

Daily Treasury Outlook

Highlights

Global: Oil prices fell below US\$80/bbl for the first time since early March amid growing hopes that the Strait of Hormuz will fully reopen following the U.S.-Iran ceasefire agreement. However, U.S. equities paused after their recent rally, with technology stocks leading the retreat. Lower oil prices also helped push U.S. Treasury yields lower ahead of the June FOMC meeting. In Japan, the Bank of Japan raised its policy rate to a 31-year high on Tuesday in a 7-1 vote. Board member Asada, who was appointed under Prime Minister Takaichi, was the sole dissenter. Deputy Governor Shinichi Uchida signaled that the BOJ remains committed to further policy normalization, citing persistent inflation risks. While welcoming the recent U.S.-Iran peace agreement as a positive development, Uchida noted that inflationary pressures remain entrenched as firms continue to pass on higher costs and implement wage increases. In Europe, ECB Chief Economist Philip Lane reiterated that the central bank will remain "proactive" in tackling inflation despite the recent decline in energy prices following the easing of Middle East tensions.

On the data front, German investor sentiment improved sharply in June, with the ZEW expectations index rising to +10.5 from -10.2 in May, reflecting optimism that the Iran conflict is de-escalating. However, the assessment of current economic conditions weakened slightly, with the current situation index falling to -81.0 from -77.8 previously. Meanwhile, China's May economic data further reinforced the K-shaped nature of the recovery. High-tech manufacturing, AI-related industries and emerging sectors continued to outperform, while consumption, property-related activity and traditional investment sectors remained under pressure. Elsewhere, a survey by the World Gold Council showed that 84% of central banks expect to increase the share of gold in their reserves over the next five years, up from 76% a year ago, highlighting the continued diversification away from traditional reserve assets.

Market Watch: For today, all eyes will be on the June FOMC meeting. The key question is how Chair Kevin Warsh begins to reshape the Fed's reaction function, communication strategy and inflation framework. As this is a Summary of Economic Projections (SEP) meeting, investors will closely scrutinize the updated dot plot and economic forecasts for signs of a shift in the Fed's internal narrative. Equally important will be how Warsh interprets the recent oil-price shock. Given his repeated emphasis on distinguishing between trend inflation and temporary price shocks, investors will look for clues on whether he views the recent energy-driven inflation pickup as transitory noise rather than a signal requiring a policy response. Markets will also be watching whether he pushes back against current rate-cut expectations. Finally, Warsh has frequently highlighted AI's potential to boost productivity and expand supply-side capacity. The June meeting could offer the first indication of whether he believes AI-driven productivity gains are already helping to ease inflationary pressures. Beyond the FOMC, markets will also monitor UK and Eurozone inflation data, as well as U.S. May retail sales figures.

Key Market Movements

Equity	Value	% chg
S&P 500	7511.4	-0.6%
DJIA	52000	0.6%
Nikkei 225	69405	0.1%
SH Comp	4091.9	-0.1%
STI	5116.9	0.8%
Hang Seng	24494	-1.4%
KLCI	1710.0	1.1%
	Value	% chg
DXY	99.540	-0.1%
USDJPY	160.43	0.1%
EURUSD	1.1608	0.2%
GBPUSD	1.3426	0.1%
USDIDR	17703	0.0%
USDSGD	1.2821	0.0%
SGDMYR	3.1747	0.5%
	Value	chg (bp)
2Y UST	4.05	-1.47
10Y UST	4.44	-3.36
2Y SGS	1.57	0.30
10Y SGS	2.00	-0.33
3M SORA	1.09	0.13
3M SOFR	3.64	0.05
	Value	% chg
Brent	78.96	-5.1%
WTI	76.05	-5.8%
Gold	4331	0.5%
Silver	70.02	0.0%
Palladium	1356	0.9%
Copper	13774	0.2%
BCOM	127.65	-0.6%

Source: Bloomberg

SG: Non-oil domestic exports (NODX) grew by 38.4% YoY in May compared to 24.4% in April, beating strong expectations (Consensus & OCBC: 30.5%). Electronics exports jumped 94.8% YoY versus 66.7% in April as the global semiconductor upcycle continues to be a tailwind for electronics exports and production even into 2Q26.

Major Markets

CH: May industrial production remained resilient despite growing external and domestic headwinds. Value-added industrial output of large enterprises rose 4.5% YoY, accelerating from 4.1% in April, while increasing 0.4% MoM. Retail sales weakened further, pointing to a softer consumption backdrop. Total retail sales of consumer goods fell 0.6% YoY in May, reversing April's 0.2% increase and marking the first contraction since 2023. While automobile sales remained the primary drag, the weakness was increasingly broad-based. Excluding automobiles, retail sales still grew 1.1% YoY, but the pace slowed noticeably from previous months. Fixed-asset investment remained under pressure, with weakness extending beyond the property sector. In January–May, fixed-asset investment totaled RMB17.85 trillion, declining 4.1% YoY. Excluding real estate, investment fell 1.2%, while property development investment contracted 16.2%, with the pace of decline continuing to widen. Overall, the latest activity data point to a further moderation in growth momentum. While high-tech manufacturing and AI-related sectors continue to provide important support, weakness in consumption, property, manufacturing investment and infrastructure spending suggests that the broader economy remains under pressure. We expect China's GDP growth to slow to around 4.5% YoY in Q2.

HK: The seasonally adjusted unemployment rate and underemployment rate were unchanged at 3.7% and 1.5% respectively in March – May 2026. On sequential term, the number of unemployed persons rose for the third straight month by 1.4%, while labour force declined further by 0.2%, to the lowest level since early 2023. Comparing March - May 2026 with February - April 2026, more sectors recorded increases in unemployment rate than those recording declines, though the magnitudes were generally not large. For the rest of the year, labour market slack is likely to widen slightly, with unemployment rate projected at 3.8%.

ID: Cabinet Secretary Teddy Indra Wijaya met Indian Ambassador Shri Sandeep Chakravorty in Jakarta to discuss bilateral cooperation and preparations for Prime Minister Narendra Modi's visit to Indonesia later this year. Separately, President Prabowo Subianto and German President Frank-Walter Steinmeier discussed accelerating the Indonesia-EU Comprehensive Economic Partnership Agreement (IEU-CEPA), expanding trade and investment ties, and deepening cooperation in energy, climate, education and workforce development. Both countries also agreed to strengthen cooperation in skilled workforce development, including through a Letter of Intent on the Global Skills Partnership in nursing.

MY: Prime Minister Anwar Ibrahim said Austrian semiconductor manufacturer AT&S plans to invest EUR1.5bn–2.0bn to expand its operations in Kulim, Kedah, supporting Malaysia’s semiconductor ecosystem and high-skilled employment opportunities. PM Anwar added that the investment followed discussions held in early June and reflected growing international investor confidence in the country’s policies, political stability, governance and economic transformation agenda. AT&S said the expansion is supported by long-term customer commitments and follows agreements with AMD and another leading technology company. The project will include fitting out the existing Plant 2 structure and constructing a new manufacturing facility for integrated-circuit substrate cores and advanced printed-circuit boards.

TH: Finance Minister Ekniti Nitithanprapas has welcomed reports of an agreement between the US and Iran to end the Middle East conflict, describing it as a very positive development that would enable Thailand and the broader global economies to "enter rehabilitation mode." However, Minister Ekniti cautioned that energy prices may not return to pre-war levels due to damage sustained by key oil production and storage facilities. Nevertheless, lower geopolitical tensions would help reduce the risk of a broader global crisis driven by volatile energy prices. He added that the government would proceed with its plan to utilise the THB200bn loan to reduce dependence on oil and promote renewable energy.

ESG

Rest of the world: Clean energy now accounts for around 63.7% of Cambodia’s installed power capacity. Its expansion of renewable energy has helped shield its electricity consumers from the impact of the Middle East conflict, keeping electricity prices stable despite volatilities in global fuel markets. Even as Cambodia accelerates its shift towards clean energy, fossil fuels will continue to play a role during the transition to bolster energy security.

Credit Market Updates

Market Commentary:

- The SGD SORA OIS curve traded lower yesterday with shorter, belly and 10Y tenors all trading 3bps lower.
- US Investment Grade spreads widened by 2bps to 73bps and US High Yield spreads widened by 3bps to 259bps yesterday respectively. Bloomberg Global Contingent Capital Index tightened by 1bps to 218bps.
- Bloomberg Asia USD Investment Grade traded flat at 53bps yesterday while Asia USD High Yield spreads widened by 1bps to 365bps. (Bloomberg, OCBC)

New Issues:

- In the SGD credit market, MPACT Treasury Company Pte Ltd (guarantor: DBS Trustee Limited in its capacity as trustee of Mapletree Pan Asia Commercial Trust ("MPACT")) priced SGD200mn of 7Y green bonds at 2.53%.
- The total issuance volumes for APAC and DM IG markets yesterday were USD950mn and USD7.3bn respectively (prior day: USD2bn and USD34.95bn respectively). The highest issuances in APAC and DM IG came from HDFC Bank Ltd/Gandhinagar (priced a USD750mn 5Y fixed bond at T+90bps) and NextEra Energy Capital Holdings Inc (guarantor: NextEra Energy Inc) (priced USD3.75bn of debt in three tranches) respectively. (Bloomberg, OCBC)

Recent Coverage Developments:

- In the Singapore residential property market, May sales moderated with 447 units were sold, largely supported by Hudson Place Residences where 201 of the 328 launched units were taken up, though sales declined m/m on fewer launches from April.
- Singapore Airlines Ltd reported its May 2026 operating data, with passenger numbers rising 5.2% y/y, though load factor dipped slightly as capacity expanded faster than traffic. Cargo performance improved, with higher load factors and stronger demand growth outpacing capacity increases.

Equity Market Updates

US: US stocks retreated on Tuesday as a rotation out of technology weighed on major indices ahead of the Federal Reserve's first rate decision under new Chairman Kevin Warsh. The S&P 500 fell 0.6%, the Nasdaq fell 1.2%, and the Philadelphia Semiconductor Index dropped 5.7% as chipmakers paused after a strong recent run, with Nvidia declining 2.4%. The Dow Jones Industrial Average bucked the trend, rising 0.6% to fresh all-time highs, lifted by financials, which gained 1.5% for a fourth consecutive session of outperformance. A post-IPO surge in SpaceX approached 50% across three sessions. Falling oil prices, driven by expectations of a US-Iran interim peace agreement due to be signed on 19 Jun 2026 and the anticipated reopening of the Strait of Hormuz, eased inflation concerns and supported Treasuries. The 10-year yield declined approximately 2 to 3 basis points to around 4.43%, while a USD13b 20-year bond auction stopped through its when-issued yield at 4.927%, drawing a bid-to-cover ratio of 2.75, above the prior auction's 2.55, indicating solid demand. Markets now await Warsh's inaugural press conference for policy signals.

Foreign Exchange

	Day Close	% Change		Day Close
DXY	99.540	-0.09%	USD-SGD	1.2821
USD-JPY	160.43	0.06%	EUR-SGD	1.4884
EUR-USD	1.161	0.16%	JPY-SGD	0.7990
AUD-USD	0.707	-0.07%	GBP-SGD	1.7216
GBP-USD	1.343	0.09%	AUD-SGD	0.9060
USD-MYR	4.070	0.46%	NZD-SGD	0.7476
USD-CNY	6.757	-0.01%	CHF-SGD	1.6165
USD-IDR	17703	-0.93%	SGD-MYR	3.1747
USD-VND	26298	0.03%	SGD-CNY	5.2702

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR
1M	2.1710	0.18%	1M	3.6320
3M	2.4070	1.13%	2M	3.6579
6M	2.6060	-1.25%	3M	3.6748
12M	2.7960	-2.71%	6M	3.7408
			1Y	3.8768

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
06/17/2026	0.052	5.200	0.013	3.631
07/29/2026	0.138	8.600	0.034	3.652
09/16/2026	0.358	22.100	0.090	3.708
10/28/2026	0.498	13.900	0.124	3.743
12/09/2026	0.840	34.200	0.210	3.828

Equity and Commodity

Index	Value	Net change
DJIA	51,999.67	328.64
S&P	7,511.35	-42.94
Nasdaq	26,376.34	-307.60
Nikkei 225	69,404.50	87.00
STI	5,116.86	39.57
KLCI	1,709.99	18.60
JCI	6,254.97	247.31
Baltic Dry	2,720.00	-9.00
VIX	16.41	0.21

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.57 (--)	4.05(--)
5Y	1.68 (--)	4.16 (-0.03)
10Y	2 (--)	4.43 (-0.03)
15Y	1.99 (--)	--
20Y	1.99 (--)	--
30Y	2.04 (+0.01)	4.94 (-0.04)

Financial Spread (bps)

Value	Change	
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	3.69
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Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	76.05	-5.8%	Corn (per bushel)	4.138	-0.4%
Brent (per barrel)	78.96	-5.1%	Soybean (per bushel)	11.300	1.0%
Heating Oil (per gallon)	317.02	-2.9%	Wheat (per bushel)	5.960	1.1%
Gasoline (per gallon)	288.05	-2.3%	Crude Palm Oil (MYR/MT)	45.010	2.2%
Natural Gas (per MMBtu)	3.24	2.9%	Rubber (JPY/KG)	4.336	2.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	13774	0.2%	Gold (per oz)	4331	0.5%
Nickel (per mt)	17996	0.5%	Silver (per oz)	70.02	0.0%

Source: Bloomberg, Reuters

Economic Calendar

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
6/17/2026 8:30	AU	Westpac Leading Index MoM	May	--	-0.04%	0.04%	0.06%
6/17/2026 17:00	EC	CPI YoY	May F	3.20%	--	3.20%	--
6/17/2026 17:00	EC	CPI MoM	May F	0.10%	--	0.10%	--
6/17/2026 17:00	EC	CPI Core YoY	May F	2.50%	--	2.50%	--
6/17/2026 19:00	US	MBA Mortgage Applications	12-Jun	--	--	10.80%	--
6/17/2026 20:30	US	Retail Sales Advance MoM	May	0.60%	--	0.50%	--
6/17/2026 20:30	US	Retail Sales Ex Auto MoM	May	0.60%	--	0.70%	--
6/17/2026 20:30	US	Retail Sales Ex Auto and Gas	May	0.30%	--	0.50%	--
6/17/2026 20:30	US	Retail Sales Control Group	May	0.40%	--	0.50%	--
6/17/2026 22:00	US	Business Inventories	Apr	0.50%	--	0.90%	--
6/17/2026 22:00	US	Pending Home Sales MoM	May	0.90%	--	1.40%	--
6/17/2026 22:00	US	Pending Home Sales NSA YoY	May	2.00%	--	3.30%	--

Source: Bloomberg

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