

Daily Treasury Outlook

Highlights

Global: White House reportedly rejected Tehran's latest proposal to end the war. Despite this, further escalation was not seen as President Trump called off a planned strike on Iran. This provided some relief for risk assets. The rally in oil eased and the US stock market pared back some of the earlier losses. Crude prices hovered at the US\$108/bbl handle, easing from intraday high of US\$112/bbl. Global yields closed lower on Monday, after hitting session highs, amid the mix of inflation and fiscal worries. Gilt yields closed the Monday session lower, after UK PM Starmer's political rival Burnham said he will respect the fiscal rules. PM Takaichi is set to announce plans for an extra budget to relieve cost-of-living pressure.

On data front, Japan's GDP rose by a faster pace of 2.1% QoQ on annualized term in the first quarter, with growth of consumption and exports beating market consensus. Meanwhile, 4Q growth was revised downward to 0.8% QoQ. China's activity data broadly weakened in April and missed market expectations, reflecting the impact from the ongoing energy supply shock and still-weak domestic demand.

Market Watch: Asian markets are likely to trade with cautious tone today. Today's economic calendar in Asia session comprises of New Zealand's 1Q PPI input and output, Japan's March tertiary industry index, Australia's May Westpac consumer confidence and RBA's May meeting minutes, South Korea's 1Q household credit, Malaysia's April CPI and Hong Kong's April unemployment rate. Later today, the market will watch out for UK's March labour market data, Canada's April CPI and US' April pending home sales.

Key Market Movements

Equity	Value	% chg
S&P 500	7403.1	-0.1%
DJIA	49686	0.3%
Nikkei 225	60816	-1.0%
SH Comp	4131.5	-0.1%
STI	4996.8	0.2%
Hang Seng	25675	-1.1%
KLCI	1727.7	-0.7%
	Value	% chg
DXY	99.193	-0.1%
USDJPY	158.82	0.1%
EURUSD	1.1656	0.3%
GBPUSD	1.3434	0.8%
USDIDR	17656	1.1%
USDSGD	1.2787	-0.1%
SGDMYR	3.1057	0.5%
	Value	chg (bp)
2Y UST	4.04	-2.49
10Y UST	4.59	-0.60
2Y SGS	1.66	4.80
10Y SGS	2.19	5.45
3M SORA	1.08	0.38
3M SOFR	3.66	-0.37
	Value	% chg
Brent	112.10	2.6%
WTI	108.66	3.1%
Gold	4567	0.6%
Silver	77.72	2.3%
Palladium	1422	0.5%
Copper	13588	0.2%
BCOM	143.14	1.6%

Source: Bloomberg

Major Markets

ID: Forestry companies and carbon standards agency Verra are accelerating integrated forestry carbon trading following the issuance of Ministerial Regulation P.6/2026, as reported by Antara News. Indonesian Ambassador to the US Indroyono Soesilo said the regulation provides a clearer framework for forestry carbon trading through greenhouse gas offset schemes, while closer cooperation with Verra aims to strengthen technical capabilities, carbon verification systems and global market confidence. Indonesian Forest Concessionaires Association (APHI) Chairman Soewarso said 16 APHI member projects are being fast tracked for carbon credit trading under Verra's scheme, as member interest in voluntary carbon market projects continues to rise.

CN: China's major activity indicators slowed more than expected in April, pointing to a clear loss of momentum at the start of 2Q. Fixed asset investment fell 1.6% YoY in January-April, while the April monthly reading declined 2.36% YoY. Retail sales growth slowed sharply to 0.2% YoY from 1.7% YoY in March. Meanwhile, value-added industrial output above designated size rose 4.1% YoY, well below market expectations of 5.9% and the weakest pace since July 2023.

Behind the broad-based slowdown, four factors are worth highlighting.

First, real estate remained the key drag. Real estate development investment fell 13.7% YoY in January-April, with the decline widening from 11.2% in 1Q. This suggests that the property sector remains in a deep adjustment phase, as developers are still constrained by weak investment appetite and limited funding capacity. The weakness also continued to spill over into the broader supply chain. Cement output declined 10.8% YoY in April, underscoring sluggish construction activity and the persistent drag from the property downturn on upstream materials and heavy industry.

Second, autos were another major drag. Nationwide passenger vehicle retail sales fell by more than 20% YoY to around 1.42mn units in April, while automobile output declined 2.6% YoY. The sector faced multiple headwinds, including the restoration of the new energy vehicle purchase tax from 0% to 5%, a high base from last year's trade-in subsidy programme, and increasingly cautious household sentiment. Longer decision cycles for big-ticket purchases also weighed on auto demand.

Third, slower fiscal support in 2Q likely added pressure on fixed asset investment. The strong investment performance in 1Q was supported by three temporary factors: the early deployment of fiscal carryover funds from 2H last year, the lingering impact of the RMB500bn in new policy-based financial instruments launched in 4Q last year, and front-loaded fiscal support this year. As these effects faded in early 2Q, and amid a higher base, April-May became a relatively tight funding window for investment. This was reflected in survey data, with the construction PMI falling to 48.0% in April and the construction new orders index dropping to 41.6%, both near the lower end of their ranges for the same period over the past five years.

Fourth, elevated raw material costs, partly linked to the Iran war, continued to squeeze margins for mid- and downstream manufacturers. This margin compression likely weakened corporate willingness to expand production, especially in sectors with limited pricing power.

That said, high-tech manufacturing remained the key bright spot. Integrated circuit output surged 22.1% YoY in April, broadly consistent with the resilience in technology-related exports. AI-related manufacturing, semiconductor production, and technology exports continued to provide an important growth cushion for the broader industrial sector. Overall, April's data highlighted a widening divergence between old-economy sectors, which remain under pressure from property and weak domestic demand, and new-economy sectors, which continue to benefit from structural upgrading and external demand.

MY: Prime Minister Anwar Ibrahim said the government will discuss a proposal to raise the Budi95 RON95 quota for delivery riders to 250 litres from 200 litres at the National Economic Action Council meeting on Tuesday, after receiving feedback from riders on the existing limit. Speaking at a gathering in Johor on Sunday, he said the higher quota was intended to better reflect delivery riders' fuel usage needs. Separately, Finance Minister II Amir Hamzah Azizan said Malaysia's growth prospects remain positive after GDP expanded 5.4% in 1Q26, supported by FDI, DDI, public spending, AI, data centres and semiconductors. He added that Malaysia's industrial ecosystem and digitalisation trends continue to attract investors, while the government is encouraging domestic investments from GLICs and GLCs under the Madani Economy framework.

TH: GDP growth surprised to the upside (consensus: 2.4%; OCBC: 2.6%), improving to 2.8% YoY in 1Q26 versus 2.5% in 4Q25. The details show that domestic demand was the main driver. By contrast, the negative contribution from net exports widened, shaving off 4.4pp from headline GDP growth. On the supply side, the growth drivers were broad-based across agriculture (1.2% YoY versus 0.6% in 4Q25), manufacturing (0.9% versus 0.4%), and services (3.6% versus 3.5%). Looking ahead, we see the economy vulnerable to further slowdown in the coming quarters with inflation higher. Before the next MPC meeting on 24 June, the May CPI print on 5 June and the monthly activity data for April (on 29 May) will likely show signs of stagflationary risk. We see the Bank of Thailand (BoT) prioritising price pressures in 2H26 and do not rule out the possibility of rate hikes. However, for the upcoming monetary policy committee meeting on 24 June, we expect the BoT to maintain its policy rate unchanged at 1.00%.

Credit Market Updates

Market Commentary:

The SGD SORA OIS curve traded higher yesterday with shorter tenors trading 2-4bps higher while belly tenors traded 5-6bps higher and 10Y traded 5bps higher. US Investment Grade spreads widened by 1bps to 74bps, US High Yield spreads widened by 5bps to 272bps and Bloomberg Global Contingent Capital Index widened by 2bps to 222bps. Meanwhile, Bloomberg Asia USD Investment Grade spreads widened by 3bps to 54bps and Asia USD High Yield spreads widened by 12bps to 385bps. (Bloomberg, OCBC).

New Issues:

The total issuance volumes for APAC and DM IG markets yesterday were USD800mn and USD12.2bn respectively, higher than the prior day (USD100mn and USD500mn). The highest issuance in DM IG market came from Merck & Co Inc which priced USD6bn of debt in seven tranches, while the highest issuance in

APAC market came from Oversea-Chinese Banking Corp Ltd which priced a USD500mn 3Y FRN at SOFR+47bps. There were no notable issuances in the Singdollar market yesterday.

Recent Coverage Developments:

In the Singapore Residential Property market, 61.5% of units at Hudson Place Residences were sold during the launch weekend at an average price of SGD2,458 psf. Meanwhile, Keppel Ltd ("KEPSP")'s planned sale of M1 to Simba has stalled due to regulatory issues, while a potential acquisition of M1 by StarHub Ltd could pressure StarHub Ltd's credit metrics if debt-funded. United Overseas Bank Ltd is selling properties worth SGD387mn via stake sales and sale leasebacks to unlock capital for redeployment into its core banking operations, Reuters reported that BP p.l.c is considering selling some of its natural gas assets in Egypt, and Prudential PLC will acquire a 75% controlling stake in Bharti Life Insurance Company Limited for ~USD389mn. (refer to Daily Credit Snapshot 18 May 2026).

Equity Market Updates

US: US stocks ended mixed Monday as investors weighed mixed signals on prospects for a US-Iran deal to end the war and reopen the Strait of Hormuz, with oil prices whipsawing throughout the session. The S&P 500 fell 0.1%, the Nasdaq Composite declined 0.5%, and the Dow Jones Industrial Average rose 0.3%. Technology shares dragged the major indices lower ahead of Nvidia's earnings due Wednesday, with concerns over memory chip shortages weighing on sentiment. The Philadelphia Stock Exchange Semiconductor Index shed 2.5%. President Donald Trump said he postponed plans for strikes on Iran set for Tuesday after Gulf leaders requested a pause to allow for negotiations with Tehran. Oil prices surged to around USD112 per barrel as the war in the Middle East entered its 80th day. Treasury yields rose, with the 10-year yield climbing 2.7 basis points to 4.622%, reaching its highest level since 12 Feb 2025. The 30-year yield increased 1.9 basis points to 5.146%, hitting its highest level since 17 Jul 2007. Energy shares led sector gains, whilst financials and consumer staples also posted solid increases.

Foreign Exchange				
	Day Close	% Change		Day Close
DXY	99.193	-0.09%	USD-SGD	1.2787
USD-JPY	158.82	0.05%	EUR-SGD	1.4907
EUR-USD	1.166	0.27%	JPY-SGD	0.8048
AUD-USD	0.717	0.25%	GBP-SGD	1.7178
GBP-USD	1.343	0.81%	AUD-SGD	0.9167
USD-MYR	3.975	0.45%	NZD-SGD	0.7511
USD-CNY	6.800	-0.18%	CHF-SGD	1.6299
USD-IDR	17656	1.09%	SGD-MYR	3.1057
USD-VND	26357	0.02%	SGD-CNY	5.3131

Equity and Commodity		
Index	Value	Net change
DJIA	49,686.12	159.95
S&P	7,403.05	-5.45
Nasdaq	26,090.73	-134.41
Nikkei 225	60,815.95	-593.34
STI	4,996.75	7.67
KLCI	1,727.71	-12.51
JCI	6,599.24	-124.08
Baltic Dry	3,151.00	-44.00
VIX	17.82	-0.61

SOFR				
Tenor	EURIBOR	Change	Tenor	USD SOFR
1M	1.9490	-0.41%	1M	3.5972
3M	2.2320	-0.31%	2M	3.6246
6M	2.5620	0.55%	3M	3.6427
12M	2.8150	-0.21%	6M	3.6931
			1Y	3.8181

Government Bond Yields (%)		
Tenor	SGS (chg)	UST (chg)
2Y	1.66 (+0.05)	4.05(--)
5Y	1.87 (+0.05)	4.24 (-0.02)
10Y	2.19 (+0.05)	4.59 (-0.01)
15Y	2.17 (+0.05)	--
20Y	2.17 (+0.06)	--
30Y	2.22 (+0.04)	5.13 (+0.01)

Fed Rate Hike Probability				
Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
06/17/2026	0.000	0.000	0.000	3.629
07/29/2026	0.055	5.500	0.014	3.642
09/16/2026	0.163	10.800	0.041	3.670
10/28/2026	0.275	11.200	0.069	3.697
12/09/2026	0.528	25.300	0.132	3.761

Financial Spread (bps)		
Value	Change	
TED	35.36	--

Secured Overnight Fin. Rate	
SOFR	3.55

Commodities Futures						
Energy	Futures	% chg	Soft Commodities	Futures	% chg	
WTI (per barrel)	108.66	3.1%	Corn (per bushel)	4.770	4.7%	
Brent (per barrel)	112.10	2.6%	Soybean (per bushel)	12.130	3.1%	
Heating Oil (per gallon)	411.45	1.5%	Wheat (per bushel)	6.645	4.5%	
Gasoline (per gallon)	376.07	1.6%	Crude Palm Oil (MYR/MT)	44.910	2.5%	
Natural Gas (per MMBtu)	3.02	2.2%	Rubber (JPY/KG)	4.033	0.9%	
Base Metals	Futures	% chg	Precious Metals	Futures	% chg	
Copper (per mt)	13588	0.2%	Gold (per oz)	4567	0.6%	
Nickel (per mt)	18567	0.4%	Silver (per oz)	77.72	2.3%	

Source: Bloomberg, Reuters

Economic Calendar

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
5/19/2026 4:00 US		Total Net TIC Flows	Mar	--	\$150.7b	\$184.5b	\$182.7b
5/19/2026 4:00 US		Net Long-term TIC Flows	Mar	--	\$81.3b	\$58.6b	\$57.0b
5/19/2026 14:00 UK		Average Weekly Earnings 3M/YoY	Mar	3.80%	--	3.80%	--
5/19/2026 14:00 UK		Weekly Earnings ex Bonus 3M/YoY	Mar	3.40%	--	3.60%	--
5/19/2026 14:00 UK		Private Earnings ex Bonus 3M/YoY	Mar	3.10%	--	3.20%	--
5/19/2026 14:00 UK		ILO Unemployment Rate 3Mths	Mar	4.90%	--	4.90%	--
5/19/2026 14:00 UK		Employment Change 3M/3M	Mar	101k	--	24k	--
5/19/2026 14:00 UK		Payrolled Employees Monthly Change	Apr	-10k	--	-11k	--
5/19/2026 14:00 UK		Claimant Count Rate	Apr	--	--	4.40%	--
5/19/2026 14:00 UK		Jobless Claims Change	Apr	--	--	26.8k	--
5/19/2026 16:30 HK		Unemployment Rate 3Mths	Apr	3.70%	--	3.70%	--
5/19/2026 16:30 UK		Output Per Hour YoY	1Q	--	--	-0.50%	--
5/19/2026 20:15 US		ADP Weekly Employment Change	2-May	--	--	33.000k	--
5/19/2026 22:00 US		Pending Home Sales MoM	Apr	1.00%	--	1.50%	--
5/19/2026 22:00 US		Pending Home Sales NSA YoY	Apr	2.10%	--	1.80%	--
5/19/2026 PH		BoP Overall	Apr	--	--	-\$2600m	--

Source: Bloomberg

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