

Daily Treasury Outlook

Highlights

Global: Tuesday's session marked a sharp reversal from Monday's bifurcated market performance, as a broad-based global semiconductor sell-off spread from Asia into Europe and the U.S. The weakness was initially triggered by a violent unwind in South Korean technology stocks, raising concerns over positioning and valuation across the global AI supply chain. Risk sentiment deteriorated noticeably, with the VIX climbing to 19.49. Adding to market pressure, Fed tightening expectations continued to intensify. Markets are now pricing in nearly two additional rate hikes by year-end, despite softer oil prices as investors further unwind the geopolitical risk premium associated with progress toward a potential Iran deal. Meanwhile, the 10-year U.S. Treasury yield remained elevated at 4.50%.

U.S. economic data continued to point to a resilient economy, reinforcing the post-FOMC narrative that growth remains robust while inflation stays above target. S&P Global's flash manufacturing PMI rose to 55.7 in June from 55.1 in May, marking the strongest reading since May 2022. New orders surged to a more than four-year high, likely reflecting front-loading of demand amid concerns over potential supply disruptions and future price increases linked to the Middle East conflict. Inflation pressures within the manufacturing sector showed some signs of moderation. The prices-paid index eased to 71.2 from 75.3 in May, while manufacturers continued to pass higher costs on to consumers, albeit at a slower pace. However, labour market conditions within the sector weakened noticeably, with the manufacturing employment index falling to 47.0 from 51.6, the lowest level since May 2020. The services sector also strengthened, with the flash services PMI rising to 51.3 from 50.7. Part of the improvement was attributed to increased activity related to the FIFA World Cup.

In Europe, business activity remained weak but showed signs of stabilization. The S&P Global Flash Eurozone Composite PMI improved to 49.5 in June from 48.5 in May. The services PMI edged up to 48.9 from 47.7, while manufacturing PMI slipped marginally to 51.3 from 51.6. Factory output continued to expand, supported by inventory accumulation as firms sought to get ahead of potential future supply disruptions and rising input costs.

On the central bank front, Bank of England policymaker Alan Taylor stated that an "extended hold" in interest rates remains the appropriate response to renewed inflationary pressures stemming from the Middle East conflict.

Market Watch: Looking ahead, market attention will turn to U.S. housing data, including May new home sales and building permits. As the market narrative shifts from the 'Iran war' theme back toward the implications of a 'Warsh Fed,' stronger-than-expected economic data could increasingly be interpreted through a more hawkish Fed reaction function, potentially reinforcing expectations of further policy tightening.

Key Market Movements

Equity	Value	% chg
S&P 500	7365.5	-1.4%
DJIA	51667	-0.1%
Nikkei 225	69788	-3.5%
SH Comp	4106.3	-1.4%
STI	5205.7	0.0%
Hang Seng	23336	-1.8%
KLCI	1679.9	-1.2%
	Value	% chg
DXY	101.408	0.4%
USDJPY	161.55	0.0%
EURUSD	1.1382	-0.4%
GBPUSD	1.3204	-0.4%
USDIDR	17845	0.1%
USDSGD	1.2965	0.2%
SGDMYR	3.1979	-0.3%
	Value	chg (bp)
2Y UST	4.20	-2.74
10Y UST	4.50	-1.19
2Y SGS	1.61	-4.00
10Y SGS	2.07	-3.94
3M SORA	1.08	-0.17
3M SOFR	3.64	-0.02
	Value	% chg
Brent	77.08	-1.1%
WTI	73.21	-2.2%
Gold	4117	-1.7%
Silver	61.58	-5.4%
Palladium	1234	-2.9%
Copper	13371	-2.0%
BCOM	124.37	-1.3%

Source: Bloomberg

Major Markets

HK: Headline and underlying CPI (netting out the effects of all one-off government relief measures) rose at an accelerated pace of 2.0% YoY and 1.7% YoY, respectively, in May (1.7% and 1.6%, respectively, in April), driven by sharper increases in transport fares, charges for package holidays, and fees for health services. Despite the upside surprise in the inflation print (consensus: 1.9%) for the month, we expect overall inflationary pressure to remain contained for the rest of the year, as supply-side cost pressures are likely to moderate in the periods ahead.

ID: MSCI will keep Indonesia's market classification under review until the November 2026 MSCI Index Review, after investors flagged material concerns over market investability. MSCI recognised recent reform measures by OJK, IDX and KSEI, including stricter disclosure for shareholders with ownership above 1%, more detailed investor classification, a High Shareholding Concentration framework and a plan to lift the minimum free float requirement to 15%. The decision follows MSCI's review of new regulatory measures on free float and investability, while its latest accessibility review lowered Indonesia's information flow assessment to negative due to limited transparency in ownership structures, coordinated trading behaviour and insufficient English disclosure. MSCI said it could consider further action, including a consultation on moving Indonesia from Emerging Markets to Frontier Markets, if it does not see sufficient progress by November 2026.

MY: The British High Commission Kuala Lumpur announced the commencement of negotiations on a new digital trade agreement (DTA) between Malaysia and the UK aimed at making digital trade easier, cheaper and more secure through cross border data flows, digital systems and stronger protections for personal data, intellectual property, online consumers and cybersecurity. The agreement will also support cooperation in areas such as artificial intelligence and data while fostering partnerships to strengthen supply chains, infrastructure and competitiveness. UK Trade Minister Chris Bryant said the DTA could create new opportunities for businesses and support high skilled jobs, as reported by The Edge. The British High Commission noted that bilateral trade between the UK and Malaysia reached GBP6.4bn in 2025, while UK exports of digitally delivered services to Malaysia totalled GBP730.0mn in 2023.

Credit Market Updates

Market Commentary:

- The SGD SORA OIS curve traded lower yesterday with shorter tenors trading 4-5bps lower while belly tenors traded 5bps lower and the 10Y tenor traded 6bps lower.
- US Investment Grade spreads tightened by 1bps to 72bps, and US High Yield spreads also widened by 6bps to 270ps. Bloomberg Global Contingent Capital Index widened by 3bps to 218bps.
- Bloomberg Asia USD Investment Grade widened by 2bps to 54bps and Asia USD High Yield spreads widened by 5bps to 358bps. (Bloomberg, OCBC).

New Issues:

- There were three issuances in the Singdollar market yesterday where Ho Bee Land Ltd priced a SGD150mn 5Y fixed rate green bond at 3.3%, Optus Finance Pty Ltd (guarantor: SingTel Optus Pty Ltd) priced a SGD200mn 10Y fixed rate bond at 2.84%, and Cagamas Global PLC (guarantor: Cagamas Bhd) priced a SGD94mn 1Y fixed rate bond at 1.84%.
- The total issuance volumes for APAC and DM IG markets yesterday were USD5.83bn and USD25.85bn respectively (prior day: USD4.3bn and USD8.40bn respectively). The largest issuance in APAC and DM IG came from Nomura Holdings Inc (priced USD3.5bn across 5 tranches) and Space Exploration Technologies Corp (priced USD25bn across 5 tranches) respectively. (Bloomberg, OCBC)

Recent Coverage Developments:

- There were no notable headlines yesterday.

Equity Market Updates

US: US stocks fell Tuesday as a global AI-driven selloff swept through technology and semiconductor shares, with the rout originating in Asia before rippling across to Wall Street. The S&P 500 dropped 1.4%, its steepest single-day decline since 10 Jun 2026, the Nasdaq Composite tumbled 2.2%, and the Dow slipped 0.1%, with the latter cushioned by rotation into lagging sectors such as financials, which gained 0.4%. The Philadelphia Semiconductor Index, which had doubled from its war-driven lows, slid sharply as Nvidia fell 4.1% and Micron, Marvell, and On Semiconductor, each up more than 100% in 2026, led the broader chip rout. In contrast, Microsoft, Amazon, Meta, and Apple posted gains, suggesting selective rather than wholesale de-risking. Treasuries rallied on haven demand, with 2-year yields falling roughly 4 basis points; a USD69b 2-year note auction drew strong demand, stopping through at 4.189%, the highest 2-year auction yield since January 2025. Post-market, FedEx fell 5.7% after its first earnings report since its spin-off, while Alphabet rose 1.2% on news it will replace Verizon in the Dow Jones Industrial Average effective 29 Jun 2026. Notably, the US Senate voted 50 to 48 to end the war with Iran, though the practical impact remains unclear given the existing interim peace deal. Singapore's core inflation held steady at 1.4% in May, below the 1.6% consensus estimate. In Hong Kong, the Hang Seng China Enterprises Index entered bear market territory, having fallen 20% from its October 2025 peak.

Foreign Exchange

	Day Close	% Change		Day Close
DXY	101.408	0.38%	USD-SGD	1.2965
USD-JPY	161.55	-0.01%	EUR-SGD	1.4758
EUR-USD	1.138	-0.41%	JPY-SGD	0.8025
AUD-USD	0.692	-1.21%	GBP-SGD	1.7118
GBP-USD	1.320	-0.35%	AUD-SGD	0.8967
USD-MYR	4.142	-0.15%	NZD-SGD	0.7349
USD-CNY	6.792	0.24%	CHF-SGD	1.6012
USD-IDR	17845	0.07%	SGD-MYR	3.1979
USD-VND	26323	0.02%	SGD-CNY	5.2339

Equity and Commodity

Index	Value	Net change
DJIA	51,666.84	-45.87
S&P	7,365.46	-107.33
Nasdaq	25,587.04	-579.56
Nikkei 225	69,788.38	-2565.58
STI	5,205.74	1.73
KLCI	1,679.92	-20.92
JCI	6,101.33	-15.36
Baltic Dry	2,684.00	-38.00
VIX	19.49	2.21

SOFR

Tenor	EURIBOR	Change	Tenor	USD SOFR
1M	2.2790	0.04%	1M	3.6510
3M	2.3130	-0.73%	2M	3.7025
6M	2.6310	0.34%	3M	3.7455
12M	2.8090	0.72%	6M	3.8698
			1Y	4.0404

Government Bond Yields (%)

Tenor	SGS (chg)	UST (chg)
2Y	1.61 (-0.04)	4.2(-)
5Y	1.75 (-0.03)	4.27 (-0.02)
10Y	2.07 (-0.04)	4.49 (-0.01)
15Y	2.11 (-0.02)	--
20Y	2.12 (-)	--
30Y	2.16 (-)	4.95(-)

Fed Rate Hike Probability

Meeting	# of Hikes/Cuts	% of Hikes/Cuts	Implied Rate Change	Expected Effective Fed Funds Rate
07/29/2026	0.363	36.300	0.091	3.723
09/16/2026	0.909	54.600	0.227	3.859
10/28/2026	1.163	25.400	0.291	3.922
12/09/2026	1.528	36.400	0.382	4.014

Financial Spread (bps)

Value	Change
TED	35.36 --
Secured Overnight Fin. Rate	
SOFR	3.61

Commodities Futures

Energy	Futures	% chg	Soft Commodities	Futures	% chg
WTI (per barrel)	73.21	-2.2%	Corn (per bushel)	4.098	-0.4%
Brent (per barrel)	77.08	-1.1%	Soybean (per bushel)	11.170	0.1%
Heating Oil (per gallon)	315.46	2.0%	Wheat (per bushel)	5.868	-1.8%
Gasoline (per gallon)	295.90	-0.9%	Crude Palm Oil (MYR/MT)	46.000	-0.2%
Natural Gas (per MMBtu)	3.15	-3.3%	Rubber (JPY/KG)	4.278	-1.0%
Base Metals	Futures	% chg	Precious Metals	Futures	% chg
Copper (per mt)	13371	-2.0%	Gold (per oz)	4117	-1.7%
Nickel (per mt)	17172	-3.3%	Silver (per oz)	61.58	-5.4%

Source: Bloomberg, Reuters

Economic Calendar

Date Time	Country Code	Event	Period	Survey	Actual	Prior	Revised
6/24/2026 7:50	JN	PPI Services YoY	May	3.30%	3.30%	3.00%	3.30%
6/24/2026 9:30	AU	CPI YoY	May	4.30%	--	4.20%	--
6/24/2026 9:30	AU	CPI Trimmed Mean YoY	May	3.50%	--	3.40%	--
6/24/2026 10:00	SK	Department Store Sales YoY	May	--	--	21.70%	--
6/24/2026 10:00	SK	Discount Store Sales YoY	May	--	--	-6.60%	--
6/24/2026 10:00	SK	Retail Sales YoY	May	--	--	7.20%	--
6/24/2026 15:00	TH	BoT Benchmark Interest Rate	24-Jun	1.00%	--	1.00%	--
6/24/2026 16:00	GE	IFO Business Climate	Jun	85.5	--	84.9	--
6/24/2026 16:00	GE	IFO Expectations	Jun	84.8	--	83.8	--
6/24/2026 16:00	GE	IFO Current Assessment	Jun	86.3	--	86.1	--
6/24/2026 16:00	TA	Industrial Production YoY	May	13.20%	--	14.16%	--
6/24/2026 19:00	US	MBA Mortgage Applications	19-Jun	--	--	-3.80%	--
6/24/2026 20:30	US	Current Account Balance	1Q	-\$208.9b	--	-\$190.7b	--
6/24/2026 22:00	US	New Home Sales	May	640k	--	622k	--
6/24/2026 22:00	US	New Home Sales MoM	May	3.20%	--	-6.20%	--
6/24/2026-6/25/2026	US	Building Permits	May F	1418k	--	1413k	--

Source: Bloomberg

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