Silver	57.60	-2.4%
Palladium	1283	-2.6%
Copper	13791	-0.1%
BCOM	132.05	-0.1%

Source: Bloomberg

High-tech manufacturing remained a key bright spot, with its PMI holding at 53.3 and staying in expansion for the 18th consecutive month. In contrast, consumer goods manufacturing contracted markedly, underscoring the continued divergence between new and traditional growth drivers. Business sentiment weakened across firms of all sizes, with the PMIs for large, medium-sized and small enterprises falling by 1.2, 0.8 and 0.8 points, respectively. Employment conditions also remained under pressure, partly reflecting disruptions from high temperatures, heavy rainfall and flooding.

ID: The Palm Oil Plantation Fund Management Agency said more than 80% of Indonesia's palm oil exports now consist of downstream products, while the commodity generates more than USD20.0bn in annual export revenue. The downstream industry spans food and consumer products, oleochemicals, renewable energy and palm biomass processing, with BPDP estimating that the sector supports around 16.5mn direct and indirect jobs. In 2025, the plantation sector contributed 4.56% of GDP, while independent smallholders managed about 41% of oil palm plantations and produced more than 16mn tons of palm oil annually.

MY: Economy Minister Akmal Nasrullah Mohd Nasir said Malaysia's economic performance is expected to remain strong in 2H2026, supported by government measures to ensure stable oil supply through year-end, while unresolved geopolitical tensions in the Strait of Hormuz require continued vigilance. He noted that the economy expanded 5.6% in 1H2026, while Bank Negara Malaysia continues to project 2026 growth of 4.0% to 5.0%. Minister Akmal also said hosting the Formula One race at the Sepang International Circuit from 2 to 4 October is expected to support economic growth, particularly tourism and spending that benefits small traders.

AU: Australia's Final Demand PPI rose 1.3% QoQ in 2Q26, up from 0.4% in 1Q26 and the largest quarterly increase since September 2023, taking annual PPI growth to 3.6%. The increase was driven by higher diesel, commodity and shipping costs, which lifted prices across the construction, manufacturing and transport sectors. Manufacturing input and output prices rose sharply due to higher crude oil, chemical and refined fuel costs, while freight prices surged following disruptions to global shipping routes and elevated fuel costs. In contrast, accommodation and food services prices declined during the quarter, driven primarily by a 12.8% fall in accommodation services prices as seasonal demand softened in the June quarter.

HK: The economy remained on a solid growth trajectory in the second quarter of 2026, although the pace of expansion moderated from the exceptionally strong performance recorded in the previous quarter and fell short of market expectations. Real GDP grew by 4.3% YoY in 2Q26, easing from a five-year high of 5.9% in 1Q26. On a seasonally adjusted quarter-on-quarter basis, GDP contracted by 0.6%, following robust growth of 2.9% in the first quarter. The underlying activity remained resilient, supported by continued expansion in domestic demand and improvement in external trade dynamics. Private consumption and gross domestic fixed capital formation expanded at a slower pace of 2.9% YoY and 4.6% YoY (1Q26: 4.9% YoY and 18.3% YoY), respectively. Together, these two components contributed approximately 2.0 percentage points (pp) and 0.8pp respectively, to headline growth (excluding inventory changes). The external sector remained a drag on growth, but the negative contribution narrowed significantly compared with previous quarters. Goods and services exports grew by 28.8% YoY and 3.4% YoY respectively, while imports rose by 29.3% YoY and 2.8% YoY respectively.

Reflecting the better-than-expected underlying momentum in the first half of the year, we revise our full-year GDP growth forecast upward by 0.4 percentage points to 3.8%.

MO: Economic growth lost momentum in the second quarter of 2026, with real GDP expanding by just 0.3% YoY, down sharply from 7.1% YoY in the previous quarter. The weaker outturn reflects softer tourism-related activity and subdued investment spending during the quarter. For the first half of 2026 as a whole, Macau's economy expanded by 3.7% YoY, bringing the total economic output back to 89.1% of its 2019 level. Breaking down, total exports of services and private consumption expenditure grew at still solid pace of 7.2% YoY and 2.8% during the quarter, while government consumption expenditure and gross fixed capital formation recorded contraction.

Looking ahead, Macau's economic recovery is expected to remain intact but uneven. The seasonal headwinds on gaming and inbound tourism sector, as well as the weaker-than-expected momentum in investment, have prompted a slight downward revision of our full-year 2026 growth forecast to 4.0% from the previous estimate of 4.2%.

PH: According to Bangko Sentral ng Pilipinas (BSP), headline inflation for July is expected to settle "within the range of 5.6-6.6%". BSP highlighted that upside price pressures could stem from elevated domestic petroleum pump prices, higher electricity rates, increasing fish prices, and the depreciation of the Philippine peso. These pressures are expected to be mitigated by lower prices of key food commodities, including rice, meat, vegetables, and fruits. The BSP states that it will "remain vigilant and guided by incoming data, particularly on inflation and growth prospects. It will continue to monitor recent developments in the Middle East for their impact on inflation and economic activity."

TH: The activity data for June continues to paint an uneven picture for economic growth, domestic demand conditions showed mixed signals of improvement, while external demand remained well supported by solid export growth. We estimate that 2Q26 GDP is tracking 2.3% YoY versus 2.8% in 1Q26. With 1H26 GDP growth at 2.6%, we see upside risks to our full year 2026 GDP growth forecast of 1.5%. We continue to expect the Bank of Thailand to remain on hold through 2026, before normalising the policy rate to 1.50% in 2027.

Sustainability

CH: China's renewable energy generation surpassed 40% of total power output for the first time in 1H this year at 41.2%, with wind and solar accounting for 24.6%. Meanwhile, coal's share of the energy mix was 49.7%, marking the first time coal-fired power accounted for less than half of China's total power output. The changing energy mix is aligned with China's goal of increasing the share of wind and solar power to 30% by 2030, with some experts projecting that the target could be met by 2028. Nevertheless, coal continues to play a vital role in ensuring grid stability and energy security for China.

Credit Market Updates

Market Commentary:

- The SGD SORA OIS curve traded lower last Friday with shorter tenors trading 1-3bps lower, belly tenors trading 4bps lower, and the 10Y tenor trading 4bps lower.
- US Investment Grade spreads traded tightened by 1bps to 78bps, and US High Yield spreads tightened by 4bps to 279bps. Bloomberg Global Contingent Capital Index tightened by 5 bps to 209bps.
- Bloomberg Asia USD Investment Grade tightened by 2bps to 57bps, and the Asia USD High Yield spreads tightened by 6bps to 342bps. (Bloomberg, OCBC)

New Issues:

- There were no notable issuances in the Singdollar market last Friday.
- The total issuances in the APAC and DM IG markets respectively last Friday were USD50mn and USD1bn (prior day: zero and USD8bn respectively). The largest issuance from DM IG markets came from Citigroup Global Markets Funding Luxembourg SCA (priced USD1bn 5Y bond at SOFR + 98bps). (Bloomberg, OCBC)

Credit Developments:

- **Société Générale (SocGen):** Delivered strong 2Q2026 results with record earnings, improved cost efficiency, and robust capital levels, leading management to raise its 2026 profitability (ROTE) and cost reduction targets.
- **HSBC Holdings (HSBC):** The sale of its Australian retail loan portfolio and potential disposal of UK pension assets support HSBC's strategy to streamline operations, with both transactions expected to be modestly CET1-accretive.
- **Frasers Logistics & Commercial Trust (FLTSP):** Operating performance remains resilient with strong logistics rental reversions and stable occupancy, although leverage is expected to rise following recent European logistics acquisitions.
- **Hongkong Land (HKLSP/HKLC):** Acquisition of Wheelock Place through its Singapore fund is expected to increase assets under management and provide earnings accretion.
- **BP plc (BPLN):** Planned workforce reductions reflect ongoing organisational restructuring and industry caution on commodity prices, but do not materially alter BP's strong underlying credit profile.
- **Mapletree Pan Asia Commercial Trust (MCTSP):** 1QFY2027 results were weighed down by weaker overseas property performance and lower occupancy, though leverage and liquidity remain manageable with no change to its credit outlook.
- **Crédit Agricole Group / Crédit Agricole S.A. (ACAFP):** Reported strong earnings growth, solid asset quality, and robust capitalisation, underpinned by diversified revenue streams and continued strategic investments for future growth.

Equity Market Updates

US: US stocks advanced Friday, closing out a turbulent month on a positive note as Amazon's blowout earnings drove a broad technology rally. The S&P 500 rose 0.7%, the Nasdaq gained 1.0%, and the Dow added 0.5%. Amazon surged approximately 15%, its best single-session gain in over a decade, after reporting a fifth consecutive quarter of accelerating cloud revenue growth and raising its full-year capital expenditure forecast to USD220b, reinforcing confidence in AI infrastructure demand. The result lifted consumer discretionary and communication services, which led sector gains, whilst chipmakers also extended their rebound. Apple weighed on sentiment after supply-chain pressures drove weak guidance, erasing roughly USD475b in market capitalisation in its worst post-earnings drop in 13 years. Despite Friday's gains, the S&P 500 recorded its worst July performance since 2014, with semiconductors entering a bear market over the month amid concerns over AI investment returns. Treasury yields rose three to five basis points across the curve, with the 10-year climbing to 4.72% and the 30-year reaching its highest level since 2007, after three Fed dissenters publicly called for rate hikes to tame persistent inflation. Separately, President Trump said the US and Israel agreed to hold off on further strikes against Iran, subject to a rapid deal being reached, easing near-term geopolitical risk in the Middle East.

Foreign Exchange

	Day Close	% Change		Day Close
DXY	99.914	0.05%	USD-SGD	1.2828
USD-JPY	157.40	-1.34%	EUR-SGD	1.4775
EUR-USD	1.153	-0.01%	JPY-SGD	0.8137
AUD-USD	0.702	-0.11%	GBP-SGD	1.7286
GBP-USD	1.348	0.13%	AUD-SGD	0.9005
USD-MYR	4.086	-0.10%	NZD-SGD	0.7538
USD-CNY	6.753	0.01%	CHF-SGD	1.5870
USD-IDR	18000	-0.47%	SGD-MYR	3.1840
USD-VND	26296	0.06%	SGD-CNY	5.2655

Equity and Commodity

Index	Value	Net change
DJIA	52,485.03	276.97
S&P	7,489.72	52.09
Nasdaq	25,373.85	251.67
Nikkei 225	64,362.02	2494.59
STI	5,628.50	-45.08
KLCI	1,724.90	4.50
JCI	6,236.13	49.76
Baltic Dry	2,732.00	59.00
VIX	15.99	-1.10

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR
1M	2.2090	0.14%	1M	3.6495
3M	2.4840	0.49%	2M	3.7055
6M	2.7060	0.93%	3M	3.7577
12M	2.9640	0.20%	6M	3.8902
			1Y	4.0606

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.71 (-0.05)	4.24(--)
5Y	1.89 (-0.06)	4.45 (+0.06)
10Y	2.35 (-0.07)	4.69 (+0.06)
15Y	2.39 (-0.06)	--
20Y	2.4 (-0.06)	--
30Y	2.45 (-0.06)	5.23 (+0.06)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
07/29/2026	0.305	30.500	0.076	3.703
09/16/2026	0.719	71.900	0.180	3.812
10/28/2026	1.020	30.100	0.255	3.888
12/09/2026	1.479	45.900	0.370	4.002

Financial Spread (bps)

	Value	Change
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	3.65

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	84.67	1.3%	Corn (per bushel)	4.408	-1.1%
Brent (per barrel)	90.12	1.2%	Soybean (per bushel)	11.720	-0.4%
Heating Oil (per gallon)	412.15	-2.1%	Wheat (per bushel)	6.393	-3.7%
Gasoline (per gallon)	322.16	-1.9%	Crude Palm Oil (MYR/MT)	45.310	-0.5%
Natural Gas (per MMBtu)	2.75	-0.4%	Rubber (JPY/KG)	4.264	0.0%
Base Metals	**Futures**	**% chg**	**Precious Metals**	**Futures**	**% chg**
Copper (per mt)	13791	-0.1%	Gold (per oz)	4046	-1.4%
Nickel (per mt)	17249	-0.1%	Silver (per oz)	57.60	-2.4%

Source: Bloomberg, Reuters

Economic Calendar

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
8/03/2026 6:45	NZ	Building Permits MoM	Jun	--	-3.60%	-4.00%	-4.90%
8/03/2026 8:30	ID	S&P Global Indonesia PMI Mfg	Jul	--	50.2	46.9	--
8/03/2026 8:30	JN	S&P Global Japan PMI Mfg	Jul F	--	54.5	54.7	--
8/03/2026 8:30	SK	S&P Global South Korea PMI Mfg	Jul	--	53.1	52.1	--
8/03/2026 8:30	VN	S&P Global Vietnam PMI Mfg	Jul	--	52.9	51.8	--
8/03/2026 9:00	AU	Melbourne Institute Inflation MoM	Jul	--	--	-0.40%	--
8/03/2026 9:45	CH	RatingDog China PMI Mfg	Jul	52	--	51.7	--
8/03/2026 10:05	VN	CPI YoY	Jul	4.60%	--	4.69%	--
8/03/2026 12:00	ID	Exports YoY	Jun	-1.00%	--	-5.73%	--
8/03/2026 12:00	ID	CPI YoY	Jul	3.16%	--	3.34%	--
8/03/2026 13:00	IN	HSBC India PMI Mfg	Jul F	--	--	53.9	--
8/03/2026 16:00	EC	S&P Global Eurozone Manufacturing PMI	Jul F	52	--	52	--
8/03/2026 16:30	UK	S&P Global UK Manufacturing PMI	Jul F	52.8	--	52.8	--
8/03/2026 21:00	SI	Purchasing Managers Index	Jul	--	--	51.3	--
8/03/2026 21:45	US	S&P Global US Manufacturing PMI	Jul F	53.8	--	53.8	--
8/03/2026 22:00	US	ISM Manufacturing	Jul	53.9	--	53.3	--
8/03/2026 22:00	US	ISM Prices Paid	Jul	71	--	73	--

Source: Bloomberg

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