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OCBC Group Research

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Daily Treasury Outlook

Highlights

Global: US equities closed higher on Thursday, despite renewed hostilities between the US and Iran. A prolonged conflict in the Middle East raises concerns about inflationary pressures. The S&P500, Dow and Nasdaq rose between 0.3% and 1.3% (S&P500: +0.8%; Dow: +0.3%; Nasdaq: +1.3%). Regarding the Middle East, President Trump said he still does not know whether the US and Iran are sliding back into full-scale war, though he insisted Tehran "badly" wants a deal to halt the escalation. Tanker traffic through the Strait of Hormuz has since collapsed to just 13 crossings on Wednesday, compared to a 33-per-day average the prior week, according to Kpler. Meanwhile, the US Department of Treasury reimposed sanctions that had been part of last month's ceasefire deal. Sales of Iranian oil, which had been authorized through 21 August, are now only allowed until 17 July. The IMF sharply cut its 2026 Middle East and Central Asia region growth forecast by 1.2 percentage points to 0.7%, citing the prolonged closure of the Strait of Hormuz. On the data front, it was a light calendar. US initial jobless claims declined by 0.9% to 215k (consensus: 220k) for the week ending 4 July. Meanwhile, continuing claims rose by 0.4% to 1814k (consensus: 1814k) for the week ending 27 June, the highest since late March.

Market Watch: For the day ahead, the US calendar is very light, with no major economic releases scheduled. Similarly, the calendar is relatively quiet In Asia and Europe. Market attention will likely remain focused on headlines from the Middle East, oil prices, and shipping flows through the Strait of Hormuz.

Major Markets

CN: June CPI fell 0.3% MoM, a larger decline than implied by normal seasonal patterns, while headline inflation eased to 1.0% YoY from 1.2% in May. Food prices remained the main drag, falling 0.4% MoM. Pork prices declined for a fourth consecutive month, while fresh vegetable and fresh fruit prices fell 1.0% and 2.0% MoM, respectively, both exceeding their typical seasonal declines. By contrast, egg prices rose 7.0% MoM, extending gains for a third straight month, reflecting lower egg production during the summer heat as well as the earlier reduction in laying-hen capacity.

Previously elevated energy and gold jewellery prices also retreated alongside the correction in global oil and gold prices. Energy became one of the main drags on headline CPI, with transport fuel prices falling 4.5% MoM. Meanwhile, the YoY increase in domestic gold jewellery prices moderated to 28.1%, further easing inflationary pressure from precious metals.

Core CPI edged down to 1.0% YoY from 1.1%, while declining 0.1% MoM. Lower fuel surcharges and softer seasonal travel demand pushed tourism prices down 0.6% MoM. Meanwhile, communication equipment prices rose 0.7% MoM, marking a seventh consecutive monthly increase, likely reflecting higher memory chip costs and continued pass-through from AI-related demand.

Key Market Movements

Equity	Value	% chg
S&P 500	7543.6	0.8%
DJIA	52487	0.3%
Nikkei 225	67744	1.4%
SH Comp	4036.6	1.7%
STI	5433.9	1.2%
Hang Seng	24030	-0.7%
KLCI	1677.6	-0.4%

	Value	% chg
DXY	100.904	-0.1%
USDJPY	162.38	-0.1%
EURUSD	1.1430	0.1%
GBPUSD	1.3408	0.1%
USDIDR	18084	0.5%
USDSGD	1.2925	-0.1%
SGDMYR	3.1537	0.1%

	Value	chg (bp)
2Y UST	4.18	-4.16
10Y UST	4.55	-2.81
2Y SGS	1.59	-1.60
10Y SGS	2.14	-0.88
3M SORA	1.12	0.21
3M SOFR	3.63	0.01

	Value	% chg
Brent	76.30	-2.2%
WTI	72.08	-2.0%
Gold	4124	1.1%
Silver	59.96	2.8%
Palladium	1253	2.9%
Copper	13490	2.5%
BCOM	127.36	-0.2%

Source: Bloomberg

On the producer side, PPI inflation accelerated further to 4.1% YoY, the highest reading since August 2022. On a monthly basis, however, producer prices fell for the first time after eight consecutive months of increases, reflecting the correction in commodity prices, particularly oil, base metals and gold. Even so, AI-related inflation remained resilient. Producer prices for computer and communication equipment rose 0.7% MoM, suggesting continued pricing power supported by robust AI-related demand. Coal prices also strengthened, with coal mining prices rising 5.6% MoM, the largest monthly increase in four and a half years, driven by peak summer electricity demand and tighter supply following stricter mine safety inspections.

Looking ahead, the contribution from energy prices is likely to diminish in the second half of the year, suggesting that the YoY peak in PPI inflation has probably passed. However, resilient pricing in AI-related industries should help cushion the pace of PPI disinflation. Headline CPI is expected to soften modestly in the third quarter, although a recovery in pork prices could provide an upside risk to consumer inflation later in the year.

ID: Energy and Mineral Resources Minister Bahlil Lahadalia said the government will build methanol plants in Bojonegoro, East Java, and East Kalimantan to support the Mandatory B50 Biodiesel Program, which requires around 2.5mn tonnes of methanol annually. Groundbreaking for the Bojonegoro plant, which will use gas as feedstock, is scheduled for July 2026, while the East Kalimantan facility will use coal as feedstock as part of the downstream coal industry. Minister Bahlil said the B50 programme will increase fatty acid methyl ester (FAME) demand to 16.7 to 18.0mn kilolitres and CPO demand to 15.2 to 16.3mn tonnes, providing greater market certainty for palm oil farmers.

MY: Bank Negara Malaysia (BNM) kept its policy rate unchanged at 2.75%, in line with consensus and our expectations. The tone of the official policy statement was still broadly neutral, in our view, however BNM did acknowledge that Malaysia's economic growth remains strong this year. With May industrial production growth solid at 8.4% versus 8.2% in April, our tracking estimate for 2Q26 GDP growth is 6.2% YoY versus 5.4% in 1Q26. BNM still considers the policy stance as "appropriate and consistent with the outlook of continued price stability and sustainable economic growth". We expect BNM to remain on hold through 2026 before normalising the policy rate to 3.00% in early 2027.

PH: According to the Philippine Statistics Authority (PSA), the unemployment rate edged slightly higher to 4.8% in May, up from 4.7% in April (May 2025: 3.9%). Similarly, the labour force participation rate rose higher to 63.8% in May, up from 62.7% in the previous month (May 2025: 65.8%). By economic sector, PSA reported that the largest annual increase in the number of employed persons in May were from the following areas: 'administrative and support service activities' (329k), 'mining and quarrying' (184k), 'human health and social work activities' (173k), 'fishing and aquaculture' (170k), 'construction' (168k). The Department of Labor and Employment (DOLE) welcomed the latest employment numbers, with Labor Secretary Francis Tolentino said that "The challenge before us is no longer simply creating jobs. We must create quality jobs that provide decent incomes, encourage productivity, and prepare Filipinos for the jobs of tomorrow."

TH: The Board of Investment has approved a new batch of major investment projects worth a total of ~USD2.0bn, led by large commitments from Nestle and

Thai Airways International: Nestle's Thai unit will invest USD689mn to expand its Samut Prakan facilities for instant, mixed and ready-to-drink coffee production. Meanwhile, Thai Airways also received approval for expansion projects worth around USD430mn to lease eight passenger aircraft. In the digital sector, Datasection (Thailand), a subsidiary of Japan's Datasection Inc, will invest USD235mn to establish high-performance GPU server infrastructure for data hosting across Bangkok and Pathum Thani. The Thai unit of South Korea's Donsan Group will invest USD180mn to produce copper-clad laminate and prepreg, key inputs used in the manufacturing of printed circuit boards. The Constitutional Court upheld the government's 400 billion baht loan decree. The loan was spilt between a THB176bn consumer subsidy scheme that started in June, and for financing green energy transition. The latter part of the loan's usage was brought into question at the Constitutional Court by opposition party. This ruling lifts a major overhang in terms of near-term growth support.

ESG

SG: Singapore and Indonesia are engaged in price negotiations for a cross-border electricity project, with Singapore keen to unlock Indonesia's renewable energy potential. Indonesia's sovereign wealth fund, Danantara, signed an agreement with Keppel Electric, Sembcorp Industries and the Singapore Energy Interconnections to provide a clear roadmap for negotiations and discussions to pave the way for the project. Both countries plan to develop the regulatory frameworks, policies and investment conditions needed for cross-border electricity trade. Singapore and Indonesia also signed a memorandum of understanding on carbon credits under Article 6 of the Paris Agreement, aiming to work towards an implementation agreement and to identify high-integrity carbon credit projects. These developments signal ongoing progress in advancing cross-border electricity trade and transparent carbon markets.

Credit Market Updates

Market Commentary:

- The SGD SORA OIS curve traded lower yesterday with shorter tenors trading 2-3bps lower, belly tenors trading 2bps lower, and the 10Y tenor trading 3bps lower.
- US Investment Grade spreads widened by 1 bps to 74bps, and US High Yield spreads traded flat at 264bps. Bloomberg Global Contingent Capital Index widened by 2bps to at 209bps.
- Bloomberg Asia USD Investment Grade widened by 1bps to 55bps, and the Asia USD High Yield spreads widened by 7bps to 346bps. (Bloomberg, OCBC)

New Issues:

- The total issuance in the Singdollar market yesterday was SGD200mn, led by the International Bank for Reconstruction and Development (priced a SGD200mn 5Y bond at 1.97%)
- The total issuances in the APAC and DM IG markets respectively were USD300mn and USD2.05bn (prior day: USD150mn and USD5.1bn respectively). The largest issuance in APAC USD and DM IG came from

Power Finance Corp Ltd. (priced USD300mn 3Y bond at 4.697%) and Public Storage Operating Company (priced USD900mn across two tranches). (Bloomberg, OCBC)

Credit Developments:

- **AIMS APAC REIT (AAREIT):** AAREIT has agreed to acquire a logistics property in Hazelmere, Western Australia for AUD42.7 million, a relatively small transaction compared with its SGD2.46 billion asset base.
- **BHP Group (BHP):** BHP faces a potential disruption to iron ore exports from Port Hedland as workers plan an eight-hour strike on 16 July 2026 amid ongoing labour negotiations.
- **Olam Group (OLGPSP):** Olam plans to repurchase part of its SGD604.5 million outstanding perpetual securities ahead of redeeming the remaining balance in January 2027, with no change to its credit profile following progress on key asset disposals.
- **Temasek Holdings (TEMASE):** Temasek reported a record net portfolio value of SGD518 billion as of 31 March 2026, supported by improved profitability and long-term portfolio growth, with no impact on its credit profile.
- **Commerzbank AG / UniCredit SpA (CMZB, UniCredit):** UniCredit has increased its potential stake in Commerzbank to 47.6%, bringing it closer to effective control pending regulatory approvals and potentially paving the way for one of Europe's largest banking deals in decades.

Equity Market Updates

US: US stocks advanced Thursday as easing geopolitical fears and a tech-led rebound drove broad gains, with the S&P 500 rising 0.8%, the Nasdaq climbing 1.3%, and the Dow adding 0.3%. Markets initially faced headwinds from renewed US-Iran hostilities, with the US striking roughly 90 Iranian targets along the Strait of Hormuz coastline for a second consecutive night, prompting Iran to retaliate against US-allied Gulf states, but investor sentiment pivoted as traders priced in a contained conflict rather than a full-scale war. Oil fell approximately 2% to near USD72 a barrel after Wednesday's 5.2% surge, as market participants judged that energy infrastructure damage would remain limited, allowing investors to rotate back into technology and AI-related names. Chipmakers led the advance, buoyed in part by strong demand for SK Hynix's USD24.5b US ADR listing, which was reportedly more than seven times oversubscribed. Treasuries rallied alongside equities, with the 10-year yield falling three basis points to 4.55%, supported by the oil-driven bid and a well-received USD22b 30-year bond reopening that drew a yield of 5.058%, the highest since 2007, yet still stopped through the pre-auction when-issued yield, with indirect bidders taking a near-record 77.7% of the allocation. Technical talks between the US and Iran were reportedly continuing, per a US official cited by Fox News, keeping diplomatic channels open despite the fragile state of the interim ceasefire.

Foreign Exchange				
	Day Close	% Change		Day Close
DXY	100.904	-0.09%	**USD-SGD**	1.2925
USD-JPY	162.38	-0.13%	**EUR-SGD**	1.4773
EUR-USD	1.143	0.11%	**JPY-SGD**	0.7959
AUD-USD	0.694	0.16%	**GBP-SGD**	1.7330
GBP-USD	1.341	0.14%	**AUD-SGD**	0.8971
USD-MYR	4.077	0.00%	**NZD-SGD**	0.7438
USD-CNY	6.792	-0.20%	**CHF-SGD**	1.6016
USD-IDR	18084	0.47%	**SGD-MYR**	3.1537
USD-VND	26294	0.00%	**SGD-CNY**	5.2566

Equity and Commodity		
Index	Value	Net change
DJIA	52,487.41	139.02
S&P	7,543.64	60.93
Nasdaq	26,206.89	336.24
Nikkei 225	67,743.85	924.80
STI	5,433.88	64.31
KLCI	1,677.64	-5.97
JCI	5,912.44	39.07
Baltic Dry	2,871.00	-4.00
VIX	15.84	-1.06

SOFR				
Tenor	EURIBOR	Change	Tenor	USD SOFR
1M	2.2520	1.30%	**1M**	3.6630
3M	2.3530	1.73%	**2M**	3.6900
6M	2.5670	0.98%	**3M**	3.7415
12M	2.7370	1.56%	**6M**	3.8583
			1Y	4.0164

Government Bond Yields (%)		
Tenor	SGS (chg)	UST (chg)
2Y	1.59 (-0.02)	4.18(--)
5Y	1.78 (-0.01)	4.28 (-0.04)
10Y	2.14 (-0.01)	4.56 (-0.03)
15Y	2.17 (-0.01)	--
20Y	2.2 (-0.01)	--
30Y	2.24 (-0.01)	5.07 (-0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
07/29/2026	0.241	24.100	0.060	3.682
09/16/2026	0.788	54.800	0.197	3.819
10/28/2026	1.001	21.200	0.250	3.872
12/09/2026	1.387	38.700	0.347	3.969

Financial Spread (bps)		
	Value	Change
TED	35.36	--

Secured Overnight Fin. Rate	
SOFR	3.58

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	72.08	-2.0%	Corn (per bushel)	4.278	-1.6%
Brent (per barrel)	76.30	-2.2%	Soybean (per bushel)	11.798	-1.3%
Heating Oil (per gallon)	357.16	-2.3%	Wheat (per bushel)	6.113	2.0%
Gasoline (per gallon)	303.87	-2.1%	Crude Palm Oil (MYR/MT)	44.820	-0.5%
Natural Gas (per MMBtu)	3.01	-6.2%	Rubber (JPY/KG)	4.150	0.2%
Base Metals	**Futures**	**% chg**	**Precious Metals**	**Futures**	**% chg**
Copper (per mt)	13490	2.5%	Gold (per oz)	4124	1.1%
Nickel (per mt)	16587	1.5%	Silver (per oz)	59.96	2.8%

Source: Bloomberg, Reuters

Economic Calendar

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
7/10/2026 12:00	SK	Bloomberg July South Korea Economic Survey					
7/10/2026 15:30	TH	Gross International Reserves	3-Jul	--	--	$279.3b	--
7/10/2026 15:30	TH	Forward Contracts	3-Jul	--	--	$22.7b	--
7/10/2026 19:30	IN	Foreign Exchange Reserves	3-Jul	--	--	$666.9b	--
7/10/2026-7/13/2026	VN	Domestic Vehicle Sales YoY	Jun	--	--	6.50%	--
7/10/2026-7/15/2026	IN	Current Account	May	--	--	$4.7b	--
7/09/2026-7/15/2026	CH	New Yuan Loans CNY YTD	Jun	11060.0b	--	9110.0b	--
7/09/2026-7/15/2026	CH	Aggregate Financing CNY YTD	Jun	21200.0b	--	17480.0b	--
7/09/2026-7/15/2026	CH	Money Supply M2 YoY	Jun	8.50%	--	8.60%	--
7/09/2026-7/15/2026	CH	Money Supply M1 YoY	Jun	4.90%	--	5.50%	--
7/09/2026-7/15/2026	CH	Money Supply M0 YoY	Jun	--	--	11.90%	--

Source: Bloomberg

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