

Daily Treasury Outlook

Highlights

Global: After gold and silver prices stabilised on Tuesday, market attention quickly pivoted back to US equities. A broad-based sell-off in the software sector dragged all three major indices lower. While investors have been focused on assessing AI bubble risk, a more immediate concern has begun to surface: AI disruption risk. The trigger for Tuesday's sell-off was Anthropic's announcement of new tools under its Cowork platform, enabling users to automate legal drafting and research tasks. Products such as Claude Code—along with the broader rise of so-called “vibe-coding” start-ups—are lowering the barriers to software creation, allowing users with minimal or no coding experience to build functional applications. This has raised fresh questions over the durability of traditional SaaS business models. The sell-off did not remain confined to listed software names. It spilled over into business development companies (BDCs) and alternative asset managers, reflecting second-order concerns about portfolio exposure. Large private equity firms such as Blue Owl and KKR saw share prices fall by 9–10%, while alternative asset managers including Apollo and Blackstone declined by around 5%. Leading BDCs finished the session down 2.4%. The transmission channel is clear: private credit and private equity funds have built outsized exposure to the software sector over recent years, leaving them vulnerable to any structural disruption. According to Bloomberg, firms including Arcmont Asset Management and Hayfin Capital Management have hired consultants to assess portfolio exposure to businesses potentially at risk, citing people familiar with the matter. Apollo, for instance, reduced software exposure in its direct lending funds by nearly half in 2025—from around 20% at the start of the year. Valuations have already begun to adjust - in 2025, SaaS companies were acquired by private equity at an average multiple of 18x, down from 24x in the previous year.

On the policy front, the Reserve Bank of Australia (RBA) raised its cash rate by 25bp to 3.85% from 3.6% in a unanimous decision, becoming the first major central bank to hike rates this year. The Board cited a material pickup in inflationary pressures in the second half of 2025. In its statement, the RBA noted that “a wide range of data over recent months have confirmed that inflationary pressures picked up materially.” The central bank also revised up its inflation forecasts, with headline inflation now expected to rise to 4.2% by June, compared with 3.7% in the November projections. Governor Michele Bullock said the Board broadly agreed that financial conditions were slightly loose at the margin, pointing to strong credit growth, a rebound in housing activity, and ample financing availability for households and businesses. That said, Bullock stopped short of signalling the start of a renewed tightening cycle, emphasising uncertainty around the neutral stance. “This isn’t as clear as earlier,” she said, adding that policy settings may already be around neutral.

Market Watch: Looking ahead, markets will focus on Euro area inflation data and US ADP employment figures. Fed speakers scheduled include Lisa Cook.

Key Market Movements

Equity	Value	% chg
S&P 500	6917.8	-0.8%
DJIA	49241	-0.3%
Nikkei 225	54721	3.9%
SH Comp	4067.7	1.3%
STI	4944.1	1.1%
Hang Seng	26835	0.2%
KLCI	1748.3	0.4%
	Value	% chg
DXY	97.437	-0.2%
USDJPY	155.75	0.1%
EURUSD	1.1819	0.2%
GBPUSD	1.3697	0.2%
USDIDR	16760	-0.2%
USDSGD	1.2699	-0.2%
SGDMYR	3.0936	-0.3%
	Value	chg (bp)
2Y UST	3.57	-0.20
10Y UST	4.27	-1.19
2Y SGS	1.39	-0.30
10Y SGS	2.09	1.36
3M SORA	1.15	-0.24
3M SOFR	3.81	-0.35
	Value	% chg
Brent	67.33	1.6%
WTI	63.21	1.7%
Gold	4947	6.1%
Silver	85.16	7.4%
Palladium	1750	1.6%
Copper	13478	4.5%
BCOM	117.82	2.4%

Source: Bloomberg

Major Markets

CH: Recent market chatter suggested that sectors such as financial services and internet value-added services could face higher value-added tax (VAT) rates, with the gaming industry's VAT rate potentially rising from 6% to as high as 32%. Against this backdrop, Hong Kong-listed gaming stocks saw a sharp intraday sell-off on Tuesday as investors moved quickly to price in the risk. Subsequent media reports, however, refuted these claims, stating that the alleged VAT hikes were unfounded. That said, tax policy remains firmly in focus. Investors are likely to stay cautious until there is clearer follow-up communication or official guidance from the authorities. Separately, GDP targets for 2026 have now been announced by 30 provinces nationwide. Several major economic provinces have set growth targets above 5%. Shanghai, in its latest Government Work Report, proposed a 2026 GDP growth target of around 5%, reinforcing policymakers' commitment to stabilising growth amid a still-challenging macro backdrop.

ID: Finance Minister Purbaya Yudhi Sadewa said Indonesia will use fiscal policy to support economic growth while ensuring the budget deficit remains within the 3% of GDP legal cap. In addition, FM Sadewa noted that the government is coordinating closely with Bank Indonesia to maintain rupiah stability, adding that while currency weakness toward IDR17,000 per USD could affect social sentiment, it would not derail the economy, and he ruled out repeating the 2021 burden-sharing arrangement with the central bank. He expects economic growth of 6% this year and 6.5% in 2027, and expressed confidence in addressing MSCI's concerns before May.

MY: Defence Minister Datuk Seri Mohamed Khaled Nordin said Malaysia and Germany reaffirmed their commitment to deepen bilateral defence ties and elevate cooperation to a more strategic level during a courtesy call by German Ambassador Silke Riecken-Daerr. He said both sides discussed plans to finalise the Joint Declaration of Intent on the sidelines of the Munich Security Conference 2026 in mid-February, alongside defence industry cooperation aligned with Malaysia's National Defence Industry Policy and Germany's Enable and Enhance Initiative. The discussions also covered the implementation of the Enable and Enhance Initiative, including a proposal to upgrade army training facilities and potential participation by the German defence industry in the Defence Security Asia 2026 exhibition.

TH: According to Airports of Thailand (AOT) president Paweena Jariyathitipong, AOT is moving ahead with a major expansion of Suvarnabhumi Airport, including the South Terminal and an East Expansion. The total planned investment is worth more than THB210bn. Ms Paweena also revealed that the AOT has overhauled the airport master plan for the South Terminal project, and will now restructure it into three phases to better match passenger demand and reduce financing costs. Phase 1 will stabilise and prepare the site through ground improvement and foundational planning, which will take approximately 2.5 years. Phase 2 will involve constructing the first half of the South Terminal, thereby adding capacity for 30mn passengers a year. Together with existing infrastructure, this will increase total capacity to 100mn within five years. Phase 3 will complete the construction of the remainder of the South terminal and build a fourth runway. This will raise the long-term capacity to 120mn passengers per year over 10 to 12 years. Separately, AOT is fast-tracking a

THB12bn East Expansion plan, which is currently awaiting review by the Ministry of Finance.

ESG

ID: Indonesia plans to ban the export of palm oil waste (including used cooking oil) to ensure the resource is utilised for national interests, especially in advancing energy security. Directing local palm oil waste towards domestic biodiesel and sustainable aviation fuel (SAF) production can reduce Indonesia's reliance on imported fuel. This can also advance Indonesia's SAF production capabilities and support decarbonisation in the aviation sector. Pertamina said that it will expand its production of co-processing-based SAF from used cooking oil beyond its Cilacap refinery, with new facilities planned at the Dumai and Balongan refineries by 2H2026. Indonesia's SAF demand is expected to reach around 860,000 kl/yr by 2039. It is also currently planning to achieve a 1% blend of SAF in its jet fuel supply by 2027, and up to 5% in 2029.

Credit Market Updates

Market Commentary:

The SGD SORA OIS curve traded flat to higher yesterday with shorter tenors trading flat to 3bps higher while belly tenors traded flat to 3-4bps higher and 10Y traded 4bps higher. Global Investment Grade spreads widened by 1bps to 72bps and Global High Yield spreads widened by 2bps to 263bps respectively. Bloomberg Global Contingent Capital Index tightened by 3bps to 214bps. Bloomberg Asia USD Investment Grade spreads tightened by 1bps to 57bps and Asia USD High Yield spreads tightened by 2bps to 338bps respectively. (Bloomberg, OCBC)

New Issues:

The total issuance volumes for APAC and DM IG market yesterday were USD500mn and USD22.85bn respectively.

There were three notable issuers in the DM IG market yesterday where issuers priced deals of at least USD1.0bn.

- Bank of America Corp priced USD7bn of debt in three tranches.
- American Express Co priced USD3.5bn of debt in four tranches.
- Visa Inc priced USD3bn of debt in four tranches.

Among issuers under our official coverage, there were three notable issuers in the DM IG market.

- Lloyds Banking Group PLC priced USD2.75bn of debt in three tranches.
- ING Groep NV priced USD1.5bn of debt in one tranche.
- Deutsche Bank AG/New York NY priced USD1bn of debt in one tranche.

There was one notable issuer in the APAC USD market yesterday where issuers priced deals of at least USD500mn.

- Sumitomo Mitsui Financial Group Inc priced a USD500mn 6NC5 social fixed bond at T+68bps.

There was no notable issuance in the Singdollar market yesterday.

Mandates:

- The Republic of Korea may issue USD-denominated fixed rate senior unsecured notes with expected tenors of 3- and 5-years.

Equity Market Updates

US: US equities pulled back sharply, reversing part of Monday's advance as weakness in mega-cap and technology shares weighed on sentiment. The Nasdaq fell 1.4%, closing below its 50-day moving average, while the S&P 500 declined 0.8%, briefly dipping under its own 50-day level before stabilising. On the other hand, the Dow proved more resilient, edging down slightly by 0.3%. Early strength in smaller companies faded as losses broadened, although the Russell 2000 (+0.3%) and S&P MidCap 400 (+0.2%) managed modest gains by the close. Information technology was the clear laggard, down 2.2%, with software and semiconductor stocks under pressure. Microsoft (-2.9%) extended its post-earnings slide and Gartner (-20.9%) dropped heavily, while the PHLX semiconductor index fell 2.1%. NVIDIA (-2.8%) also declined following alleged reports that OpenAI is evaluating alternative chip suppliers, even as both companies sought to temper concerns. Broader mega-cap weakness dragged on communication services (-1.3%) and consumer discretionary (-1.0%), with Alphabet (-1.1%), Meta (-2.1%), and Amazon (-1.8%) all lower, and the Vanguard mega-cap growth ETF down 2.1%, resulting in the market-cap weighted S&P underperforming its equal-weight counterpart. Several travel stocks fell sharply, while PayPal (-20.3%) slumped on an earnings miss. In contrast, there was a pronounced rotation into energy (+3.3%) and materials (+2.0%) as oil and gold prices rebounded, the latter posting its largest one-day rise since 2008. Defensive sectors also outperformed, with consumer staples (+1.7%) and utilities (+1.5%) advancing on earnings-driven gains in PepsiCo (+4.9%) and continued strength in Walmart (+2.9%). Overall, the session reflected a clear shift away from growth and AI-linked momentum stocks towards more defensive and value-oriented areas.

Foreign Exchange

	Day Close	% Change		Day Close
DX	97.437	-0.20%	USD-SGD	1.2699
USD-JPY	155.75	0.08%	EUR-SGD	1.5015
EUR-USD	1.182	0.24%	JPY-SGD	0.8153
AUD-USD	0.702	1.05%	GBP-SGD	1.7397
GBP-USD	1.370	0.23%	AUD-SGD	0.8918
USD-MYR	3.932	-0.34%	NZD-SGD	0.7679
USD-CNY	6.939	-0.10%	CHF-SGD	1.6380
USD-IDR	16760	-0.18%	SGD-MYR	3.0936
USD-VND	26002	-0.05%	SGD-CNY	5.4611

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR
1M	1.9590	-0.46%	1M	3.6734
3M	2.0220	-0.44%	2M	3.6718
6M	2.1540	-0.19%	3M	3.6661
12M	2.2180	-0.36%	6M	3.6252
			1Y	3.5012

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
01/28/2026	-0.006	-0.600	-0.001	3.638
03/18/2026	-0.086	-8.600	-0.022	3.615
04/29/2026	-0.255	-16.900	-0.064	3.572
06/17/2026	-0.705	-45.000	-0.176	3.460
07/29/2026	-1.015	-31.000	-0.254	3.382
09/16/2026	-1.479	-46.400	-0.370	3.267

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	63.21	1.7%	Corn (per bushel)	4.285	0.6%
Brent (per barrel)	67.33	1.6%	Soybean (per bushel)	10.658	0.5%
Heating Oil (per gallon)	240.93	2.1%	Wheat (per bushel)	5.288	0.2%
Gasoline (per gallon)	189.79	2.5%			
Natural Gas (per MMBtu)	3.31	2.3%	Rubber (JPY/KG)	3.363	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	13478	4.5%	Gold (per oz)	4947	6.1%
Nickel (per mt)	17447	3.7%	Silver (per oz)	85.16	7.4%

Source: Bloomberg, Reuters

(Note that rates are for reference only)

Equity and Commodity

Index	Value	Net change
DJIA	49,240.99	-166.67
S&P	6,917.81	-58.63
Nasdaq	23,255.19	-336.92
Nikkei 225	54,720.66	2065.48
STI	4,944.09	51.82
KLCI	1,748.26	7.38
JCI	8,122.60	199.87
Baltic Dry	2,124.00	-24.00
VIX	18.00	1.66

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.39 (-)	3.57(-)
5Y	1.67 (-0.01)	3.83(-)
10Y	2.09 (+0.01)	4.27 (-0.01)
15Y	2.16 (+0.03)	--
20Y	2.18 (+0.03)	--
30Y	2.24 (+0.02)	4.91 (-0.02)

Financial Spread (bps)

Value	Change	
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	3.69
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Economic Calendar

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
2/04/2026 5:00	SK	Foreign Reserves	Jan	--	\$425.91b	\$428.05b	--
2/04/2026 8:30	HK	S&P Global Hong Kong PMI	Jan	--	52.3	51.9	--
2/04/2026 9:45	CH	RatingDog China PMI Composite	Jan	--	--	51.3	--
2/04/2026 9:45	CH	RatingDog China PMI Services	Jan	52	--	52	--
2/04/2026 20:00	US	MBA Mortgage Applications	30-Jan	--	--	-8.50%	--
2/04/2026 21:15	US	ADP Employment Change	Jan	45k	--	41k	--
2/04/2026 21:30	US	US Treasury Quarterly Refunding Announcement					
2/04/2026 22:45	US	S&P Global US Services PMI	Jan F	52.5	--	52.5	--
2/04/2026 22:45	US	S&P Global US Composite PMI	Jan F	52.9	--	52.8	--
2/04/2026 23:00	US	ISM Services Index	Jan	53.5	--	54.4	53.8
2/04/2026 23:00	US	ISM Services Employment	Jan	51.8	--	52	51.7
2/04/2026 23:00	US	ISM Services Prices Paid	Jan	65	--	64.3	65.1
2/04/2026 23:00	US	ISM Services New Orders	Jan	55	--	57.9	56.5

Source: Bloomberg

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