

Daily Treasury Outlook

Highlights

Global: The selloff in AI hardware stocks extended into Tuesday, with the Philadelphia Semiconductor Index declining for a sixth consecutive session. Several catalysts weighed on sentiment, including reports that China's CXMT had made "key progress" in developing a denser DRAM design and Broadcom CEO Hock Tan's comparison of AI investing to a "casino". More importantly, concerns over the sustainability of debt-funded AI infrastructure investment are becoming increasingly evident in credit markets. The yield on a bond issued by data centre operator CoreWeave in June surged to 15%, compared with 9.625% at issuance.

Meanwhile, the IMF raised its 2026 global growth forecast to 3.1% from 3.0% in its latest World Economic Outlook, reflecting stronger-than-expected AI investment that has helped offset the drag from higher oil prices. The IMF also projects global growth of 3.4% in 2027, although this assumes that the Strait of Hormuz reopens by March and shipping conditions normalise by October 2027. The outlook remains vulnerable to two major downside risks. First, oil prices remaining above USD130/bbl through 1Q27 could shave 0.5ppt off global growth in 2027. Second, a sharp correction in AI investment could trigger a broader asset price selloff, reducing global GDP by 1.1% by 2028, including a 1.8% decline in US output relative to the baseline. IMF Chief Economist Silvana Tenreyro noted that global trade in AI-related goods expanded by 29% between 2023 and 2025, more than three times the 8.3% growth in overall global trade. Without AI-related trade, global trade growth would have been just 4.6%. Nevertheless, the IMF believes that even its severe AI downside scenario would be unlikely to push the global economy into recession.

On the data front, US existing home sales unexpectedly rose by 1.5% MoM in September to a seasonally adjusted annualised rate of 3.99mn units. However, August's decline was revised to 3.2% MoM from the previously reported 2.0%. Meanwhile, the average 30-year fixed mortgage rate climbed to 7.40% last week, its highest level since November 2023. Despite September's modest rebound in transactions, elevated mortgage rates and stretched affordability are likely to keep the US housing market subdued for some time.

On monetary policy, Fed Governor Christopher Waller argued that the recent rise in long-term Treasury yields cannot be attributed entirely to inflation risk premiums, given that inflation expectations remain well anchored. He also downplayed the influence of Fed policy on longer-term borrowing costs, noting that changes in overnight interest rates are not the primary driver of 10-year Treasury yields. Separately, New York Fed President John Williams reiterated that one additional rate hike may be necessary this year to contain inflation, although he sees no need for further tightening in 2027. Williams remains confident that underlying disinflationary forces will help bring inflation towards the Fed's 2% target, with energy prices unlikely to add further inflationary pressure next year. Taken together, the comments suggest that while the Fed may not be done tightening, policymakers remain relatively confident in the medium-term disinflation outlook. In Asia, the Monetary Authority of Singapore (MAS) unexpectedly left monetary policy unchanged this morning, while narrowing its

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Key Market Movements

Equity	Value	% chg
S&P 500	7805.5	0.0%
DJIA	51670	-0.3%
Nikkei 225	67778	-1.8%
SH Comp	3800.9	0.1%
STI	5430.5	0.3%
Hang Seng	24345	0.3%
KLCI	1623.4	0.3%

	Value	% chg
DXY	102.180	-0.4%
USDJPY	158.33	-0.2%
EURUSD	1.1199	0.4%
GBPUSD	1.3255	0.4%
USDIDR	17896	0.0%
USDSGD	1.2799	0.0%
SGDMYR	3.1919	0.1%

	Value	chg (bp)
2Y UST	4.79	0.21
10Y UST	5.21	-2.94
2Y SGS	1.91	-1.80
10Y SGS	2.42	-2.20
3M SORA	1.24	0.17
3M SOFR	3.72	1.29

	Value	% chg
Brent	105.69	-0.9%
WTI	94.14	0.4%
Gold	4161	-0.3%
Silver	59.15	-1.8%
Palladium	1126	-1.4%
Copper	14578	-0.3%
BCOM	144.88	0.2%

Source: Bloomberg

2026 core inflation forecast to 1.5-2.0%, compared with its previous projection of up to 2.5%.

Market Watch: Looking ahead, today's focus will be on US and China CPI, China's September trade data and the Fed's Beige Book. A busy lineup of Fed and ECB speakers at the meetings in Bangkok will also provide further insights into the global monetary policy outlook. Meanwhile, TSMC's earnings call will be closely watched for signals on AI-related demand.

SG: Based on advanced estimates, GDP growth slowed less-than-expected to 5.4% YoY in 3Q26 (Consensus: 5.1% and OCBC: 5.7%), down from an upwardly revised 6.2% in 2Q26. By sector, the construction sector growth accelerated to 8.8% YoY from 6.1% in the previous quarter. This was more than offset by a moderation in manufacturing activity, with growth easing to 7.5% YoY from 12.9% in 2Q26. Meanwhile, services growth was unchanged at 5.2% YoY in 3Q26. There is upside risk that full-year GDP growth will come in above 5.5% (OCBC 2026F: 5.2%), the upper end of the official 4.5%-5.5% growth forecast, given year-to-date growth of 6.0% YoY and continued support from AI-related demand across the electronics cluster.

Meanwhile, MAS kept its slope, width and centre unchanged, against consensus for a slight slope increase. The key change is from its assessment of the output gap, which is now expected to narrow through 2027, compared with July's expectation of further widening. The 2026 core inflation forecast was also narrowed to 1.5–2%, while MAS expects inflation to ease more noticeably from mid-2027. Headline and core Inflation forecasts for 2027 is projected at 1.5-2.5%, unchanged from its previous assessment. Nonetheless, MAS did highlight that inflation risks remain tilted to the upside.

Major Markets

MY: Investment, Trade and Industry Minister Johari Abdul Ghani said Malaysia's semiconductor exports to the US remain exempt from tariffs, with no indication that Washington plans to impose tariffs on the sector. Minister Johari also noted that Malaysia's tariff rate under the Section 301 forced labour investigation was finalised at 10%, compared with 12.5% for some other economies, while environmental standards and government subsidies raised no outstanding issues, as reported by The Edge. Excess production capacity remains the only unresolved issue, with Malaysia seeking clarification from the US on third countries potentially contributing to the issue. Separately, Minister Johari said the government aims to sign the Malaysia-EU Free Trade Agreement by the end of June 2027, with nearly 80% of negotiations completed.

ID: Finance Minister Suhasil Nazara reaffirmed Indonesia's commitment to keeping the budget deficit below 3% of GDP and the debt-to-GDP ratio below 60%, stating, "Our only currency is credibility." Speaking during a meeting with World Bank Group President Ajay Banga in Bangkok, Finance Minister Suhasil noted that fiscal policy would support the administration's priorities, including food and energy security, health and education, SMEs and natural resource downstreaming. He also emphasised the need to deepen the domestic financial sector, expand financial inclusion and create high-value employment opportunities while maintaining macroeconomic stability.

TH: The Bank of Thailand (BoT) expects the economy to grow by ~2.3% in 2026, following the IMF's recently upward revision of its Thailand GDP forecast to 2.1% (previous: 1.9%). According to BoT Governor Vitai Ratanakorn, the growth outlook is underpinned strong exports and AI-related investment, with exports projected to expand 17–18% and private investment and FDI expected to grow by up to 13%, while Inflation is expected to average ~2.2%. He described the economy as stable and resilient, noting that growth momentum has held up despite challenges including the recent flooding in Bangkok and nearby provinces. Nonetheless, Governor Vitai warned that structural weaknesses, including decades of low investment, declining productivity, an ageing workforce, education system weaknesses and elevated household debt of 86–87%, have reduced Thailand's potential growth rate to around 2.7%. Governor Vitai added that the BoT has broadened its role beyond monetary policy to tackle these structural weaknesses, improve living standards and strengthen SMEs, while emphasising the need for coordinated reforms across government agencies to address these structural issues.

AU: The RBA's September meeting minutes reinforced the central bank's hawkish stance, highlighting several factors behind its decision to raise rates by 25bps. Members noted that upside risks to inflation were materialising, including higher oil prices, AI-related cost pressures and stronger-than-expected domestic capacity pressures. Business liaison also revealed "widespread cost pressures that firms were either passing into the prices of their goods or looking to do so". With economic activity and labour market conditions remaining resilient, members warned that "waiting for further confirmation of the outlook for inflation could be costly". Finally, they noted that the higher global neutral interest rate suggested that the previous cash rate of 4.35% was less restrictive than previously assessed, strengthening the case for a hike.

Sustainability

SG: Singapore received its first internationally certified bio-LNG cargo on 9 October, brought in by Shell and SLNG. The bio-LNG was verified as biomethane produced from sustainable feedstock and tracked through the supply chain with its associated emissions accounted for. The shipment marks a step in developing lower-carbon energy alternatives in Singapore, which remains highly reliant on imported natural gas for electricity generation.

Credit Market Updates

Market Commentary:

- The SGD SORA OIS curve traded lower yesterday; shorter tenors traded 1-2bps lower, belly tenors traded 3bps lower, and 10Y tenor traded 3bps lower.
- US Investment Grade spreads widened by 1bps to 82bps, and US High Yield spreads widened by 5bps to 313bps. Bloomberg Global Contingent Capital spreads traded tightened by 1bps to 234bps.
- Bloomberg Asia USD Investment Grade spread traded flat at 60bps, and the Asia USD High Yield spreads widened by 1bps to 360bps. (Bloomberg, OCBC)

New Issues:

- In the SGD credit market, Saigon-Hanoi Commercial Joint Stock Bank (guarantor: Credit Guarantee & Investment Facility) issued SGD229mn of bonds across two tranches.
- There were USD4.24bn and USD11.98bn in the APAC and DM IG markets respectively (prior business day: zero and USD400mn issuances respectively).
- Issuance in APAC markets were led by Tencent Holdings, who priced USD1.8bn across two tranches and DM IG markets were led by JP Morgan Chase & Co., which issued USD7bn across three tranches.

Credit Headlines:

- **Genting Bhd (GENT):** Shares fell 22.9% to MYR1.45 following its proposed MYR1.25bn rights issue. Major shareholders have committed to their 45.1% pro-rata entitlements and the remainder is underwritten. The rights issue is credit positive in our view, but its modest size is insufficient to change the current issuer profile score at this stage.
- **ESR-REIT (EREIT):** Entered into a JPY7.1bn (SGD57.4mn) sustainability-linked unsecured term loan for refinancing, acquisitions, asset enhancements and general corporate purposes.

Equity Market Updates

US: US stocks were little changed on Tuesday, with the S&P 500 closing flat at – 0.02%, while the Nasdaq slipped 0.15% and the Dow fell 0.35%. Early losses were pared after New York Fed President John Williams indicated that one further rate hike may be appropriate this year, while suggesting rates may remain unchanged in 2027. Semiconductor stocks remained under pressure for a second straight session following reports that China's ChangXin Memory Technologies is developing a new server-memory architecture. Concerns over intensifying Chinese competition weighed on chipmakers, pushing the Philadelphia Semiconductor Index lower for a fourth consecutive session. Microsoft bucked the softer trend, reaching its first record close in nearly a year. Treasury yields eased, with the 10-year yield falling around 5–6 basis points to approximately 5.22%, supported by lower oil prices and softer risk sentiment. In Hong Kong, the Securities and Futures Commission suspended trading in Sichuan Baicha Baidao Industrial over serious concerns surrounding its IPO. Attention now turns to Wednesday's US September CPI release, which could play an important role in shaping Fed policy expectations into year-end.

Foreign Exchange

	Day Close	% Change		Day Close
DXJ	102.180	-0.40%	USD-SGD	1.2799
USD-JPY	158.33	-0.18%	EUR-SGD	1.4333
EUR-USD	1.120	0.39%	JPY-SGD	0.8085
AUD-USD	0.698	0.36%	GBP-SGD	1.6965
GBP-USD	1.326	0.36%	AUD-SGD	0.8938
USD-MYR	4.085	0.02%	NZD-SGD	0.7183
USD-CNY	-	-	CHF-SGD	1.5371
USD-IDR	17896	-0.04%	SGD-MYR	3.1919
USD-VND	25916	-0.06%	SGD-CNY	5.2305

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR
1M	2.4440	0.53%	1M	3.9339
3M	2.6320	0.00%	2M	3.9740
6M	2.8920	-0.58%	3M	4.0662
12M	3.1770	-0.44%	6M	4.2241
			1Y	4.5073

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
10/28/2026	0.238	23.800	0.060	3.938
12/09/2026	1.107	86.900	0.277	4.155
01/27/2027	1.538	43.100	0.385	4.262
03/17/2027	2.218	68.000	0.555	4.432

Equity and Commodity

Index	Value	Net change
DJIA	51,670.10	-180.45
S&P	7,805.45	-1.79
Nasdaq	27,204.38	-41.52
Nikkei 225	67,777.52	-1253.40
STI	5,430.50	15.02
KLCI	1,623.35	5.34
JCI	5,925.98	-10.17
Baltic Dry	2,852.00	-65.00
VIX	15.27	0.06

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.91 (-0.02)	4.79(--)
5Y	2.17 (-0.02)	5 (-0.01)
10Y	2.42 (-0.02)	5.21 (-0.03)
15Y	2.47 (-0.02)	--
20Y	2.45 (-0.02)	--
30Y	2.5 (-0.02)	5.56 (-0.04)

Secured Overnight Fin. Rate

SOFR	3.87
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	94.14	0.4%	Corn (per bushel)	4.828	-0.1%
Brent (per barrel)	105.69	-0.9%	Soybean (per bushel)	12.838	-0.3%
Heating Oil (per gallon)	493.44	4.5%	Wheat (per bushel)	6.693	-0.4%
Gasoline (per gallon)	325.01	-1.3%	Crude Palm Oil (MYR/MT)	43.980	4.7%
Natural Gas (per MMBtu)	3.28	3.7%	Rubber (JPY/KG)	4.518	1.1%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	14578	-0.3%	Gold (per oz)	4161	-0.3%
Nickel (per mt)	15587	-0.2%	Silver (per oz)	59.15	-1.8%

Source: Bloomberg, Reuters

Economic Calendar

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
10/14/2026 7:30	AU	Westpac Leading Index MoM	Sep	--	-0.06%	-0.04%	-0.02%
10/14/2026 7:50	JN	Money Stock M2 YoY	Sep	--	2.00%	2.00%	--
10/14/2026 7:50	JN	Money Stock M3 YoY	Sep	--	1.20%	1.20%	--
10/14/2026 8:00	SI	GDP YoY	3Q A	5.10%	5.40%	5.90%	6.20%
10/14/2026 9:30	CH	PPI YoY	Sep	4.40%	--	3.80%	--
10/14/2026 9:30	CH	CPI YoY	Sep	1.00%	--	0.80%	--
10/14/2026 10:00	CH	Exports YoY	Sep	25.70%	--	25.00%	--
10/14/2026 10:00	CH	Imports YoY	Sep	25.00%	--	28.20%	--
10/14/2026 10:00	CH	Trade Balance	Sep	\$117.78b	--	\$119.09b	--
10/14/2026 14:30	IN	Wholesale Prices YoY	Sep	10.60%	--	9.92%	--
10/14/2026 19:00	US	MBA Mortgage Applications	9-Oct	--	--	-4.20%	--
10/14/2026 20:30	US	CPI MoM	Sep	0.60%	--	0.40%	--
10/14/2026 20:30	US	Core CPI MoM	Sep	0.20%	--	0.30%	--
10/14/2026 20:30	US	CPI YoY	Sep	3.60%	--	3.40%	--

Source: Bloomberg

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