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OCBC Group Research

By Global Markets | 21 August 2026

Daily Treasury Outlook

Highlights

Global: S&P, Nasdaq, and Dow declined between 0.9% and 1.3% (S&P500: -0.9%; Dow: -1.3%; Nasdaq: -1.0%) overnight. Renewed inflation concerns stemming from higher energy prices weighed on risk sentiment, with Brent crude rising more than 2% to close at ~USD93/bbl. In the Middle East, the US is stepping up economic pressure on Iran. Treasury Secretary Scott Bessent said Washington will impose the "toughest sanctions in history" on Tehran, following President Trump's warning of economic consequences for countries providing Iran with economic support. Bessent suggested that the stronger focus on economic measures could reduce the need for another "a large-scale kinetic restart." He will provide more details at a press conference on Monday. On the data front, the Philadelphia Fed Manufacturing Business Outlook was the standout. The general activity index rose to 47.4 in August from 41.4 in the previous month, marking its highest reading since April 2021. Nearly 57% of firms reported increases in activity. Employment also strengthened sharply, with the employment index rising 18 points to 27.9. Meanwhile, new orders and shipments eased but remained elevated. Similarly, "price increases were less widespread this month, but both price indexes remained elevated." Encouragingly, most forward-looking measures rose higher, with the diffusion index for future general activity surging to 73.6, its highest reading since 1983. Taken together, the survey suggests "an overall expansion in the region's manufacturing activity," with the broad forward-looking indicators pointing to "widespread expectations for growth over the next six months." Separately, The Conference Board Leading Economic Index rose 0.2% in July to 99.5. "Most components were positive in July except consumer expectations, which continued to be a notable drag on the overall index." Importantly, the six-month growth rate turned positive for the first time in over four years, "suggesting moderate growth ahead." The Conference Board forecasts US GDP growth at 1.9% in both 2026 and 2027. Weekly labour market data were also relatively resilient. Initial jobless claims fell by 2.8% to 206k for the week ending 15 August, below consensus expectations of 210k. Meanwhile, continuing claims rose by 1.0% to 1.799mn for the week ending 8 August.

Market Watch: This morning, Japan's July CPI came in as expected, with headline and core CPI rising to 1.9% YoY and 1.8% YoY, respectively, up from 1.6% in the previous month. For the day ahead, the focus will be on the preliminary August S&P Global PMIs across the US, UK, and Eurozone. The UK will also publish its July retail sales data.

Major Markets

HK: Inflationary pressure stayed well contained so far this year. Headline CPI rose by slower pace of 1.7% YoY and 1.9% YoY respectively in July (2.0% and 1.9% respectively in June), reflecting the impact of government rate concessions during the month, rather than a broad-based weakening in underlying price pressures. Meanwhile, underlying CPI (netting out the effect of all government's one-off relief measures) increased by a steady pace of 1.9% YoY, same as previous month.

Key Market Movements

Equity	Value	% chg
S&P 500	7641.2	-0.9%
DJIA	52759	-1.3%
Nikkei 225	66217	1.4%
SH Comp	3903.7	0.2%
STI	5671.9	-0.4%
Hang Seng	25698	0.8%
KLCI	1736.7	0.3%
	Value	**% chg**
DXY	98.895	0.1%
USDJPY	159.05	0.6%
EURUSD	1.1678	0.0%
GBPUSD	1.3631	0.2%
USDIDR	17746	-0.5%
USDSGD	1.2721	0.1%
SGDMYR	3.1835	0.1%
	Value	**chg (bp)**
2Y UST	4.19	2.52
10Y UST	4.70	5.75
2Y SGS	1.69	-0.60
10Y SGS	2.37	0.80
3M SORA	1.13	0.33
3M SOFR	3.64	0.12
	Value	**% chg**
Brent	93.78	2.4%
WTI	87.83	2.3%
Gold	4517	0.0%
Silver	68.09	1.7%
Palladium	1332	-0.6%
Copper	14037	-0.1%
BCOM	139.37	0.7%

Source: Bloomberg

On labour market front, the seasonally unadjusted unemployment rate edged up to 3.8% in the May-July 2026 period from 3.7% previously, with jobless rates rising across most sectors. The number of unemployed persons rose to 145,700, although this largely coincided with an increase in the labour force to 3.793 million, as fresh graduates and school leavers entered the job market following the end of the academic year. After adjusting for seasonality, however, the unemployment rate remained unchanged at 3.7% in May-July 2026.

ID: Minister of Investment and Downstreaming Rosan Roeslani said stronger Indonesia-Singapore cooperation could support ASEAN's long-term competitiveness and resilience, noting that Singapore has consistently remained Indonesia's largest source of FDI. He highlighted opportunities for cooperation in industrial development, downstream processing, renewable energy, digital infrastructure and the AI economy, alongside Singapore's expertise in finance, technology, innovation and international connectivity. Minister Roeslani also expressed hope that bilateral ties would strengthen further as the two countries prepare to commemorate 60 years of diplomatic relations next year.

MY: The external sector continued to shine in July, with export growth of 38% YoY versus 45.5% in June and import growth at 36.4% YoY in July versus 43.1% in June. The strength in exports highlights not just the diversification of export products across electronics and electrical appliances (E&E) and commodities but also across export partners. As a result, the trade surplus widened to MYR22.5bn from MYR16bn in June. From a monetary policy perspective, we will look for a shift in tone from BNM at its 3 September meeting. Our baseline remains for a normalisation of the policy rate to 3.00% in January 2027 from 2.75% presently.

AU: Australia's employment surprised sharply to the downside in July, falling by 15.8k against expectations for a gain and reversing some of June's revised 80.2k increase. However, the underlying picture was less negative, with full-time employment rising by 16.3k while part-time employment fell by around 32k, partially unwinding its strong increase in the previous month. The participation rate edged down 0.1ppt to 66.9%, while the unemployment rate rose to 4.5% from 4.4% in June. Hours worked also declined by 0.6%, while the underemployment rate held at 6.4%, adding to signs that the labour market is gradually softening.

Sustainability

ID: Indonesia is stepping up the use of cloud seeding to combat a worsening wildfire season driven by a strong El Niño. Authorities have carried out 252 cloud-seeding operations between 2021 and Aug 2026, compared with 85 in the previous decade. While cloud seeding may help increase rainfall and reduce fire hotspots in the near term, addressing Indonesia's wildfire risks in the long term will require stronger protection and restoration of vulnerable peatland and rainforest ecosystems, which remain highly susceptible to fires during prolonged dry periods.

Credit Market Updates

Market Commentary:

- The SGD SORA OIS curve traded higher yesterday with the shorter tenors trading 2bps higher, belly tenors trading 1-2bps higher, and the 10Y tenor trading flat.
- US Investment Grade spreads widened by 1bps to 81bps, and US High Yield spreads widened by 3bps to 273bps. Bloomberg Global Contingent Capital traded flat at 206bps.
- Bloomberg Asia USD Investment Grade traded tightened by 1bps to 56bps, and the Asia USD High Yield spreads tightened by 4bps to 328bps. (Bloomberg, OCBC)

New Issues:

- There were no issuances in the Singdollar market yesterday.
- The total issuances in the APAC and DM IG markets were USD2.8bn and USD2bn respectively yesterday (prior day: USD300mn and USD2.5bn respectively). Issuances in the APAC market was led by HDFC Bank Ltd/Gift City (priced USD1.75bn across two tranches) and DM IG markets were led by Vylor Inc (guarantor EIDP Inc) (priced USD1.1bn across two tranches).

Credit Developments:

- **Commonwealth Bank of Australia (CBAAU):** Per CBAAU's CFO, Australia's higher interest rates are weighing on mortgage demand and indebted households, but population growth and infrastructure investment support the longer-term economic outlook. Separately, industry-wide mortgage fraud findings underscore the need for stronger lending controls.
- **AIA Group Limited (AIA):** AIA delivered solid 1H2026 growth in new business value, earnings and cash generation while maintaining a strong 229% local capital summation method coverage ratio, supporting a stable outlook despite potentially slower growth from Chinese Mainland visitors.

Equity Market Updates

US: US stocks fell Thursday as the brief relief from the Treasury's bond buyback announcement faded, with investors concluding the measure was a short-term fix rather than a structural remedy for surging government debt. The S&P 500 lost 0.9%, the Nasdaq Composite shed 1.0%, and the Dow dropped 1.3%, its largest single-day point decline in several weeks. Walmart weighed heavily on consumer shares, tumbling 9.2%, its steepest fall since 2022, after reporting US comparable sales growth of just 2.6% in the second quarter, the slowest pace in over six years and well below the approximately 3.8% consensus estimate, partly attributed to new federal drug-pricing regulations capping pharmacy revenues. Third-quarter guidance also disappointed, with EPS guided at USD0.62 to USD0.64 against the USD0.68 estimate. Treasury yields reversed Wednesday's buyback-driven rally, with the 10-year yield rising approximately 6 basis points to 4.71%, whilst the 30-year briefly touched 5.27% before paring gains, erasing the prior session's decline and returning to near 19-year highs. Treasury

Secretary Bessent flagged potential expansion of buybacks beyond USD4b and signalled an upcoming fiscal consolidation plan, though markets remained sceptical. US gross public debt surpassing USD40t for the first time, reported Wednesday, added to the backdrop of fiscal concern.

Foreign Exchange				
	Day Close	% Change		Day Close
DXY	98.895	0.06%	USD-SGD	1.2721
USD-JPY	159.05	0.56%	EUR-SGD	1.4855
EUR-USD	1.168	0.01%	JPY-SGD	0.7998
AUD-USD	0.711	-0.15%	GBP-SGD	1.7341
GBP-USD	1.363	0.18%	AUD-SGD	0.9051
USD-MYR	4.045	-0.33%	NZD-SGD	0.7562
USD-CNY	6.725	-0.07%	CHF-SGD	1.5894
USD-IDR	17746	-0.49%	SGD-MYR	3.1835
USD-VND	26107	-0.28%	SGD-CNY	5.2843

Equity and Commodity		
Index	Value	Net change
DJIA	52,759.21	-703.84
S&P	7,641.16	-66.82
Nasdaq	26,067.17	-263.92
Nikkei 225	66,216.79	890.37
STI	5,671.91	-22.33
KLCI	1,736.71	5.39
JCI	6,501.59	107.46
Baltic Dry	2,776.00	-39.00
VIX	16.01	1.12

SOFR				
Tenor	EURIBOR	Change	Tenor	USD SOFR
1M	2.1960	-0.23%	1M	3.6719
3M	2.4920	-0.32%	2M	3.7139
6M	2.7190	0.82%	3M	3.7464
12M	2.9770	0.71%	6M	3.8422
			1Y	3.9770

Government Bond Yields (%)		
Tenor	SGS (chg)	UST (chg)
2Y	1.69 (-0.01)	4.18(--)
5Y	1.98 (-0.01)	4.39 (+0.05)
10Y	2.37 (+0.01)	4.7 (+0.06)
15Y	2.44 (--)	--
20Y	2.43 (--)	--
30Y	2.48 (-0.01)	5.24 (+0.06)

Fed Rate Hike Probability				
Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
09/16/2026	0.361	36.100	0.090	3.721
10/28/2026	0.545	18.400	0.136	3.767
12/09/2026	0.931	38.600	0.233	3.864

Secured Overnight Fin. Rate	
SOFR	3.62

Commodities Futures					
Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	87.83	2.3%	Corn (per bushel)	4.788	1.2%
Brent (per barrel)	93.78	2.4%	Soybean (per bushel)	12.208	-0.1%
Heating Oil (per gallon)	448.03	0.6%	Wheat (per bushel)	6.828	0.4%
Gasoline (per gallon)	326.29	0.2%	Crude Palm Oil (MYR/MT)	47.340	1.7%
Natural Gas (per MMBtu)	2.73	-2.9%	Rubber (JPY/KG)	4.789	0.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	14037	-0.1%	Gold (per oz)	4517	0.0%
Nickel (per mt)	16880	-1.4%	Silver (per oz)	68.09	1.7%

Source: Bloomberg, Reuters

Economic Calenda

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
8/21/2026 7:30	JN	Natl CPI YoY	Jul	1.90%	1.90%	1.60%	--
8/21/2026 7:30	JN	Natl CPI Ex Fresh Food YoY	Jul	1.80%	1.80%	1.60%	--
8/21/2026 8:30	JN	S&P Global Japan PMI Mfg	Aug P	--	--	54.5	--
8/21/2026 13:00	IN	HSBC India PMI Mfg	Aug P	--	--	53.5	--
8/21/2026 14:00	UK	Retail Sales Inc Auto Fuel MoM	Jul	-0.50%	--	1.00%	--
8/21/2026 14:00	UK	Retail Sales Inc Auto Fuel YoY	Jul	2.20%	--	4.20%	--
8/21/2026 14:00	UK	Retail Sales Ex Auto Fuel MoM	Jul	-0.50%	--	1.10%	--
8/21/2026 14:00	UK	Retail Sales Ex Auto Fuel YoY	Jul	3.30%	--	5.40%	--
8/21/2026 15:30	TH	Gross International Reserves	14-Aug	--	--	$280.6b	--
8/21/2026 16:00	EC	S&P Global Eurozone Manufacturing PMI	Aug P	51.8	--	51.9	--
8/21/2026 16:00	EC	S&P Global Eurozone Composite PMI	Aug P	51.7	--	52	--
8/21/2026 16:30	UK	S&P Global UK Manufacturing PMI	Aug P	51.5	--	51.9	--
8/21/2026 16:30	UK	S&P Global UK Services PMI	Aug P	51.8	--	52.1	--
8/21/2026 16:30	UK	S&P Global UK Composite PMI	Aug P	51.6	--	52.2	--

Source: Bloomberg

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