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OCBC Group Research

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Daily Treasury Outlook

Highlights

Global: The geopolitical crisis surrounding the Strait of Hormuz escalated dramatically on Wednesday. The US reimposed its naval blockade on Iranian ports and launched a new seven-hour wave of strikes against Iran's coastal defence systems and cruise missile storage sites on Greater Tunb Island. U.S. Central Command confirmed that it had redirected two commercial vessels attempting to breach the blockade. Iran's Revolutionary Guard Corps (IRGC) responded by threatening to shut down all regional energy export routes, declaring that "the export of oil and gas from the region will be either for everyone or for no one." The IRGC subsequently struck US military targets in Kuwait, Bahrain, and Jordan in retaliation. Despite the escalation, oil prices remained remarkably contained, with Brent crude at USD85.38/bbl and WTI at USD80.13/bbl.

On the data front, following Tuesday's softer-than-expected US CPI release, the Producer Price Index (PPI) delivered another downside surprise. Headline PPI fell 0.3% month-on-month compared with expectations for an unchanged reading. The annual rate eased to 5.5%, well below the consensus forecast of 6.2% and down from a downwardly revised 6.0% in May. Goods prices plunged 1.4%, driven by a 6.4% decline in energy prices and a 12.0% drop in gasoline prices. Core PPI (excluding food and energy) rose just 0.2% MoM, below the 0.3% forecast, while the annual rate came in at 4.7% versus expectations of 5.1%.

The Beige Book was also released overnight. It showed that "economic activity increased at a slight to moderate pace in eleven of the twelve Federal Reserve Districts in late May and June, while one District reported no change." Labour market conditions also appeared stronger, with "five Districts showing modest, moderate, or solid gains in employment, and seven Districts experiencing little to no change." This compares with the June release, in which only one District reported "modest, moderate, or solid employment gains." On prices, the report noted that price increases remained moderate, with "nine Districts reporting moderate growth, two reporting robust growth, and one reporting slight growth." This compares with the previous report, which indicated similar or slower price growth across all Districts.

Developments in our region were also noteworthy on Wednesday. Malaysia's Deputy Finance Minister, Liew Chin Tong, told the Dewan Rakyat that the government would not reduce any existing subsidies despite a projected MYR40bn petroleum subsidy bill for 2026—nearly triple the MYR15bn originally budgeted.

In India, the Ministry of Statistics and Programme Implementation (MoSPI) launched the Index of Services Production (ISP) in July 2026, marking the country's first high-frequency monthly indicator dedicated to measuring short-term changes in output across the formal services sector. The government released the first trial ISP covering 19 subsectors for April 2026, representing approximately 60% of the services sector. The data showed that 14 of the 19 subsectors recorded double-digit growth in April 2026 compared with April 2025.

Key Market Movements

Equity	Value	% chg
S&P 500	7572.4	0.4%
DJIA	52659	0.3%
Nikkei 225	68752	1.5%
SH Comp	3955.6	-0.3%
STI	5559.7	1.2%
Hang Seng	24681	1.4%
KLCI	1713.8	-0.4%
	Value	**% chg**
DXY	100.485	-0.4%
USDJPY	162.19	0.0%
EURUSD	1.1463	0.4%
GBPUSD	1.3540	1.1%
USDIDR	18067	-0.1%
USDSGD	1.289	-0.2%
SGDMYR	3.1565	0.0%
	Value	**chg (bp)**
2Y UST	4.13	-5.88
10Y UST	4.55	-4.21
2Y SGS	1.65	-1.60
10Y SGS	2.22	-0.33
3M SORA	1.13	0.20
3M SOFR	3.63	-0.10
	Value	**% chg**
Brent	84.95	0.3%
WTI	79.60	0.3%
Gold	4061	0.2%
Silver	57.80	-1.5%
Palladium	1320	1.1%
Copper	13582	-0.5%
BCOM	130.62	0.4%

Source: Bloomberg

In Thailand, the National Energy Policy Committee (NEPC), chaired by Prime Minister Anutin, approved a sweeping seven-measure package on 15 July aimed at restructuring the country's electricity tariff framework, representing the most significant energy pricing reform in years. Data centres will be subject to separate, higher tariff rates. In addition, renewable energy Direct Power Purchase Agreements (Direct PPAs) via third-party access (TPA) have been expanded beyond data centres to cover all industries without megawatt limits, marking a significant step toward a more liberalised clean energy market. The Energy Regulatory Commission (ERC) has been tasked with conducting a 15-day public consultation, with implementation targeted for the August 2026 billing cycle.

Market Watch: The Bank of Korea meets today and is expected to raise its policy rate by 25bps amid rising inflation and resilient economic growth. The slate of economic data releases will be centred on the US, including June retail sales, weekly initial and continuing jobless claims, June pending home sales and business inventories, as well as July surveys such as the New York Fed Services Business Activity Index and the Philadelphia Fed Business Outlook Survey. Elsewhere, markets will monitor the Eurozone's May trade balance and the UK's May monthly activity data.

Major Markets

CN: China's economy slowed more than expected to 4.3% YoY (0.9% QoQ SA) in 2Q26 from 5.0% in 1Q26. Nevertheless, GDP growth averaged 4.7% YoY in the first half of 2026, remaining within the government's 4.5–5.0% growth target. On encouraging development was the continued reflation of the economy. Nominal GDP growth accelerated to 5.9% YoY in 2Q from 4.9% in 1Q, while China's GDP deflator turned positive for the first time since March 2023, signalling that deflationary pressures are gradually easing.

ID: Danantara Indonesia, as reported by Antara, urged businesses to accelerate domestic mineral processing to capture more value from the country's resources, strengthen strategic industries and expand Indonesia's role in global supply chains. Danantara hosted an advanced materials industry dialogue that concluded with an MoU among PT Mineral Industry Indonesia, PT LEN Industri, PT Krakatau Steel and PT Pindad to accelerate critical minerals downstreaming, strengthen domestic supply chains and secure offtake agreements. The integrated ecosystem will supply advanced materials to the aerospace, maritime, defence, power and industrial component sectors, while supporting batteries, clean energy, transportation and other future technologies.

MY: Prime Minister Anwar Ibrahim, as reported by The Edge, instructed the Ministry of Agriculture and Food Security to urgently prepare mitigation measures for the Super El Niño phenomenon forecast to affect Malaysia from November, with the aim of limiting disruptions to food production and protecting farmers' livelihoods. The National Food Security Council also discussed fisheries cooperation with Thailand, and Anwar directed the ministry to finalise the matter promptly while maintaining food safety and quality standards. The council further reviewed measures to strengthen the agrifood sector through technology, innovation and best practices to improve competitiveness, reinforce food security and support farmers, paddy growers, livestock breeders and fishermen.

AU: In a speech yesterday, PM Albanese outlined his government's framework for regulating artificial intelligence, emphasising the objective of ensuring AI adoption and development are aligned with Australia's national interests. The PM reinforced copyright protections for Australian creatives, stating that Australian art should not be used for AI training without the artist's control of the price and value of their work. He also confirmed the establishment of the Office of AI, with the purpose of coordinating AI issues across different industries. Data centers will be expected to comply with new regulations, which include underwriting any new electricity generation capacity to ensure households are not burdened with energy costs, minimising water consumption, and funding any additional water infrastructure required to support their operations.

Sustainability

CH: China's green technology exports rose by over one-third in the first half of the year, as the shift towards a low-carbon economy continues to gain momentum with rising investment and consumer demand in renewable energy sectors. Shipments of lithium batteries and wind turbines increased by 38% and 36%, respectively, over January to June. This follows an already robust first quarter, during which lithium battery exports surged by 50% from the same period a year earlier. The continued strong demand highlights the global push for alternative energy sources, a trend that has been further intensified by energy supply disruptions linked to the geopolitical tensions in the Middle East.

Credit Market Updates

Market Commentary:

- The SGD SORA OIS curve traded lower yesterday with shorter tenors trading 3-4bps lower, belly tenors trading 3-4bps lower, and the 10Y tenor trading 3bps lower.
- US Investment Grade spreads tightened by 1 bps to 77bps, and US High Yield spreads tightened by 2bps to 266bps. Bloomberg Global Contingent Capital Index widened by 1bps to at 210bps.
- Bloomberg Asia USD Investment Grade widened by 1bps to 56bps, and the Asia USD High Yield spreads widened by 4bps to 365bps. (Bloomberg, OCBC)

New Issues:

- There were no notable issuances in the Singdollar market yesterday.
- The total issuances in the APAC and DM IG markets respectively were USD1.8bn and USD23.6bn yesterday (prior day: zero and USD13.9bn respectively). The largest issuance in DM IG came from JP Morgan Chase & Co. and Morgan Stanley, both pricing USD9bn across four tranches each. (Bloomberg, OCBC)

Credit Developments:

- Bank of America (BAC): Strong 2QFY2026 results driven by record trading and investment banking activity, with resilient credit quality and robust capital supporting USD8bn shareholder returns.
- Citigroup (C): Delivered an earnings beat on higher NII and market revenues, while maintaining benign asset quality and accelerating capital returns through buybacks.
- JPMorgan Chase (JPM): Reported strong earnings with record equities trading revenue, solid credit performance, and ample capital flexibility above regulatory requirements.
- Wells Fargo (WFC): Posted higher profits on strong fee income and loan growth, with improving credit quality despite near-term pressure on net interest margins.
- BP plc (BPLN): Expects lower upstream production in 2Q2026 but stronger commodity realizations and lower net debt, partially offset by impairment charges in energy transition businesses.
- Olam Group (OLGPSP): Repurchased and will cancel SGD44.5mn of perpetual securities, reducing outstanding perpetuals and improving capital management flexibility.
- BHP Group (BHP): Exploring infrastructure asset sales to focus on copper growth, while managing labour disruptions and advancing post-mining redevelopment plans for Mt Arthur.

Equity Market Updates

US: US stocks advanced Wednesday, as a second consecutive softer-than-expected inflation print drove equities higher, with markets further paring back bets on Federal Reserve rate increases. The S&P 500 rose 0.4%, the Nasdaq gained 0.6%, and the Dow added 0.3%. June PPI fell 0.3% month-on-month against expectations of no change, following Tuesday's soft CPI reading, with the year-on-year figure coming in at 5.5% versus estimates of 6.2%. New York Fed President Williams added to the tone, noting encouraging signs that inflation has peaked and that policy is well-positioned to bring it lower. Megacap technology and financials led gains: Apple rose 4% to a record high after China's Cyberspace Administration approved Apple Intelligence for rollout in the country, whilst Morgan Stanley surged after reporting Q2 net revenue of USD21.4b, a 27% year-on-year increase that beat estimates of USD19.6b by a wide margin. PayPal rallied sharply on reports that Stripe and private-equity firm Advent offered to acquire the company for more than USD50b. Chip stocks declined, capping Nasdaq gains. Treasury yields fell across the curve, with the 2-year down approximately 6 basis points to 4.15% and the 10-year down approximately 4 basis points to 4.56%, as money markets pushed back the timing of any potential Fed hike to no earlier than December.

Foreign Exchange				
	Day Close	% Change		Day Close
DXY	100.485	-0.43%	USD-SGD	1.2890
USD-JPY	162.19	-0.04%	EUR-SGD	1.4778
EUR-USD	1.146	0.38%	JPY-SGD	0.7947
AUD-USD	0.700	0.42%	GBP-SGD	1.7452
GBP-USD	1.354	1.12%	AUD-SGD	0.9027
USD-MYR	4.080	0.04%	NZD-SGD	0.7540
USD-CNY	6.768	-0.05%	CHF-SGD	1.6005
USD-IDR	18067	-0.14%	SGD-MYR	3.1565
USD-VND	26256	-0.02%	SGD-CNY	5.2519

Equity and Commodity		
Index	Value	Net change
DJIA	52,658.64	150.37
S&P	7,572.40	28.81
Nasdaq	26,269.23	162.22
Nikkei 225	68,751.51	1008.01
STI	5,559.72	64.11
KLCI	1,713.76	-6.18
JCI	6,041.97	2.45
Baltic Dry	2,929.00	-51.00
VIX	15.67	-0.83

SOFR				
Tenor	EURIBOR	Change	Tenor	USD SOFR
1M	2.2200	-0.18%	1M	3.6704
3M	2.4520	0.86%	2M	3.6895
6M	2.6540	1.26%	3M	3.7302
12M	2.8250	0.89%	6M	3.8341
			1Y	3.9787

Government Bond Yields (%)		
Tenor	SGS (chg)	UST (chg)
2Y	1.65 (-0.02)	4.15(--)
5Y	1.83 (-0.02)	4.26 (-0.06)
10Y	2.22 (--)	4.56 (-0.04)
15Y	2.25 (--)	--
20Y	2.28 (+0.01)	--
30Y	2.33 (+0.01)	5.09 (-0.02)

Fed Rate Hike Probability				
Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
07/29/2026	0.102	10.200	0.025	3.653
09/16/2026	0.547	44.500	0.137	3.764
10/28/2026	0.742	19.500	0.185	3.813
12/09/2026	1.047	30.500	0.262	3.889

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)	79.60	0.3%	Corn (per bushel)	4.475	3.2%
Brent (per barrel)	84.95	0.3%	Soybean (per bushel)	12.023	-0.4%
Heating Oil (per gallon)	394.83	-1.6%	Wheat (per bushel)	6.775	7.3%
Gasoline (per gallon)	330.09	2.3%	Crude Palm Oil (MYR/MT)	45.200	0.1%
Natural Gas (per MMBtu)	2.92	0.7%	Rubber (JPY/KG)	4.319	1.2%
Base Metals	**Futures**	**% chg**	**Precious Metals**	**Futures**	**% chg**
Copper (per mt)	13582	-0.5%	Gold (per oz)	4061	0.2%
Nickel (per mt)	16803	0.2%	Silver (per oz)	57.80	-1.5%

Source: Bloomberg, Reuters

Economic Calendar

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
7/16/2026 14:00	UK	Industrial Production MoM	May	-0.10%	--	0.00%	--
7/16/2026 14:00	UK	Manufacturing Production MoM	May	-0.20%	--	0.40%	--
7/16/2026 14:00	UK	Industrial Production YoY	May	1.30%	--	-0.20%	--
7/16/2026 14:00	UK	Trade Balance GBP/Mn	May	-£5500m	--	-£8435m	--
7/16/2026 14:00	UK	Manufacturing Production YoY	May	2.00%	--	1.00%	--
7/16/2026 14:00	UK	Visible Trade Balance GBP/Mn	May	-£23100m	--	-£26046m	--
7/16/2026 14:00	UK	Monthly GDP (MoM)	May	0.00%	--	-0.10%	--
7/16/2026 20:30	US	Initial Jobless Claims	11-Jul	217k	--	215k	--
7/16/2026 20:30	US	Retail Sales Advance MoM	Jun	0.20%	--	0.90%	--
7/16/2026 20:30	US	Philadelphia Fed Business Outlook	Jul	12.5	--	10.3	--
7/16/2026 20:30	US	Continuing Claims	4-Jul	1818k	--	1814k	--
7/16/2026 20:30	US	Retail Sales Ex Auto MoM	Jun	-0.10%	--	0.80%	--
7/16/2026 20:30	US	Retail Sales Ex Auto and Gas	Jun	0.40%	--	0.50%	--
7/16/2026 22:00	US	Pending Home Sales MoM	Jun	-0.50%	--	3.80%	--
7/16/2026	SK	BOK Base Rate	16-Jul	2.75%	--	2.50%	--

Source: Bloomberg