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OCBC Group Research

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Daily Treasury Outlook

Highlights

Global: While geopolitical tensions remained elevated as US and Iran continued in tit-for-tat strikes, investor sentiments were underpinned by softer-than-expected US inflation prints and a measured debut congressional testimony from Fed chair Warsh which prompted a paring back of Fed rate hike expectations from September to year-end. Better-than-expected results from several large US banks last week had reinforced confidence that corporate earnings remain resilient despite higher funding costs. The S&P500 fell 1.01% on Friday, with communications services leading decline and Netflix also slipped to an October 2024 low after forecasting a second quarter of slowing sales growth. The Philadelphia Stock Exchange Semiconductor Index entered a bear market after widening to a 20% drop from its June record, weighed down by news of China's Moonshot Kimi K3 model.

Market Watch: Asian markets may open on a slightly cautious tone today while awaiting China's LPR fixings and Malaysia's June trade data. The UK will see Andy Burnham's swearing in as PM today, making him the seventh premier since the 2916 Brexit vote, and markets are awaiting his Chancellor nomination and policy announcements in coming days. For the week ahead, watch for Taiwan's export orders, inflation data from Singapore and Hong Kong, Germany's ZEW survey, ECB bank lending survey, Eurozone/UK/Asia's manufacturing and services PMIs, as well as Japan's inflation data on Friday. The temporary 10% US global import tariff is also due to expire on Friday unless Congress extends it. On the central bank front, ECB is likely to keep interest rates static on Thursday amid the cooling June euro-area inflationary pressure, while BI is tipped to hike 25bps on Wednesday. The Fed is on black out period for communications ahead of its July 28-29 FOMC policy decision. For corporate earnings, Alphabet and Tesla are reporting on Wednesday, as well as Nestle, 3M, American Express etc.

SG: June headline and core CPI due Thursday are likely to print at 2.1% and 1.6% YoY respectively, versus 1.8% and 1.4% in May. MAS is due to announce sometime this week the date for the next PMC decision likely to be heard next week, and our call is for no change for the S$NEER policy after the pre-emptive tightening (via a slope steepening) back in April 2026.

Major Markets

CN: Mainland Chinese equities posted their steepest weekly decline in more than two-and-a-half years, weighed down by three key headwinds including a weaker-than-expected Q2 GDP reading; concerns over potential liquidity absorption from CXMT’s USD8.6 billion mega-IPO—the largest in Asia this year; and a sharp rebound in oil prices amid the escalating US–Iran conflict. The Shanghai Composite tumbled 5.81% over the week, closing near an 11-month low, while the tech-heavy ChiNext plunged 10.78%. Meanwhile, the rotation from onshore to offshore Chinese equities continued, with Hong Kong’s Hang Seng Index bucking the mainland sell-off to record a modest weekly gain.

Key Market Movements

Equity	Value	% chg
S&P 500	7457.7	-1.0%
DJIA	52146	-0.8%
Nikkei 225	64141	-4.0%
SH Comp	3764.2	-3.0%
STI	5509.4	-0.5%
Hang Seng	24562	-1.8%
KLCI	1731.5	0.5%
	Value	**% chg**
DXY	100.765	0.0%
USDJPY	162.4	0.0%
EURUSD	1.1439	0.0%
GBPUSD	1.3452	-0.2%
USDIDR	17895	-0.5%
USDSGD	1.2917	0.1%
SGDMYR	3.1734	0.4%
	Value	**chg (bp)**
2Y UST	4.18	3.58
10Y UST	4.55	-0.60
2Y SGS	1.66	0.80
10Y SGS	2.23	0.22
3M SORA	1.13	0.20
3M SOFR	3.63	-0.03
	Value	**% chg**
Brent	88.10	4.6%
WTI	82.49	4.5%
Gold	4017	1.0%
Silver	55.91	0.7%
Palladium	1248	-0.5%
Copper	13526	-0.5%
BCOM	131.38	1.3%

Source: Bloomberg

HK: The seasonally adjusted unemployment rate was unchanged at 3.7% in April – June 2026, while underemployment rate edged up to 1.6% respectively. The number of unemployed persons declined by 1.0% to 139,700, marking the first sequential decrease since the December 2025-February 2026 period. Meanwhile, the labour force expanded marginally by 0.1% to 3.79 million, with the labour force participation rate rising by 0.1 percentage point to 56.2%, rebounding slightly from the record low recorded in the previous period. Comparing the March-May 2026 period with February-April 2026, unemployment rates declined notably in the import and export trade sector and the food and beverage services sector, likely reflecting continued support from AI-related trade boom and stronger consumption associated with the FIFA World Cup.

ID: Coordinating Minister for Economic Affairs Airlangga Hartarto invited Chinese companies to invest in developing 100GW of solar power capacity in Indonesia during a bilateral meeting with Chinese Commerce Minister Wang Wentao in Shanghai. The 100GW target, initiated by President Prabowo Subianto and targeted for completion by 2029, supports Indonesia's energy transition and industrial downstreaming agenda, while Hartarto said the Cirata Floating Solar Power Plant demonstrates the potential for deeper Indonesia China cooperation in clean energy and emissions reduction. Hartarto also highlighted that bilateral trade reached USD154.6bn in 2025, while Chinese investment totalled nearly USD8.1bn, and both sides discussed expanding cooperation under the Two Countries Twin Parks framework, improving market access, and supporting Indonesia's bid to host the Regional Comprehensive Economic Partnership (RCEP) Secretariat.

MY: The advance estimates show that the economy grew 5.8% YoY in 2Q26 from 5.4% in 1Q26, close to our forecast of 6.0% and above consensus estimates of 5.2%. GDP growth averaged 5.6% for 1H26. We are revising our 2026 GDP growth forecast higher, to 5.2% from 4.4%, on the strength of the electronics export sector and resilient domestic demand. Inflationary pressures have remained benign amid strong growth prospects. Headline CPI eased to 1.9% in June from 2.0% in May, with core CPI at 1.9%. Our base case remains for Bank Negara Malaysia (BNM) to normalise its policy rate to 3.00% in early 2027.

Credit Market Updates

Market Commentary:

- The SGD SORA OIS curve traded flat to lower last Friday with shorter tenors trading 0-1bps lower, belly tenors trading flat, and the 10Y tenor also trading flat.
- US Investment Grade spreads widened by 1 bps to 77bps, and US High Yield spreads widened by 2bps to 268bps. Bloomberg Global Contingent Capital Index traded flat at 209bps.
- Bloomberg Asia USD Investment Grade widened by 1bps to 56bps, and the Asia USD High Yield spreads tightened by 4bps to 345bps. (Bloomberg, OCBC)

New Issues:

- There were no notable issuances in the Singdollar market last Friday.
- The total issuances in the APAC USD and DM IG markets respectively were USD150mn and zero last Friday (prior day: zero and USD3.5bn). The sole issuance in APAC USD came from United Overseas Bank Ltd (priced USD150mn 2Y bonds at SFRIX+33bps). (Bloomberg, OCBC)

Credit Developments:

- Olam Group (OLGPSP): Olam's SGD560mn outstanding 5.375% perpetual securities were not fully redeemed, resulting in the coupon resetting to 9.082% from 18 July 2026 under its SOR-to-SORA fallback provisions, with no change to the company's credit outlook.

Equity Market Updates

US: US stocks fell Friday as a surprise release of China's Kimi K3 AI model by Beijing-based startup Moonshot reignited fears over the sustainability of AI capital spending, echoing the DeepSeek-driven selloff of early 2025. The S&P 500 dropped 1.0%, the Nasdaq declined 1.4%, and the Dow shed 0.8%, with all three indices also ending the week lower. The PHLX Semiconductor Index entered bear market territory, falling 10% on the week, its steepest weekly decline since April 2025, as Nvidia, Broadcom, and Micron led losses; Nvidia briefly ceded its title as the world's most valuable company to Apple intraday before recovering marginally. Communication services led declines, with Netflix tumbling to an October 2024 low after disappointing earnings. Energy was the sole sector to advance, lifted by surging oil prices amid escalating US-Iran tensions after Iran struck US military positions in Jordan, killing two service members; the US subsequently launched its eighth round of retaliatory strikes on Iranian military facilities. Treasury yields were little changed, with the 10-year yield holding near 4.55% and the 2-year yield edging up approximately 4 basis points, as softer-than-expected June CPI data tempered rate-hike expectations ahead of the 28 to 29 Jul Federal Reserve meeting.

Foreign Exchange

	Day Close	% Change		Day Close
DXY	100.765	0.00%	**USD-SGD**	1.2917
USD-JPY	162.40	0.01%	**EUR-SGD**	1.4776
EUR-USD	1.144	-0.03%	**JPY-SGD**	0.7953
AUD-USD	0.698	-0.17%	**GBP-SGD**	1.7378
GBP-USD	1.345	-0.19%	**AUD-SGD**	0.9016
USD-MYR	4.097	0.58%	**NZD-SGD**	0.7548
USD-CNY	6.776	0.05%	**CHF-SGD**	1.5998
USD-IDR	17895	-0.50%	**SGD-MYR**	3.1734
USD-VND	26290	0.14%	**SGD-CNY**	5.2448

Equity and Commodity

Index	Value	Net change
DJIA	52,146.42	-406.55
S&P	7,457.69	-76.08
Nasdaq	25,520.24	-361.71
Nikkei 225	64,141.12	-2694.42
STI	5,509.43	-29.95
KLCI	1,731.45	9.26
JCI	6,175.54	67.33
Baltic Dry	2,752.00	-88.00
VIX	18.77	2.04

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR
1M	2.2100	-0.09%	**1M**	3.6718
3M	2.4830	-0.08%	**2M**	3.6922
6M	2.6880	0.00%	**3M**	3.7417
12M	2.8730	-0.10%	**6M**	3.8595
			1Y	4.0095

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.66 (+0.01)	4.18(--)
5Y	1.83 (--)	4.28 (+0.01)
10Y	2.23 (--)	4.55 (-0.01)
15Y	2.26 (--)	--
20Y	2.29 (--)	--
30Y	2.35 (--)	5.07 (-0.01)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
07/29/2026	0.144	14.400	0.036	3.663
09/16/2026	0.681	53.700	0.170	3.797
10/28/2026	0.904	22.300	0.226	3.853
12/09/2026	1.263	35.900	0.316	3.942

Financial Spread (bps)

Value	Change	
TED	35.36	--

Secured Overnight Fin. Rate

SOFR	3.62

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	82.49	4.5%	Corn (per bushel)	4.448	0.7%
Brent (per barrel)	88.10	4.6%	Soybean (per bushel)	12.045	0.8%
Heating Oil (per gallon)	406.46	0.8%	Wheat (per bushel)	6.828	1.2%
Gasoline (per gallon)	339.27	3.3%	Crude Palm Oil (MYR/MT)	45.290	-0.2%
Natural Gas (per MMBtu)	2.91	1.9%	Rubber (JPY/KG)	4.259	-0.5%
Base Metals	**Futures**	**% chg**	**Precious Metals**	**Futures**	**% chg**
Copper (per mt)	13526	-0.5%	Gold (per oz)	4017	1.0%
Nickel (per mt)	16961	-1.1%	Silver (per oz)	55.91	0.7%

Source: Bloomberg, Reuters

Economic Calendar

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
7/20/2026 6:45	NZ	Exports NZD	Jun	--	8.09b	8.88b	8.65b
7/20/2026 6:45	NZ	Imports NZD	Jun	--	8.07b	8.08b	8.07b
7/20/2026 6:45	NZ	Trade Balance NZD	Jun	--	23m	800m	577m
7/20/2026 6:45	NZ	Trade Balance 12 Mth YTD NZD	Jun	--	-3746m	-3367m	-3610m
7/20/2026 7:01	UK	Rightmove House Prices MoM	Jul	--	-1.00%	-0.60%	--
7/20/2026 7:01	UK	Rightmove House Prices YoY	Jul	--	-0.40%	-0.50%	--
7/20/2026 9:00	CH	1-Year Loan Prime Rate	20-Jul	3.00%	--	3.00%	--
7/20/2026 9:00	CH	5-Year Loan Prime Rate	20-Jul	3.50%	--	3.50%	--
7/20/2026 12:00	MA	Exports YoY	Jun	47.30%	--	45.30%	--
7/20/2026 12:00	MA	Imports YoY	Jun	23.90%	--	14.10%	--
7/20/2026 12:00	MA	Trade Balance MYR	Jun	43.30b	--	40.38b	--
7/20/2026 17:00	EC	Construction Output MoM	May	--	--	0.60%	--
7/20/2026 17:00	EC	Construction Output YoY	May	--	--	0.90%	--
7/20/2026 19:30	IN	Core Industries Output YoY	Jun	--	--	--	--
7/20/2026 22:00	US	Leading Index	Jun	-0.10%	--	0.10%	--
7/20/2026	PH	BoP Overall	Jun	--	--	$131m	--
7/17/2026-7/20/2026	CH	FDI YTD YoY CNY	Jun	--	--	-8.60%	--

Source: Bloomberg

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