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OCBC Group Research

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Daily Treasury Outlook

Highlights

Global: US equities edged lower to start the week, with the S&P500 falling 0.5%, the Dow Jones declining 0.5% and the Nasdaq slipping 0.3%, as higher oil prices and Treasury yields weighed on the broader risk sentiment. Brent crude rose 2.7% overnight to settle at USD 90.87/bbl as US-Iran relations remained deadlocked following the expiry of the original 60-day Memorandum of Understanding.

On the data front, Singaporean July NODX rose 24.2% YoY, extending June's 20.8% increase and bringing growth for the first seven months of 2026 to 19.4% YoY, highlighting the strength of the AI-driven export cycle. Electronics exports surged 112.0% YoY, led by disk media products, ICs and PCs, while non-electronics exports fell 2.3% YoY, weighed down by pharmaceuticals and petrochemicals. We maintain our 2026 NODX growth forecast at 15.2% YoY, reflecting continued strength in electronics exports despite an expected moderation in 2H26. China's retail sales disappointed in July, rising just 0.6% YoY, below market expectations of 1.5% and slowing from 1.0% in June. The weak outturn suggests household demand remains subdued as the boost from the government's consumer goods trade-in programme fades, while weak consumer confidence and the prolonged property downturn continue to weigh on spending. China's industrial production eased to 4.5% YoY from 5.3% in June, with factory activity facing softer domestic demand alongside disruptions from extreme weather and typhoons. Furthermore, the urban unemployment rate rose to 5.2% from 5.0% in June, with the National Bureau of Statistics pointing partly to seasonal factors. Japan's economy grew 0.3% QoQ in Q2, with annualised growth of 1.1%. Domestic demand remained subdued, with business investment falling by 1.2% and residential investment declining by 0.5% and private consumption being essentially flat. External demand provided the main support, with exports rising 0.5% and imports falling 1.5%, supported partly by US demand for hybrid vehicles and the global AI investment cycle. Malaysia's July CPI eased to 1.8% YoY from 1.9% In June, marking a second consecutive month of moderation, largely driven by slower transport inflation. However, food inflation accelerated during the month suggesting some underlying price pressures remain.

Market Watch: Today's data calendar is relatively busy. Key US releases include housing starts, building permits, and industrial production, while the UK labour market report will also be closely watched. In Australia, attention will focus on the Westpac Consumer Confidence Index, while Germany is set to release its ZEW Economic Sentiment Index.

Major Markets

CN: July data suggest that China's economic momentum remained unsettled at the start of the second half. Admittedly, temporary factors such as adverse weather likely amplified the weakness. Three typhoons made landfall in July, disrupting major manufacturing hubs along the southeast coast and probably contributing to the manufacturing PMI falling back into contraction.

Key Market Movements

Equity	Value	% chg
S&P 500	7745.1	-0.5%
DJIA	53460	-0.5%
Nikkei 225	69220	0.7%
SH Comp	3982.7	1.4%
STI	5768.5	0.4%
Hang Seng	25453	1.3%
KLCI	1725.9	-0.1%
	Value	**% chg**
DXY	99.637	0.0%
USDJPY	159.46	0.1%
EURUSD	1.1580	0.1%
GBPUSD	1.3544	0.0%
USDIDR	17825	0.0%
USDSGD	1.2776	-0.1%
SGDMYR	3.1823	-0.4%
	Value	**chg (bp)**
2Y UST	4.18	0.62
10Y UST	4.72	2.97
2Y SGS	1.66	0.10
10Y SGS	2.30	2.60
3M SORA	1.13	0.17
3M SOFR	3.63	0.26
	Value	**% chg**
Brent	90.87	2.7%
WTI	84.50	2.5%
Gold	4416	0.9%
Silver	65.79	1.7%
Palladium	1330	0.9%
Copper	14158	0.0%
BCOM	137.17	1.3%

Source: Bloomberg

However, beyond this temporary noise, the data continue to highlight two fundamental challenges facing the Chinese economy.

First, domestic demand, particularly consumption, remains the key drag, with a clear “policy fade” effect emerging. Retail sales growth slowed to below 1% YoY, largely reflecting payback from the earlier trade-in subsidy programme. The subsidies had front-loaded demand for durable goods such as autos and home appliances, effectively borrowing consumption from future periods. Excluding autos, however, retail sales remained relatively resilient, rising 2.7% YoY in January-July, only marginally below 2.8% in the first half.

The broader message is that the earlier policy-driven consumption impulse is fading, while household income expectations and employment conditions have yet to take over as sustainable growth drivers. The unemployment rate also rose to 5.2%, reinforcing the view that underlying household demand remains soft. In other words, policy has helped smooth consumption temporarily, but has yet to generate a self-sustaining recovery in household spending.

Second, the weakness in investment is becoming increasingly structural, with property remaining the largest drag. More concerningly, fixed-asset investment excluding real estate contracted by 3.7%, suggesting that the slowdown is no longer confined to property and has spread to infrastructure and manufacturing investment. Local governments remain constrained by debt-resolution requirements, limiting their fiscal capacity, while private-sector investment appetite remains subdued amid weaker expected returns and continued uncertainty over domestic demand.

That said, the economy is not weakening across the board; rather, the K-shaped divergence is becoming more pronounced. The AI economy and advanced manufacturing remain important sources of resilience. Investment in computer, communications and other electronic equipment manufacturing accelerated to 7.8% YoY in January–July, from 6.5% in the first half, while output growth in the sector strengthened further to 19.1% YoY. This highlights an increasingly visible split between the old economy, where property and traditional investment remain under pressure, and the new economy, where AI-related capex and high-end manufacturing continue to expand.

ID: The Ministry of Forestry and the EU explored ways to strengthen cooperation on sustainable forest management and trade in legally and responsibly sourced forest products during the 11th Joint Implementation Committee meeting of the Forest Law Enforcement, Governance, and Trade Voluntary Partnership Agreement (FLEGT VPA) on 14 August. Indonesia reaffirmed its use of the Legality and Sustainability Verification System and FLEGT VPA to ensure the legality and traceability of forest products, while both sides exchanged views on market developments related to the EU Deforestation Regulation. EU Ambassador Denis Chaibi said the FLEGT VPA remains relevant under the EUDR, with forest products carrying a FLEGT licence recognised under the regulation’s legality requirements, and expressed support for Indonesian exporters accessing the European market through the mechanism.

MY: Headline inflation eased to 1.8% YoY in July from 1.9% in June, as Transport inflation slowed to 1.4% from 2.8%. Inflation also moderated for Personal Care, Social Protection & Miscellaneous Goods & Services to 2.9% from 3.4%, Restaurant & Accommodation Services to 2.0% from 2.6% and Insurance & Financial Services to 1.1% from 5.7%, while Information & Communication accelerated to 3.4% from 2.4% and both Food & Beverages and Housing, Water, Electricity, Gas & Other Fuels rose to 1.8% from 1.4%. For January to July 2026, headline inflation rose 1.8%, compared with 1.4% in the same period of 2025.

TH: GDP growth slowed to 1.9% YoY in 2Q26, down from 2.8% in 1Q26. On a sequential basis, the economy contracted by 0.2% QoQ sa from +0.6% in 1Q26. The details show that demand-side drivers were weak, with the contribution of domestic final demand narrowing to 3.2 percentage points (pp) from 4.5pp in 1Q26. Private consumption and government expenditure growth slowed to 1.9% YoY and 0.2% YoY, respectively, down from 3.3% and 3.4% in 1Q26. In contrast, investment spending remained broadly stable at 9.1% YoY compared with 9.9% in 1Q26. Similarly, the negative contribution of net exports widened, shaving off 7.7pp from headline GDP growth compared with -4.6pp in 1Q26. Export growth remained robust, edging slightly higher to 12.5% YoY (1Q26: 12.4%), but this was more than offset by stronger import growth (24.2% YoY versus 21.4% in 1Q26). Taken together, 1H26 GDP growth averaged 2.4% YoY, down from 3.0% in 1H25.

Sustainability

ID: In the upstream sector of advanced materials, Indonesia's National Research and Innovation Agency (BRIN) is developing a 5V-generation lithium-ion battery and producing artificial graphite from coal waste, in efforts to strengthen the country's electric vehicle (EV) ecosystem. BRIN said the artificial graphite under development has achieved a structural conformity rate of 96.8%, while the agency is also advancing electric vehicle prototypes and hybrid vehicle conversion technologies. This development comes after the announcement for the provision of incentives for companies capable of producing one mn electric motorcycles domestically, aimed at accelerating EV adoption, reducing fuel imports and strengthening local EV supply chains.

Credit Market Updates

Market Commentary:

- The SGD SORA OIS curve traded flat to higher yesterday with the shorter tenors trading flat to 1bps higher, belly tenors trading 1bps higher, and the 10Y tenor trading 1bps higher.
- US Investment Grade spreads widened by 1bps to 80bps, and US High Yield spreads widened by 2bps to 268bps. Bloomberg Global Contingent Capital traded flat at 203bps.
- Bloomberg Asia USD Investment Grade traded flat at 56bps, and the Asia USD High Yield spreads tightened by 2bps to 325bps. (Bloomberg, OCBC)

New Issues:

- There were no issuances in the Singdollar market yesterday.
- The total issuances in the APAC and DM IG markets were USD2.5bn and USD9.1bn respectively yesterday (prior day: zero and USD41.5mn respectively). Issuance in the APAC market was led by National Australia

Bank Ltd. (guarantor: Perpetual Corporate Trust Ltd. AS Trustee for Latitude Australia Personal Loa), which priced USD1.75bn 5Y bond at SOFRMS + 50bps. For DM IG markets, Bank of New York Mellon Corp/The was the largest issuer, which priced USD2bn across three tranches.

Credit Developments:

- **Hotel Properties Ltd. (HPLSP):** 1H2026 performance weakened as hotel earnings were hit by Middle East-related travel disruption, higher operating costs and finance costs, while leverage stayed elevated despite the SGD150mn perpetual issuance; liquidity appears manageable if short-term borrowings are refinanced, but asset recycling and the Orchard Road redevelopment remain key unresolved credit catalysts.
- **National Australia Bank (NAB):** 3QFY2026 was stable to positive, with earnings improving mainly due to the absence of prior notable items, resilient revenue and lower credit impairment charges, while asset quality and capital remained sound with CET1 at 11.93% and strong liquidity ratios.
- **Lendlease Group (LLCAU):** FY2026 credit metrics weakened due to losses and impairments in the non-core Capital Release Unit, but outlook remains stable as stronger FY2027 core earnings, committed development proceeds and further asset recycling are expected to support deleveraging.

Equity Market Updates

US: US stocks fell Monday as the expiry of the 60-day US-Iran ceasefire memorandum of understanding, with no deal in sight, rattled sentiment and drove oil prices sharply higher. The S&P 500 declined 0.5%, the Dow shed 0.5%, and the Nasdaq slipped 0.3%, snapping the S&P 500's longest weekly winning streak since May. President Trump's threat to bomb Oman if it interfered with US efforts to reopen the Strait of Hormuz added to the geopolitical unease, whilst Iranian state media reportedly claimed Iran had seized a UAE-owned oil tanker in the strait. Brent crude surged approximately 2.7% to around USD91 a barrel, stoking inflation fears. Energy was the sole sector to advance, with communication services and consumer staples leading declines. Chipmakers bucked the trend, rising on details of Anthropic's surging sales growth that bolstered AI sentiment. Treasury yields rose sharply at the long end, with the 10-year yield climbing approximately 3 basis points to 4.72% and the 30-year yield rising nearly 6 basis points to 5.31%, its highest settlement since June 2007 and a near 19-year high, pressured by heavy corporate issuance of around USD9.1b and elevated oil prices reinforcing inflation concerns. FOMC minutes due this week are expected to renew focus on whether the Fed may need to hike rates further.

Foreign Exchange				
	Day Close	**% Change**		**Day Close**
DXY	99.637	-0.03%	**USD-SGD**	1.2776
USD-JPY	159.46	0.09%	**EUR-SGD**	1.4796
EUR-USD	1.158	0.09%	**JPY-SGD**	0.8012
AUD-USD	0.711	0.30%	**GBP-SGD**	1.7302
GBP-USD	1.354	0.04%	**AUD-SGD**	0.9078
USD-MYR	4.061	-0.62%	**NZD-SGD**	0.7539
USD-CNY	6.741	-0.03%	**CHF-SGD**	1.5754
USD-IDR	17825	-0.25%	**SGD-MYR**	3.1823
USD-VND	26204	0.23%	**SGD-CNY**	5.2742

Equity and Commodity		
Index	**Value**	**Net change**
DJIA	53,459.78	-272.63
S&P	7,745.06	-40.70
Nasdaq	26,644.91	-84.25
Nikkei 225	69,220.25	506.45
STI	5,768.46	24.87
KLCI	1,725.89	-1.50
JCI	6,401.89	100.12
Baltic Dry	2,863.00	19.00
VIX	15.19	0.94

SOFR				
Tenor	**EURIBOR**	**Change**	**Tenor**	**USD SOFR**
1M	2.2140	0.36%	**1M**	3.6556
3M	2.5080	-0.12%	**2M**	3.7021
6M	2.6710	0.68%	**3M**	3.7376
12M	2.9390	-0.14%	**6M**	3.8415
			1Y	3.9822

Government Bond Yields (%)		
Tenor	**SGS (chg)**	**UST (chg)**
2Y	1.66 (--)	4.18(--)
5Y	1.95 (+0.01)	4.37 (+0.01)
10Y	2.3 (+0.03)	4.73 (+0.03)
15Y	2.35 (+0.02)	--
20Y	2.37 (+0.02)	--
30Y	2.42 (+0.02)	5.31 (+0.05)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
09/16/2026	0.350	35.000	0.087	3.719
10/28/2026	0.545	19.500	0.136	3.767
12/09/2026	0.930	38.500	0.233	3.864

Secured Overnight Fin. Rate

SOFR	3.62

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	84.50	2.5%	Corn (per bushel)	4.650	1.3%
Brent (per barrel)	90.87	2.7%	Soybean (per bushel)	12.010	2.3%
Heating Oil (per gallon)	443.71	3.6%	Wheat (per bushel)	6.748	0.0%
Gasoline (per gallon)	327.01	2.7%	Crude Palm Oil (MYR/MT)	45.890	1.3%
Natural Gas (per MMBtu)	2.69	-1.6%	Rubber (JPY/KG)	4.788	4.1%
Base Metals	**Futures**	**% chg**	**Precious Metals**	**Futures**	**% chg**
Copper (per mt)	14158	0.0%	Gold (per oz)	4416	0.9%
Nickel (per mt)	16834	0.1%	Silver (per oz)	65.79	1.7%

Source: Bloomberg, Reuters

Economic Calenda

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
8/18/2026 4:00	US	Total Net TIC Flows	Jun	--	$133.5b	$132.2b	$131.5b
8/18/2026 4:00	US	Net Long-term TIC Flows	Jun	--	$172.7b	$232.7b	$231.2b
8/18/2026 8:30	AU	Westpac Consumer Conf SA MoM	Aug	--	--	4.10%	--
8/18/2026 8:30	AU	Westpac Consumer Conf Index	Aug	--	--	83.9	--
8/18/2026 11:00	NZ	Non Resident Bond Holdings	Jul	--	--	57.70%	--
8/18/2026 14:00	UK	Average Weekly Earnings 3M/YoY	Jun	4.00%	--	4.30%	--
8/18/2026 14:00	UK	ILO Unemployment Rate 3Mths	Jun	4.80%	--	4.90%	--
8/18/2026 14:00	UK	Claimant Count Rate	Jul	--	--	4.40%	--
8/18/2026 14:00	UK	Jobless Claims Change	Jul	--	--	6.7k	--
8/18/2026 17:00	EC	ZEW Survey Expectations	Aug	--	--	23.4	--
8/18/2026 20:30	US	Import Price Index MoM	Jul	0.10%	--	0.30%	--
8/18/2026 20:30	US	Import Price Index YoY	Jul	6.70%	--	7.10%	--
8/18/2026 20:30	US	Housing Starts	Jul	1345k	--	1427k	--
8/18/2026 20:30	US	Housing Starts MoM	Jul	-5.90%	--	19.00%	--

Source: Bloomberg

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