

## Daily Treasury Outlook

### Highlights

**Global:** A broad-based selloff swept across both bond and equity markets as risk sentiment deteriorated amid two simultaneous shocks: spillovers from the sharp selloff in Japanese government bonds (JGBs) and renewed geopolitical uncertainty stemming from Trump's Greenland remarks.

The move originated in the Asian session, where 30-year JGB yields surged nearly 30bps intraday to a record high. The catalyst was rising speculation that Japanese politicians may push for sizeable fiscal expansion ahead of the February election, reigniting concerns over Japan's fiscal trajectory. Notably, the Japanese yen—typically a beneficiary in risk-off episodes—continued to weaken, driven in part by the resurgence of the so-called Takaichi trade. The fact that EURJPY rebounded sharply amid the Greenland saga underscores that markets are increasingly focused on fiscal impulse risks rather than traditional safe-haven dynamics. Attention is now firmly on whether higher JGB yields could trigger Japanese capital repatriation in the coming weeks.

At the same time, talk of a renewed "Sell America" trade resurfaced, adding to upward pressure on U.S. yields. The benchmark 10-year Treasury yield climbed to 4.313% on Tuesday, the highest level since late August. Reinforcing this narrative, Denmark's AkademikerPension announced plans to divest approximately US\$100mn of U.S. Treasury holdings by month-end.

On the geopolitical front, French President Emmanuel Macron warned that the European Union should not submit to "the law of the strongest." The EU has signaled potential retaliatory trade measures, including possible deployment of the Anti-Coercion Instrument (ACI), which could involve restrictions on digital services provided by U.S. technology firms operating in Europe.

Meanwhile, macro divergence across major economies remains stark. Germany is reportedly set to downgrade its 2026 growth forecast to 1.0% from 1.3% in the Economy Ministry's annual report due on January 28, reflecting mounting external uncertainties. In sharp contrast, U.S. officials remain highly optimistic. Commerce Secretary Howard Lutnick said he expects U.S. 1Q GDP growth to exceed 5%, while Treasury Secretary Scott Bessent told the Davos forum that U.S. real GDP growth in 2026 could reach 4–5%—well above the IMF's 2.4% projection.

**Market Watch:** Looking ahead, today's key focus is the U.S. Supreme Court hearing on Trump's request to overturn a lower court ruling that bars him from dismissing Fed Governor Lisa Cook. The case is likely to reignite market concerns over Federal Reserve independence. The U.S. dollar rebounded modestly last Friday after reports suggested Kevin Hassett may not be nominated as the next Fed Chair, highlighting that markets continue to price political risks around Fed autonomy.

### Key Market Movements

| Equity     | Value  | % chg    |
|------------|--------|----------|
| S&P 500    | 6796.9 | -2.1%    |
| DJIA       | 48489  | -1.8%    |
| Nikkei 225 | 52991  | -1.1%    |
| SH Comp    | 4113.6 | 0.0%     |
| STI        | 4828.0 | -0.1%    |
| Hang Seng  | 26488  | -0.3%    |
| KLCI       | 1699.1 | -0.8%    |
|            | Value  | % chg    |
| DXY        | 98.641 | -0.8%    |
| USDJPY     | 158.15 | 0.0%     |
| EURUSD     | 1.1725 | 0.7%     |
| GBPUSD     | 1.3439 | 0.1%     |
| USDIDR     | 16950  | 0.0%     |
| USDSGD     | 1.284  | -0.1%    |
| SGDMYR     | 3.1623 | 0.3%     |
|            | Value  | chg (bp) |
| 2Y UST     | 3.60   | 1.08     |
| 10Y UST    | 4.29   | 6.96     |
| 2Y SGS     | 1.41   | -0.90    |
| 10Y SGS    | 2.17   | -0.74    |
| 3M SORA    | 1.15   | -0.39    |
| 3M SOFR    | 3.90   | -2.41    |
|            | Value  | % chg    |
| Brent      | 64.92  | 1.5%     |
| WTI        | 60.36  | 1.7%     |
| Gold       | 4763   | 2.0%     |
| Silver     | 94.59  | 0.2%     |
| Palladium  | 1876   | 1.8%     |
| Copper     | 12754  | -1.6%    |
| BCOM       | 116.05 | 2.2%     |

Source: Bloomberg

## Major Markets

**CH:** Authorities have rolled out a comprehensive and coordinated fiscal-financial policy package aimed squarely at boosting domestic demand. A key highlight is the first-ever RMB 500bn special guarantee program for private investment, intended to incentivize banks to extend an additional RMB 500bn in loans to small and micro enterprises. In another first, an interest subsidy scheme for SME loans will be introduced, covering 14 strategic industrial chains and their upstream and downstream segments—including new energy vehicles, industrial machine tools, producer services, and agriculture-related sectors. Authorities will also expand existing interest subsidy programs for service-sector business loans, personal consumption loans, and equipment upgrading. Notably, installment payments on personal credit card balances will now be included under the interest subsidy framework, marking a rare and direct policy effort to support household cash flows.

**HK:** Recent data suggest that labour market slack may have reached a near-term peak, although there is still limited evidence of a sustained improvement. The seasonally adjusted headline unemployment rate remained unchanged at 3.8% in October–December 2025. The number of unemployed persons declined for the fourth consecutive period, alongside declines in the labour force and labour force participation rate. On a non-seasonally-adjusted basis, declines in unemployment rates were broad based across sectors, with more pronounced improvements observed in the retail, accommodation and food services industry, where the unemployment rate fell to 5.2%. Nevertheless, hiring sentiment remained cautious and underemployment rate showed little signs of receding.

**ID:** Coordinating Economic Affairs Minister Airlangga Hartarto and UK Business and Trade Secretary Peter Kyle formalised an Economic Growth Partnership in London during President Prabowo Subianto's official visit, aimed at expanding cooperation in clean energy, the digital economy, infrastructure, transport, education, and health services. The partnership aims to strengthen bilateral trade and investment, including addressing non-tariff barriers and supporting exporters. The agreement was concluded alongside high-level engagements, with President Prabowo scheduled to meet Prime Minister Keir Starmer and King Charles III, and with discussions expected on broader cooperation in defence, security, climate, energy, and environmental areas, as reported by Antara. Separately, Bank Indonesia will announce its monetary policy meeting decision later today (3pm SGT), where we expect the policy rate to remain unchanged at 4.75%.

**MY:** December trade data raced ahead of expectations. Export growth improved to 10.4% YoY in December from 7% in November while import growth slowed to 12.0% YoY versus 15.8% in November. The trade surplus widened to MYR9.3bn in December from MYR6.1bn (Consensus: MYR13.7bn; OCBC: MYR8.5bn). The strength in December exports is mainly coming from manufactured goods – electronics and electrical products (E&E), machinery and appliances, optical & scientific equipment. These more than offset the weakness in commodities exports in palm oil, crude petroleum, LNG and rubber. Meanwhile, import growth was supported by consumption goods, which jumped 27.6% YoY in December versus -1.5% in November, while capital (-11.8% from 56.6%) and intermediate goods (3.6% from 5.0%) imports slowed

in December versus November. Looking ahead, we do expect slower goods export growth of 2.2% YoY in 2026 from 6.5% in 2025 on account of some payback from the strong export growth to the US in 2025 but also slowing external demand conditions. Import growth is also expected to moderate to 4.3% from 6.2% in 2025 reflecting some normalisation in investment spending. These forecasts are consistent with our view that headline GDP growth will slow to 3.8% in 2026 from 4.9% in 2025.

**TH:** The Bank of Thailand (BoT) has eased foreign income repatriation rules for Thai individuals and companies by raising the per-transaction threshold to USD10mn (previous: USD1mn), aiming to curb upward pressure on the baht. In a statement, the BoT noted that transactions below USD10mn account for ~92% of Thailand's total export value. This new measure means that exporters can now retain more of their USD earnings without needing to convert them into baht. The BoT also stated that the change should reduce cross-border transaction costs, giving firms greater flexibility in managing foreign currency income and expenses. Additionally, the BoT is considering setting limits on online gold trading denominated in baht.

**VN:** The Communist Party of Vietnam opened its 14th National Congress in Hanoi on Tuesday (20 January), chaired by General Secretary To Lam, to elect a new Central Committee and define the leadership line-up for 2026–2030. The congress, attended by 1,586 delegates representing over 5.6mn Party members, reviews nearly four decades of Doi Moi reforms and sets policy directions for 2026–2030, with a longer-term vision toward 2045. Party leaders reaffirmed priorities on strategic autonomy, self-reliance, productivity enhancement, and new growth models, while at the same time acknowledging persistent challenges, including economic growth below potential, weak labour productivity, climate-related risks, and rising non-traditional security threats.

## ESG

**CH:** China's coal-based thermal power generation declined in 2025 for the first time in a decade, according to government data, as growing renewable generation met growth in electricity demand even as overall power usage hit a record. Increased power usage was driven primarily by rapid growth in internet and related services, as well as EV manufacturing. Thermal power generation is unlikely to accelerate in 2026 as the growth in clean energy continues steadily, supported by ongoing momentum in hydropower and nuclear power.

## Credit Market Updates

### Market Commentary:

The SGD SORA OIS curve traded flat to lower yesterday with shorter tenors trading 1-2bps lower while belly tenors traded 1bps lower and 10Y traded flat. Global Investment Grade spreads traded flat at 74bps and Global High Yield spreads widened by 10bps to 261bps respectively. Bloomberg Global Contingent Capital Index widened by 5bps to 230bps. Bloomberg Asia USD Investment Grade spreads traded flat at 58bps and Asia USD High Yield spreads traded flat at 328bps respectively. (Bloomberg, OCBC)

### New Issues:

The total issuance volumes for APAC and DM IG market yesterday were USD1.4bn and USD400mn respectively.

There were no notable issuers in the DM IG market yesterday where issuers priced deals of at least USD1.0bn.

There were two notable issuers in the APAC USD market yesterday where issuers priced deals of at least USD500mn.

- Toyota Finance Australia Ltd priced USD800mn of debt in two tranches: a USD400mn 3.25Y FRN at SOFR+60bps and a USD400mn 5Y Fixed bond at T+55bps.
- Woori Bank priced USD600mn of debt in two tranches: a USD300mn 3Y Sustainability FRN at SOFR+48bps and a USD300mn 5Y Sustainability Fixed bond at T+33bps.

There was one notable issuance in the Singdollar market yesterday.

- Singapore Airlines Ltd priced a SGD500mn 10Y Fixed bond at 2.7%.

### Mandates:

- There were no notable mandates yesterday.

## Equity Market Updates

**US:** US equities recorded their sharpest decline of the year as markets reacted to heightened uncertainty around US-EU trade relations, pushing the S&P 500 and Nasdaq down by 2.1% and 2.4% respectively, while the Dow declined by 1.8%. Both the S&P 500 and Nasdaq fell below their 50-day moving averages and into negative territory for the year. Over the weekend, President Trump outlined plans for additional tariffs on several European countries linked to the Greenland issue, while reports indicated the EU is considering potential countermeasures, contributing to a broad-based sell-off and weak risk appetite. Losses were widespread across sectors, led by information technology (-2.9%) and consumer discretionary (-2.8%) as major growth stocks like Nvidia (-4.3%) came under pressure, although selective strength in parts of the semiconductor space, such as Intel (+3.4%), provided some relative support. Industrials (-2.0%) and financials (-2.2%) also declined despite some positive earnings results, while consumer staples (+0.1%) was the sole sector to finish marginally higher as investors favoured defensive positioning. Smaller-cap indices like the Russell 2000 (-1.2%) outperformed on a relative basis to large caps but still posted notable declines. Risk aversion was evident elsewhere, with gold surging to a new high and market volatility rising sharply, while Treasury yields were mixed as longer-dated bonds sold off. The session leaves markets on uncertain footing ahead of President Trump's appearance at the World Economic Forum and upcoming inflation data that could shape near-term sentiment.

## Foreign Exchange

|         | Day Close | % Change |         | Day Close |
|---------|-----------|----------|---------|-----------|
| DX      | 98.641    | -0.76%   | USD-SGD | 1.2840    |
| USD-JPY | 158.15    | 0.03%    | EUR-SGD | 1.5058    |
| EUR-USD | 1.173     | 0.68%    | JPY-SGD | 0.8119    |
| AUD-USD | 0.674     | 0.34%    | GBP-SGD | 1.7261    |
| GBP-USD | 1.344     | 0.10%    | AUD-SGD | 0.8649    |
| USD-MYR | 4.055     | 0.01%    | NZD-SGD | 0.7490    |
| USD-CNY | 6.961     | -0.05%   | CHF-SGD | 1.6255    |
| USD-IDR | 16950     | 0.05%    | SGD-MYR | 3.1623    |
| USD-VND | 26265     | 0.00%    | SGD-CNY | 5.4219    |

## SOFR

| Tenor | EURIBOR | Change | Tenor | USD SOFR |
|-------|---------|--------|-------|----------|
| 1M    | 1.9580  | -1.36% | 1M    | 3.6740   |
| 3M    | 2.0290  | -0.20% | 2M    | 3.6780   |
| 6M    | 2.1550  | 0.56%  | 3M    | 3.6707   |
| 12M   | 2.2590  | 0.49%  | 6M    | 3.6275   |
|       |         |        | 1Y    | 3.5096   |

## Fed Rate Hike Probability

| Meeting    | # of Hikes/Cuts | % of Hikes/Cuts | Implied Rate Change | Expected Effective Fed Funds Rate |
|------------|-----------------|-----------------|---------------------|-----------------------------------|
| 01/28/2026 | -0.050          | -5.000          | -0.012              | 3.628                             |
| 03/18/2026 | -0.232          | -18.200         | -0.058              | 3.582                             |
| 04/29/2026 | -0.410          | -17.800         | -0.102              | 3.537                             |
| 06/17/2026 | -0.840          | -43.100         | -0.210              | 3.430                             |
| 07/29/2026 | -1.100          | -25.900         | -0.275              | 3.365                             |
| 09/16/2026 | -1.473          | -37.300         | -0.368              | 3.272                             |

## Commodities Futures

| Energy                   | Futures | % chg | Soft Commodities        | Futures | % chg |
|--------------------------|---------|-------|-------------------------|---------|-------|
| WTI (per barrel)         | 59.44   | 0.4%  | Corn (per bushel)       | 4.248   | 1.1%  |
| Brent (per barrel)       | 63.94   | -0.3% | Soybean (per bushel)    | 10.578  | 0.5%  |
| Heating Oil (per gallon) | 223.76  | 1.3%  | Wheat (per bushel)      | 5.180   | 1.5%  |
| Gasoline (per gallon)    | 178.52  | 0.1%  | Crude Palm Oil (MYR/MT) | 40.320  | 0.1%  |
| Natural Gas (per MMBtu)  | 3.10    | -0.8% | Rubber (JPY/KG)         | 3.514   | 0.0%  |
| Base Metals              | Futures | % chg | Precious Metals         | Futures | % chg |
| Copper (per mt)          | 12966   | 1.3%  | Gold (per oz)           | 4671    | 1.6%  |
| Nickel (per mt)          | 18133   | 3.2%  | Silver (per oz)         | 94.39   | 4.7%  |

Source: Bloomberg, Reuters

(Note that rates are for reference only)

## Equity and Commodity

| Index      | Value     | Net change |
|------------|-----------|------------|
| DJIA       | 48,488.59 | -870.74    |
| S&P        | 6,796.86  | -143.15    |
| Nasdaq     | 22,954.32 | -561.07    |
| Nikkei 225 | 52,991.10 | -592.47    |
| STI        | 4,828.00  | -6.88      |
| KLCI       | 1,699.06  | -13.27     |
| JCI        | 9,134.70  | 0.83       |
| Baltic Dry | 1,650.00  | 83.00      |
| VIX        | 20.09     | 1.25       |

## Government Bond Yields (%)

| Tenor | SGS (chg)    | UST (chg)    |
|-------|--------------|--------------|
| 2Y    | 1.41 (-0.01) | 3.59(-)      |
| 5Y    | 1.79 (-0.01) | 3.86 (+0.04) |
| 10Y   | 2.17 (-0.01) | 4.28 (+0.07) |
| 15Y   | 2.18 (+0.01) | --           |
| 20Y   | 2.18 (+0.02) | --           |
| 30Y   | 2.27 (+0.01) | 4.91 (+0.08) |

## Financial Spread (bps)

| Value | Change |    |
|-------|--------|----|
| TED   | 35.36  | -- |

## Secured Overnight Fin. Rate

|      |      |
|------|------|
| SOFR | 3.65 |
|------|------|

## Economic Calendar

| Date Time       | Country Code | Event   | Period | Survey | Actual | Prior  | Revised |
|-----------------|--------------|---|--------|--------|--------|--------|---------|
| 1/21/2026 8:00  | SK           | Imports 20 Days YoY   | Jan    | --     | 4.20%  | 0.70%  | --      |
| 1/21/2026 8:00  | SK           | Exports 20 Days YoY   | Jan    | --     | 14.90% | 6.80%  | --      |
| 1/21/2026 15:20 | ID           | BI-Rate   | 21-Jan | 4.75%  | --     | 4.75%  | --      |
| 1/21/2026 20:00 | US           | MBA Mortgage Applications                                   | 16-Jan | --     | --     | 28.50% | --      |
| 1/21/2026 23:00 | US           | Census Releases Sept.-Oct. Construction Spending on Jan. 21 |        |        |        |        |         |
| 1/21/2026 23:00 | US           | Construction Spending MoM                                   | Oct    | 0.10%  | --     | --     | --      |
| 1/21/2026 23:00 | US           | Pending Home Sales MoM                                      | Dec    | -0.30% | --     | 3.30%  | --      |
| 1/21/2026 23:00 | US           | Pending Home Sales NSA YoY                                  | Dec    | --     | --     | -0.30% | --      |

Source: Bloomberg

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