Research Monitor (July)

2 July 2025

Key Themes

1. What a difference a month makes! Market optimism has returned as US equities test fresh record highs to end off 1H25. The US Treasury bond market also rallied on the last trading day of June to chalk up its best month since February and the best 1H stretch in five years. Last week's escalation of tensions in the Middle East did little to quell risk appetite. Looking ahead, 9 July remains the key deadline for tariff negotiations, but many talks are still in flux. For instance, the EU is willing to accept a 10% universal tariff but is pushing for quotas and exemptions for key sectors like pharmaceuticals, semiconductors and commercial aircraft etc. Canada has also rescinded a digital services tax and restarted negotiations with the US on tariffs, whereas Japan is under pressure on rice imports amongst others.

2. Meanwhile, the US House vote on US president Trump's big beautiful bill is looming, but the Republicans can only lose three votes to still pass the bill. Notwithstanding a resilient US labour market, the Fed Funds Market has moved back to pricing in nearly three cuts of 25ps by the US Federal Reserve for the remainder of this year, even as dovish pressures build. Fed chair Powell was reluctant to rule out a cut at the July 31st FOMC meeting even as he expects tariff effects to show up in inflation market players await the upcoming June nonfarm payrolls and unemployment data for more cues. Despite hopes that the tariff impact will have a transitory inflationary impact, the Bank of International Settlements (BS) has warned of resurgent US inflation due to trade disruptions due to US policies and also risks to financial stability propagating through stress in sovereign bond markets amid growing concerns about fiscal sustainability. Still, the latest core PCE price index, which is the Fed's preferred inflation gauge, picked up modestly to 2.7% YoY (0.2% MoM) in June, but the University of Michigan consumer sentiment also improved from 52.2 in May to 60.7 in June.

3. The Chinese economy continued to paint a mixed picture in the month of June. The key problem lies in the low inflation. The performance of durable goods sectors of industrial profit—particularly automobiles and furniture—acted as a drag. Despite robust car sales in volume terms, the ongoing price war significantly eroded profit margins. While the overall tone on growth has become more upbeat, policymakers have concurrently acknowledged the persistence of structural challenges—particularly the ongoing pressure of low inflation. Taken together, the updated language suggests growing confidence in the economy's recovery trajectory, but also highlights the need for continued policy support. With price levels still subdued, the central bank retains room to further reduce interest rates if needed. In our view, a combination of stronger fiscal expansion and further monetary easing will be necessary to lift the economy out of its current disinflationary trap.

4. Flash estimates (data till 21 June) indicate that the OCBC SME Index is expected to improve to 51.5 in June, up from 49.4 in May. This is likely attributed to a combination of low base results from the same period last year and ongoing front-loading activities. However, as the pause in the tariffs is set to expire soon, front-loading activity will fade and it remains to be seen if the performance of local SMEs can be sustained.

Asset Class Views

	House View	Trading Views
FX	**G-10 FX:** For the month of June, the **USD** initially saw mild demand on geopolitical escalation in Middle East, but demand quickly faded after a ceasefire in the Israel-Iran conflict. Subsequently, the USD took a turn lower, with the USD Index (DXY) testing more than a three-year low into month-end. For the 1H-to-date performance, DXY had its worst start since 1973. Some of the factors that contributed to renewed USD selling pressure include tentative optimism about trade talks, prospects of rate cuts by the US Federal Reserve and softer US data (reinforcing the view that US exceptionalism is fading), while geopolitical concerns took a back seat. Recent comments from Fed officials have indicated that a rate cut in July is a possibility. In the near term, reciprocal tariffs remain a key focus, as markets watch for potential new deals or extensions. We continue to expect the USD to trade weaker as the USD diversification/re-allocation trend takes centre-stage while potential for a Fed rate-cut cycle comes into focus in 2H2025.	Bearish bias. Support at 95.50. Resistance at 98.30, 99.20.
	EUR extended its run higher towards 1.18-levels as the USD lost ground. Germany's government recently approved its draft budget for 2025, clearing the way for a big boost in spending on defence and infrastructure. Defence spending is set to more than double to €152.8 billion by 2029. In addition, NATO members have agreed to ramp up military spending to 5% of GDP. All of this supports our view that fiscal policy will be a tailwind for German growth in the years ahead, and that should be a positive for the EUR as well. A risk factor on the radar is EU-US tariffs. There may be potential repercussions if the US imposes significant tariffs on EU goods including a reduction in EU exports to US, growth concerns about the EU and deeper ECB rate cuts to support growth. Technically this can hold back the EUR's rally but if the "sell USD" trade remains the dominant theme, then the EUR may still find support. As of writing, EU is willing to accept a trade arrangement with the US that includes a 10% tariff amongst other components. In return, EU wants the US to commit to lower tariff rates on key sectors such as pharmaceuticals, alcohol, semiconductors and commercial aircraft. We continue to watch developments that may unfold ahead of 9 Jul.	Bullish momentum. Resistance at 1.1920. Support at 1.1550, 1.14 levels.
	AUDUSD rose as an Israel-Iran ceasefire supported risk sentiment while tentative trade deals between the US and a few nations including China and the UK, and dovish Fed rhetoric, undermined the USD. More broadly, Australia's growth remains intact, but the pace of recovery is expected to moderate, due to weaker global demand, trade related uncertainties and softer domestic consumption. Slower inflation and a less tight labour market allows the RBA to continue its gradual path of easing monetary policy. But this should be perceived as one of the means of supporting growth. The AUD is a high beta currency which can be exposed to geopolitical shocks, swings in the RMB, equity market sentiment, and global growth prospects. The interplay of a dovish RBA and tariff uncertainty are factors that will restrain the AUD from heading higher. On the other hand, a softer USD trend could cushion the impact on the AUD. The bias remains for the AUD to trend gradually higher as USD softness returns and markets re-focus on potential Fed rate cuts in the months ahead.	Mild bullish; Gains may be more restrained. Resistance at 0.66. Support at 0.6510, 0.6420.
	Asian FX generally performed well. This was largely due to a "sell USD" trade, signs of foreign inflows returning, prospects of de-escalation in trade tensions as US engages in trade talks with a handful of Asian countries including China, Korea, Japan as well as chatters of currency being discussed with some Asian countries during bilateral trade talks with US. "Sell USD" trade is due to a range of reasons from US policy unpredictability related to Trump tariffs, to an erosion of US exceptionalism and increasing concerns over US fiscal health. These factors can continue to hurt sentiments toward the USD. As the confidence in the USD continues to waver after geopolitical tensions fade, exporters in the region and asset managers will continue to reduce their USD holdings and increase their hedge ratio – basically reducing USD exposure. Asian currencies can continue to appreciate so long USD softness persists owing to US-centric risks and that global growth outside US still hold up. But the momentum could be jeopardised if US exceptionalism makes a comeback or if global growth shows further signs of weakening or if there is a systematic crisis/ geopolitical setback.	

	USDCNH continued to trade lower in subdued ranges. A consistent trend of CNY fix being set stronger, relatively upbeat PMIs, confirmation of trade deal framework between US and China as well as a softer USD environment should continue to point to a more constructive outlook for RMB. But at the same time, we believe policymakers will continue to pursue setting the USDCNY fix at a "measured pace" to also help anchor relative stability in RMB overall. Any sharp or rapid RMB appreciation may risk triggering exporters rushing to sell USD holdings and that cycle (if it happens) may result in excessive RMB volatility and strength. This may hurt exporters' margins and have wider repercussion on deflation. A more gradual pace of appreciation could repair investor sentiments and encourage a return of foreign inflows.	Bearish tilt. Support at 7.1460, 1.12 levels. Resistance at 7.18, 7.20 levels.
	USDSGD continued to trade near a decade low. A combination of tentative progress on trade talks, a soft USD environment, stronger RMB and a de-escalation in geopolitical tensions were some factors that undermined the pair. On upcoming MAS meeting in Jul, we opined there may be little urgency to ease after 2 back-to-back easing in Jan and Apr this year. MAS-MTI joint statement noted that imported inflation should remain moderate. Domestically, enhanced government subsidies for essential services are likely to dampen services inflation. Overall, core and headline inflation are projected to average 0.5 – 1.5% for 2025 (unchanged from previous statement). Nevertheless, earlier downgrades to growth and inflation projections for 2025 alongside a highly uncertain external environment suggests that the door remains open for further easing, should macroeconomic conditions deteriorate further.	Sell rallies. Resistance at 1.2825, 1.2910. Support at 1.27, 1.2620.

	House View	Trading Views	
Rates	The FOMC left the target range for the Fed funds rate unchanged at 4.25-4.50% at its June meeting as widely expected. Market focus was on the June SEP (Summary of Economic Projections). There have been upward revisions to inflation forecasts and unemployment rate forecasts, while GDP forecasts have been revised lower. The directions of these forecast changes were as expected. The 2025 median dot on the dot plot has stayed unchanged, pointing to two 25bp cuts this year, although we note the distribution of individual dots are dispersed. Recent commentaries from FOMC members underlined the divided views, which is likely driven by the respective weights individual members put on inflation versus the labour market given the dual mandate. Our base-case remains for three cuts this year as continued cooling in the labour market will justify rates at less restrictive levels, but there is a risk of a further delay in rate cuts given the uncertain inflation outlook, with geopolitics being an additional swing factor. Market has recently added to rate cuts expectation, as Powell's comments were seen as marginally more dovish than before while a couple of members mentioned they were open to a cut as soon as in July. The Bank of Japan kept its Target Rate unchanged at 0.5% at the June meeting in line with expectations. Ueda's comments during the press conference were mixed. While keeping the stance of hiking the policy rate if the BoJ's economic outlook materialises, he emphasised uncertainty was high over the impact of trade measures and opined that tariffs could affect winter bonuses and next year's *shunto*. Prospect remains for sustained wage growth and pass-through onto prices, in our view. On balance, we expect the BoJ to continue with policy normalisation slowly. Our base-case is for one 25bp hike in Q425 and another 25bp hike in Q126. The JGB purchase plan, meanwhile, is not as dovish as some might have expected. Bank of England kept policy Bank Rate unchanged at 4.25% as expected, but the vote split of 6-3 was a tad more dovish. BoE sounded more downbeat on the labour market, expecting a significant slowing in pay growth over the rest of the year. The MPC maintained the guidance of "a gradual and careful approach" to the further withdrawal of monetary policy restraint". Overall, the outcome underlines our view for one 25bp Bank Rate cut in each of Q325 and Q425. *Arrows refer to expectations for general direction of rates/yields	**USD rates**: USTs garnered some modest gains over the past month, as market added to rate cut expectations and paid more attention to fundaments instead of focusing squarely on fiscal risks. Most of the recent auctions went well, underpinned by solid end-user demand. Market pricing of rate cuts is slightly less dovish than our base-case for 2025 but is more dovish than ours for 2026. On balance, we have a very mild downside bias to 2Y UST yield from here, after the year-to-date bond rallies. **SGD rates** moved to lower ranges amid flush SGD liquidity. Before higher supply of bills mops up some liquidity, short-end SGD rates may be capped at 1.8-2.0% level. But we do note front-end SGD rates have been volatile and have stayed mostly higher than 1Y and 2Y rates. Long-end SGS exhibit some relative value on the steep curve, while we see room for 2Y SGS to outperform swap. SGS stands out to benefit from safe-haven and diversion flows. **IndoGB.** Q2 gross IndoGB issuances (including bills) amounted to IDR208trn, more than the initial target of 190trn, as most of the auctions were upsized. This leaves the funding position comfortable. 10Y IndoGB-UST yield spread traded within the 230-250bp range which we have seen as supportive of the domestic bond. 2Y IndoGB appears more attractive to foreign investors with 2Y IndoGB-UST yield spread at the higher end of the multi-quarter range and against the favourable monetary policy backdrop. **MGS.** Bond auctions have been well received thus far and domestic demand is expected to stay steady. MGS can also potentially benefit from inflows given its relatively high credit rating and presence in key bond indices. MGS outperformed swaps with bond/swap spreads (MYR IRS – MGS yield) having gone up from the lows in April, in line with our view. After small reversals over recent days, we see a small room for further bond outperformance against swaps. **CNY rates** traded within ranges over the past month. Front-end CNY rates are likely to stay anchored as PBoC stay supportive of liquidity. However, another leg lower in rates and bond yields may require the materialisation of additional monetary easing. For now, the 1.4% OMO reverse repo rates appear to set a floor to front-end CNY rates. Bond flows fluctuated over the months; May saw some bond outflows, after the strong inflows in April. The outlook for bond flows is constructive, with USD-CGB yield differentials having narrowed mildly while there are potential flows looking for some RMB exposure.	→ ↑ → → →

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	House View	Trading Views	
Credit	Asiadollar credit spreads tightened in June. June 2025, Asia IG spreads tightened ~1bps m/m to 75bps, while Asia HY spreads tightened ~42bps m/m to 454bps. Despite June IG spreads witnessing periods of widening earlier in the month, the subsequent tightening of spreads is likely attributed to risk-on sentiment following news in the second week of June 2025 that a trade agreement to restore a truce between China and the US has been reached. Asiadollar (excluding Japan and Australia) issuances per Bloomberg and our estimates in June rose slightly to USD13.6bn (USD13.0bn in May 2025). By issuance volume, the top three issuances came from HKSAR and Korea, (i) MTR Corp CI Ltd (guarantor: MTR Corporation, majority owned by the HKSAR government) priced USD3bn across two tranches of perpetuals, (ii) Hanwha Life Insurance Co Ltd, a large insurer in South Korea priced a USD1bn Tier 2 paper and (iii) HKSAR government priced a USD1bn 5Y green bond. June also saw multiple issuances by Australian and Japanese financial institutions. These include Australia & New Zealand Banking Group Ltd, National Australia Bank Ltd, Westpac Banking Corp and Macquarie Bank Ltd. Notably, Nomura Holdings Inc priced its debut USD Additional Tier 1. The SGD primary market's overall issuance activity increased June with ~SGD2.44bn across 13 issuers (SGD1.97bn in May across eight issuers per Bloomberg). Issuances were dominated by financial institutions and REITs/real estate with SGD800mn coming from AIA Group Ltd followed by SGD300mn from Sembcorp Financial Services Pte Ltd, SGD250mn from Suntec Real Estate Investment Trust and SGD220mn from Hotel Properties Ltd. Meanwhile, the SGD Credit Universe continues to post positive returns (+1.3% m/m as of 30 June). We maintain that the SGD credit market will remain supported by its defensive positioning and sustained, albeit selective, investor appetite. We expect credit demand to be somewhat focused towards high grade issuers, with issuance and market performance outside of this space to be more tepid.	**EREIT 4.05% '30 (SGD bullet)** • ESR-REIT ("EREIT") is the fourth largest industrial REIT listed on the Singapore Stock Exchange by total assets. EREIT's property portfolio focuses on Singapore, with some exposure to Australia and Japan. • The total investment property value of EREIT's portfolio was ~SGD4.95bn as at 31 December 2024. This comprised of 79% of investment properties in Singapore, 11% of investment properties in Australia and 10% of investment properties in Japan. EREIT also has investments in property funds and own a joint venture stake in a Singapore property. • EREIT is a higher yielding industrial REIT, whose bullet bonds are trading wider compared to REIT peers. • The bond yield is attractive at 3.8%, in our view, this helps compensate for its higher reported aggregate leverage and shorter underlying land lease expiry. EREIT's portfolio where assets are largely located in Singapore with some exposure to Australia and Japan, is in our view is likely more insulated amidst the tariff tensions.	↑
		BNP 5.9%-PERP (SGD Additional Tier 1) • BNPP is a Global Systemically Important Bank with operations that span domestic and international retail and commercial banking (within its Commercial, Personal Banking & Services division) as well as Corporate and Institutional Banking (including Global Banking, Global Markets and Securities Services) with its Investment & Protection Services division offering savings, investment and insurance solutions. • Per management, BNPP's 1Q2025 performance for the operating divisions remains in line with the expected growth trajectory in 2024-2026. While results continue to highlight a solid business mix and market positions with resilient earnings driven by Corporate & Institutional Banking, its overall business position has improved following the recent Axa Investment Managers acquisition. • Management is now focused on continuing the execution of BNPP's current strategic plan centred on its Personal Finance strategic plan that has been extended to 2028, as has the current CEO and Chairman. • The yield to call on the BNP 5.9%-PERP is attractive at 4.5%. The first call date is in February 2028.	↑

Macroeconomic Views

	House View	Key Themes
United States	The U.S. economy remains on a bumpy recovery path, supported by easing financial conditions, a resilient household sector, and short-term fiscal stimulus. Despite ongoing trade-related uncertainty and political risks, we maintain our full-year GDP growth forecast at 1.3%. Recession risk is not part of our baseline scenario, although elevated vigilance is warranted amid a volatile policy environment. Fed funds futures implied approximately 65bps of rate cuts by year-end as of end of June after more dovish comments from the Fed officials in the last week of June. Our house view remains for a cumulative 75bps in rate cuts in 2025. With a ceasefire between Israel and Iran currently holding, market focus is gradually returning to trade negotiations ahead of the critical July 9 deadline.	June hard data confirmed that U.S. growth is softening from lower payrolls, contracting PMIs and falling retail sales contrasted with still-sticky core inflation. The Federal Reserve held rates and lowered its 2025 growth projections, signalling it will wait for clearer evidence before easing. The new Summary of Economic Projections trimmed 2025 median GDP growth to 1.4 % and lifted year-end core-PCE inflation to 3.1 % while signalling a divided Fed. President Trump reiterated that he would only appoint a Federal Reserve chair committed to lowering interest rates. US Treasury Secretary Bessent warned on 30 June that countries could still face sharply higher tariffs on 9 July even if they are negotiating in good faith, and any potential extensions will be up to President Trump. The One Big Beautiful Bill goes to the House for reconciliation before heading to the president's desk. The Joint Tax Committee estimates that the tax changes would reduce federal revenues by US$4.5 trillion over the next decade, exacerbating the U.S. fiscal deficit.
Euro Area	We maintain our 2025 GDP growth forecast at 0.9% YoY. Despite uncertainty over trade policies, this may be offset by rising defence and infrastructure spending which will play a larger role in supporting growth. We maintain our 2025 headline CPI forecast of 2.0% YoY, barring tariff uncertainties. We expect the ECB to cut another 25 bps by the end of the year, cumulatively cutting 125 bps in 2025. EU-US trade talks have made considerable progress, with the EU willing to accept a deal that "includes a 10% universal tariff on the bloc's exports." The EU also aims to seek exemptions for pharmaceuticals, alcohol, and commercial aircraft.	Barring a deal, the EU will face a 10% universal tariff on all US-bound exports, 25% on steel and aluminium, and 50% on automobiles. Meanwhile, Germany's cabinet has passed its 2025 draft budget, which includes up to EUR115.7bn for 2025 and EUR123.6bn for 2026 (compared to EUR74.5bn in 2024). This spending is set to focus on defence and infrastructure, supporting medium-term growth for Germany and catalysing growth. While GDP growth currently stands at 1.5% YoY in 1Q25, the impact of trade uncertainty could weigh on growth in 2Q25 and the rest of the year. Meanwhile, headline CPI was lower at 1.9% YoY in May from 2.2% in April. ECB's Guindos said that "the ECB's rate policy is compatible and converging" towards their definition of price stability, indicating that the ECB is closer to reaching its objective of price stability.
Japan	Economic growth is likely to moderate in the quarters ahead, as business fixed investment plans have turned more cautious, and net exports may be a drag. Private consumption is likely to contribute positively to growth. Our 2025 GDP growth forecast is 0.6% YoY. In terms of monetary policy, we expect an additional 50bps in rate hikes through to 1Q26, which will bring the BoJ Target Rate to 1.00%.	The trade negotiations with the US will be focus for the early part of the month considering that the Japanese administration has drawn some heat from President Trump. The sticking point for the trade negotiations is reportedly the 25% tariff on automobile and parts imports, as well as rice. Notwithstanding, domestic inflation pressures continue to build. Headline CPI was sticky at 3.5% YoY in May compared to 3.6% in April, while CPI ex-food and energy edged higher to 3.3% YoY from 3.0% in May. This remains consistent with our forecast for higher policy rates.

	House View	Key Themes
China	The economy expanded by 5.4% YoY in 1Q25, holding steady from 4Q24. Despite the strong 1Q25 data, headwinds are gathering. The flip-flop of Trump's tariff policy will make forecasting more difficult. The recent 90-day truce may help mitigate downside risks to near-term growth outlook. We now expect 2Q25 GDP to remain above 5% YoY. The key problem lies in the low inflation. The performance of durable goods sectors of industrial profit—particularly automobiles and furniture—acted as a drag. Current reflation efforts have yielded only limited results, suggesting that more forceful and coordinated policy action is needed.	The economy continued to paint a mixed picture for June. On one hand, the economy remained resilient. For example, in the 2Q25 monetary policy meeting, the central bank's official assessment of its domestic economic outlook shifted from the more cautious "generally stable with steady progress" to a notably more optimistic tone of "showing an improving trend with continuously rising social confidence." On the other hand, the hard data showed that challenges remain. Industrial profit growth turned negative in the first five months of 2025, contracting by 1.1% YoY after posting a 1.4% increase in the first four months. Despite robust car sales in volume terms, the ongoing price war significantly eroded profit margins. The weaker-than-expected industrial profit data for May highlights a broader challenge facing the Chinese economy: persistently weak nominal GDP growth, even as real activity remains relatively resilient.
Hong Kong	Our full-year GDP growth forecast for 2025 is revised up back to 2.2% YoY, albeit still erring on the low side of the government forecast range at 2%-3%. The labour market is expected to soften, as the tariff war and changing consumption patterns will have negative bearings on selected sectors. The inflation outlook hinges on the strength of domestic demand and external prices pressure. We tip the 2025 unemployment rate and inflation forecast at 3.4% and 1.7% YoY respectively. We expect the local banks to slash the prime rate further by 25bps in 3Q25, following the potential for Fed to resume rate cuts. This will likely bring the HKD prime rate cut cycle to an end, after returning to the long-term level before the 2022 Fed rate hike cycle.	Weak-side convertibility undertaking was triggered last week, and the HKMA stepped in and bought a total of HKD9.42bn (relatively small amount comparing with the liquidity injection of around HKD130bn in early May). Correspondingly, the Aggregate Balance would fall to HKD164 bn, from that of HKD173 bn earlier. HIBORs were little changed following the triggering of CU, as the HKD liquidity remained flush with the Aggregate Balance still at an elevated level. Given the still wide rates differential and persistent upward pressure on USDHKD, we do not rule out sustained carry trades and repeated FX interventions down the road. We also expect the FX interventions will push HIBORs higher in periods ahead. Commercial banks in Hong Kong announced to keep their HKD prime rates unchanged, following Fed's hold decision.
Macau	We revised our full-year growth forecast down to 2.6% YoY, from the previous estimate of 4% YoY, taking into account the more challenging external environment and the slowing gaming sector recovery. We expect total gross gaming revenue to grow by a low-to -mid single digit figure in 2025, while full-year tourist arrivals to increase by 8-12% YoY. Export of services is likely to expand further, albeit at a moderated pace. Meanwhile, sectors with weak ties to tourism are likely to face persistent pressure. Separately, the unemployment and inflation rates are pitched at 1.9% and 0.3% YoY respectively for 2025.	Gross gaming revenue rose 5.0% YoY (12.4% MoM) to MOP21.19 billion in May, the highest monthly tally since the Covid pandemic, due to the increased foot traffic during the five-day Golden week holiday in mainland. Strict controls over the junket and gambling related activities, as well as China's lagged economic recovery and intensified regional rivalries, stunted the city's gaming sector's recovery. Gross gaming revenue is expanding at a meagre pace of 1.7% YoY in the first five months of the year. There appeared to be slight pickup in the share of VIP segments, though still within recent range after the regulatory shifts. Generally speaking, we still expect share of the mass market to VIP segments to hold at roughly 75%-25% levels, with the landscape of latter permanently changed by rounds of junket activities crackdown.

	House View	Key Themes
South Korea	We revise down 2025 GDP growth forecast to 0.8% due to weak domestic demand as well as uncertainty from the external demand. Inflation risk remains muted as CPI is expected to hover around 2%. We expect two more 25bps rate cuts in 2H25 as the central bank seeks to cushion the economy amid sub-potential growth. While BoK Governor Rhee emphasized the need for continued stimulus—monetary or fiscal—for the rest of 2025 and into 2026, he also cautioned that a policy rate below 2% is unlikely. President Lee's cabinet was swiftly appointed, and South Korea's new Trade Minister held his inaugural meeting with US counterparts at the end of June. The ruling Democratic Party is pushing for parliamentary approval of an additional budget on July 3, which could lead to increased distribution of consumption vouchers to citizens this month.	The South Korean stock market outperformed in June as political risks subsided. The KOSPI index surged by 13.86% during the month, making it the best-performing major equity index globally. The Korean won also strengthened, gaining over 2% amid a weaker US dollar. However, a senior trade official indicated that finalizing trade negotiations before the July 9 deadline remains unlikely, keeping markets attentive to developments in July. Inflation eased in May, with the Consumer Price Index (CPI) rising 1.9% year-on-year—a five-month low and below the 2% target. This softer inflation provides the Bank of Korea with greater flexibility to consider easing monetary policy, helps offset tariff-driven price increases in autos and steel, and supports the government's narrative of real-income support. Customs data for the first 20 days of June showed exports up 8.3% year-on-year, driven by strong growth in semiconductor exports (+21.8%) and automobiles (+9.2%), surpassing market expectations. While the technology sector continues to cushion overall trade performance, the prospect of looming US reciprocal tariffs remains a downside risk to the outlook.
Singapore	We retain our 2025 GDP growth forecast at 1.6% YoY despite the upwardly revised 1Q25 growth of 3.9% YoY. Meanwhile, inflation is subsiding – headline CPI rose 1.0% YoY in 1Q25 – and the labour market is cooling with the employment change at 6.9k (4Q24: 11.9k) and overall unemployment rate rising to 2.1%. MAS has eased monetary policy twice in January and April this year, but barring further downside risks to core inflation, MAS may stay on hold for the upcoming July monetary policy review. As Singapore prepares to celebrate SG60, all Singaporeans will receive $600 in SG60 vouchers in July, with seniors aged 60 and above getting $200 more. The need for additional fiscal stimulus will be dependent on the global economic environment, particularly the downside growth risks arising from any tariff escalation.	Frontloading likely contributed to the resilient 1Q25 performance with wholesale trade and manufacturing contributing 0.8% and 0.7% points respectively. 1Q25 non-oil domestic exports grew 3.3% while services exports also expanded 4.0%, led by financial services. However, 2H growth prospects may be more challenging given the tariff uncertainties (pending 9 July deadline for the 90-day suspension period and also the potential sectoral tariffs on semiconductors and pharmaceuticals). 2Q25 hiring expectations remained positive for the manufacturing sector (+2%) but were negative for the services (-3%), weighed down by retail trade. MTI's 2025 GDP growth forecast stands at 0-2%, anticipating that the outward-oriented sectors may slow over the course of the year. Since core inflation has eased to 0.6% YoY n May, driven by lower food inflation, and imported inflation should remain moderate, there was no change to the official 2025 headline and core inflation forecasts of 0.5-1.5% YoY (our forecast: 0.9% and 1.2% respectively). As such, MAS may wait and see for the July MPS.
Malaysia	We forecast GDP growth to slow to 4.3% YoY in 2025 from 5.1% in 2024, reflecting weaker external demand. Our headline inflation forecast is 3.0% in 2025, with RON95 rationalisation pushed to October from our previous baseline of June 2025. Our baseline is for Bank Negara Malaysia (BNM) to reduce its policy rate by a cumulative 50bps in 2H25, taking the policy rate to 2.50% by end 2025. The earliest cut could come as soon as the 9 July meeting. The reciprocal tariff deadline on 9 July is critical juncture for the outlook of the economy in 2H25.	Tengku Zafrul Aziz visited Washington on 18 - 20 June 2025 to continue negotiations with the US. Agreements on semiconductor tariffs and relief on reciprocal tariffs from the 24% announced on 2 April will be closely watched. Domestically, the economic data has become more mixed. Retail sales for April are weak even as wholesale trade held up. Similarly, industrial production for April was lower despite higher manufacturing sector output. Inflationary pressures are well contained, with headline CPI easing to 1.2% YoY in May. The recent appreciation of MYR versus USD on account of strong bond and equity inflows allows BNM some room to manoeuvre on rate cuts.

	House View	Key Themes
Indonesia	We forecast 2025 GDP growth slowing to 4.7% YoY from 5.0% in 2024. The risks to our forecast are to the downside given heightened external uncertainties related to US trade policies but also limited signs of a clear turnaround in domestic policy direction. Credit growth softened further to 8.4% YoY in May from 8.9% in April, with Bank Indonesia (BI) urging banks to lower its lending rates to boost loan growth. BI has cut its policy rates by 50bps in 1H25, and we continue to see room for an additional 25bp cut in 2H25. The pace of rate cuts will be slow and considered rather than rapid, given BI's objective of balancing economic growth and macro stability.	Coordinating Minister Airlangga Hartarto held a series of international meetings to strengthen Indonesia's trade relations ahead of the 9 July reciprocal tariff deadline. Key developments included the conclusion of free trade negotiations with the Russian-led Eurasian Economic Union and continued progress with the European Union, with talks expected to conclude by mid-2025. In addition, Minister Hartarto met with New Zealand's Todd McClay to discuss expanding bilateral cooperation. The Minister announced on 30 June that Indonesia will ease import restrictions on ten categories of goods to reduce bureaucracy and improve business certainty. He also proposed a joint critical minerals investment to the US. Domestically, state budget disbursement remained weak, contracting by 11.3% YoY as of end-May. However, spending is expected to accelerate in the coming months in line with five new stimulus measures rolled out in June and July to support household purchasing power.
Philippines	We expect GDP growth to edge modestly lower to 5.5% YoY in 2025, down from 5.7% in 2024. Nevertheless, this implies better growth momentum of 5.6% YoY in 2Q-4Q25, compared to 5.4% in 1Q25. We see better domestic demand in the coming quarters helped by a normalisation of household spending, given the lagged impact of rate cuts and better credit growth. On inflation, we expect 2025 headline inflation to average 2.5% YoY, within BSP 2-4% target range, implying a pickup in headline CPI for the rest of the year. Nevertheless, lower global energy prices and food prices are downside risks to our inflation forecasts. We now expect a cumulative 25bps in rate cuts, taking the policy rate to 5.00% by end-2025.	Political tensions remained high following the request by prosecutors in the House of Representatives for the Senate to proceed with VP Sara Duterte's impeachment trial. If convicted, VP Duterte would be barred from politics, effectively ending her potential candidacy for the 2028 presidential elections. BSP cut its policy rate by 25bp at its 19 June meeting and the door for further rate cuts remains open. Previous policy rate cuts are working its way through the real economy. The 90-day negotiation deadline on reciprocal tariffs with the US is set to expire on 9 July. To date, bilateral trade talks with the US were held in early June, with the Philippines "satisfied" with the progress of trade talks, remained in "constant communication" with its US counterparts. Reciprocal tariffs for the Philippines, set at 17%, is the lowest in the region, and the room for negotiation to a 10% baseline is the narrowest, the higher effective tariff rate will weigh on the Philippines export prospects into the US.
Thailand	We expect GDP growth to slow to 2.0% YoY in 2025 from 2.5% in 2024, on account of heightened external uncertainties and binding domestic demand constraints. Inflationary pressures have been low supported by fiscal and quasi-fiscal measures along with lower global oil prices. We expect headline inflation to average 0.9% YoY in 2025. Still, the room for further rate cuts are limited, in our view. The Bank of Thailand (BoT) has delivered a cumulative 50bp in rate cut this year which would provide some cushion against prevailing risks. Given the limited policy space, the timing of the next policy rate cut would be of importance. Our baseline is for one more 25bp cut from BoT this year, taking the policy rate to 1.50%.	The constitutional court voted 7-2 to suspend PM Paetongtarn Shinawatra from office until a petition seeking her removal is deliberated. Just hours before, the PM reshuffled her cabinet as the Bhumjaithai party officially withdrew from the ruling coalition on 19 June 2025. Deputy Prime Minister Suriya Juangroongruangkit is now the interim PM. If the constitutional court decides to dismiss Paetongtarn Shinawatra, this would be the second dismissal of a prime minister in less than a year. The immediate aftermath of these court decisions is usually heightened uncertainty regarding policy continuity. The sustainability of the government and its associated policies will need to be addressed sooner rather than later. Despite the mixed market reaction, we see this move as exacerbating prevailing uncertainties related to the economic outlook. Bilateral trade negotiations with the US are still ongoing, with the Thai finance minister currently in the US to negotiate on reciprocal tariffs, originally pegged at 36%.

	House View	Key Themes
Vietnam	Higher-than-expected frontloading in 1H25 has led us to revise our GDP growth forecast for 2025 upward, from 5.0% to 5.5%. However, this still implies a sharp slowdown to 4.4% in 2H25. That said, ongoing domestic reforms will support the economy but are unlikely to be sufficient to achieve the authorities' target of over 8% growth. With inflation contained (OCBC: 3.7% in 2025), the case for monetary easing has strengthened. The challenge for the State Bank of Vietnam (SBV) will be balancing the need to mitigate downside risks to growth while managing depreciation pressures on the Vietnamese dong (VND), which has weakened by approximately 2.5% ytd against the US dollar. We maintain our forecast for a 50bp rate cut by year-end.	Near-term focus remains squarely on trade negotiations with the US, with PM Pham Minh Chinh expecting a trade deal before the pause on 46% reciprocal tariffs on Vietnamese exports expires on 9 July. The near-term FDI prospects could be affected by this broader external sentiment. However, once the dust settles, we do not expect that Vietnam's prospects as an FDI destination will lose too much of its shine. A recent survey by the European Chambers of Commerce in Vietnam showed that European businesses remain cautiously optimistic about Vietnam's long-term economic prospects, with 72% of surveyed firms still recommending Vietnam as an investment destination, up 4 percentage points from the previous quarter. While confidence in Vietnam's short-term economic stability fell from 58% to 50%, most companies are adopting a "wait-and-see" approach rather than expecting a downturn (11% vs 10%). Qualcomm inaugurated a new artificial intelligence research and development centre in Hanoi on 10 June, marking it as the company's third-largest R&D facility globally.

Growth & Inflation Forecast

(% YoY)	GDP			Inflation		
	2024	2025F	2026F	2024	2025F	2026F
United States	2.8	1.3	1.5	3.0	2.4	2.2
Euro Area	0.9	0.9	1.1	2.4	2.0	2.0
China	5.0	4.6	4.4	0.2	0.5	2.2
Hong Kong	2.5	2.2	2.3	1.7	1.7	2.1
Macau	8.8	2.6	2.0	0.7	0.3	0.8
Taiwan	4.3	3.3	2.4	2.2	2.2	1.8
Indonesia	5.0	4.7	4.8	2.3	2.0	2.7
Malaysia	5.1	4.3	4.3	1.8	3.0	2.1
Philippines	5.7	5.5	5.9	3.2	2.5	2.5
Singapore	4.4	1.6	2.5	2.4	0.9	1.5
Thailand	2.5	2.0	2.0	0.4	0.9	2.0
Vietnam	7.1	5.5	5.5	3.6	3.7	4.0

Source: Bloomberg, OCBC Research (Latest Forecast Update: 1 July 2025)

Rates Forecast

USD Interest Rates	Q325	Q425	Q126	Q226
FFTR upper	4.25	3.75	3.50	3.50
SOFR	4.09	3.59	3.34	3.34
3M SOFR OIS	4.15	3.70	3.50	3.50
6M SOFR OIS	4.05	3.70	3.50	3.50
1Y SOFR OIS	3.85	3.55	3.50	3.50
2Y SOFR OIS	3.55	3.40	3.40	3.40
5Y SOFR OIS	3.50	3.45	3.45	3.45
10Y SOFR OIS	3.70	3.70	3.60	3.55
15Y SOFR OIS	3.85	3.75	3.65	3.60
20Y SOFR OIS	3.95	3.85	3.75	3.70
30Y SOFR OIS	3.95	3.95	3.90	3.85
SGD Interest Rates	**Q325**	**Q425**	**Q126**	**Q226**
SORA	1.80	1.80	1.90	1.90
3M compounded SORA	1.68	1.80	1.85	1.90
3M SGD OIS	1.80	1.80	1.85	1.90
6M SGD OIS	1.80	1.80	1.85	1.90
1Y SGD OIS	1.75	1.80	1.85	1.95
2Y SGD OIS	1.70	1.75	1.85	1.95
3Y SGD OIS	1.75	1.80	1.85	1.95
5Y SGD OIS	1.85	1.90	1.95	2.00
10Y SGD OIS	2.15	2.15	2.20	2.20
15Y SGD OIS	2.20	2.20	2.25	2.25
20Y SGD OIS	2.20	2.20	2.25	2.25

MYR Interest Rates	Q325	Q425	Q126	Q226
OPR	2.75	2.50	2.50	2.50
1M MYR KLIBOR	3.03	2.80	2.80	2.80
3M MYR KLIBOR	3.30	3.10	3.10	3.10
6M MYR KLIBOR	3.35	3.15	3.15	3.15
1Y MYR IRS	3.10	2.95	2.95	2.95
2Y MYR IRS	3.10	2.98	2.98	2.98
3Y MYR IRS	3.10	3.00	3.00	3.00
5Y MYR IRS	3.20	3.10	3.10	3.10
10Y MYR IRS	3.45	3.35	3.30	3.30
HKD Interest Rates	**Q325**	**Q425**	**Q126**	**Q226**
1M HKD HIBOR	2.55	2.50	2.45	2.45
3M HKD HIBOR	2.70	2.65	2.60	2.60
6M HKD IRS	2.60	2.55	2.50	2.50
1Y HKD IRS	2.70	2.65	2.60	2.60
2Y HKD IRS	2.75	2.70	2.65	2.65
5Y HKD IRS	2.75	2.70	2.70	2.70
10Y HKD IRS	3.00	3.05	3.05	3.05
UST yields	**Q325**	**Q425**	**Q126**	**Q226**
2Y UST	3.70	3.60	3.60	3.60
5Y UST	3.80	3.75	3.70	3.70
10Y UST	4.20	4.10	4.05	4.05
30Y UST	4.85	4.70	4.65	4.60
SGS yields	**Q325**	**Q425**	**Q126**	**Q226**
2Y SGS	1.85	1.80	1.75	1.75
5Y SGS	2.00	1.95	1.90	1.85
10Y SGS	2.30	2.30	2.25	2.25
15Y SGS	2.40	2.35	2.35	2.35
20Y SGS	2.45	2.40	2.40	2.40
30Y SGS	2.50	2.55	2.55	2.55
MGS yields	**Q325**	**Q425**	**Q126**	**Q226**
3Y MGS	3.00	2.90	2.85	2.85
5Y MGS	3.10	3.00	2.95	2.95
10Y MGS	3.50	3.40	3.35	3.35
IndoGB yields	**Q325**	**Q425**	**Q126**	**Q226**
2Y IndoGB	6.00	5.95	5.95	5.90
5Y IndoGB	6.40	6.30	6.25	6.25
10Y IndoGB	6.70	6.60	6.55	6.50

Source: OCBC Research (Latest Forecast Update: 1 July 2025)

FX Forecast

Currency Pair	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
USD-JPY	141.00	139.00	139.00	138.00	137.00
EUR-USD	1.1850	1.2000	1.2000	1.2050	1.2100
GBP-USD	1.3760	1.3800	1.3800	1.3850	1.3900
AUD-USD	0.6600	0.6650	0.6650	0.6700	0.6750
NZD-USD	0.6100	0.6150	0.6150	0.6200	0.6250
USD-CAD	1.3600	1.3550	1.3550	1.3500	1.3480
USD-CHF	0.8000	0.8000	0.7900	0.7900	0.7850
USD-SEK	9.40	9.27	9.16	9.07	8.90
DXY	96.18	95.18	95.09	94.66	94.19
USD-SGD	1.2680	1.2650	1.2650	1.2640	1.2620
USD-CNY	7.1400	7.1200	7.1200	7.1100	7.1000
USD-CNH	7.1400	7.1200	7.1200	7.1100	7.1000
USD-THB	32.50	32.30	32.30	32.20	32.20
USD-IDR	16150	16100	16050	16050	16000
USD-MYR	4.1800	4.1600	4.1500	4.1400	4.1200
USD-KRW	1320	1310	1300	1290	1280
USD-TWD	29.40	29.30	29.30	29.20	29.00
USD-HKD	7.8000	7.7800	7.7500	7.7500	7.7600
USD-PHP	56.00	55.80	55.60	55.60	55.50
USD-INR	85.50	85.20	85.00	84.80	84.50
USD-VND	26000	25900	25950	25800	25700
EUR-JPY	167.09	166.80	166.80	166.29	165.77
EUR-GBP	0.8612	0.8696	0.8696	0.8700	0.8705
EUR-CHF	0.9480	0.9600	0.9480	0.9520	0.9499
EUR-AUD	1.7955	1.8045	1.8045	1.7985	1.7926
EUR-SGD	1.5026	1.5180	1.5180	1.5231	1.5270
GBP-SGD	1.7448	1.7457	1.7457	1.7506	1.7542
AUD-SGD	0.8369	0.8412	0.8412	0.8469	0.8519
AUD-NZD	1.0820	1.0813	1.0813	1.0806	1.0800
NZD-SGD	0.7735	0.7780	0.7780	0.7837	0.7888
CHF-SGD	1.5850	1.5813	1.6013	1.6000	1.6076
JPY-SGD	0.8993	0.9101	0.9101	0.9159	0.9212
SGD-MYR	3.2965	3.2885	3.2806	3.2753	3.2647
SGD-CNY	5.6309	5.6285	5.6285	5.6250	5.6260
SGD-IDR	12737	12727	12688	12698	12678
SGD-THB	25.63	25.53	25.53	25.47	25.52
SGD-PHP	44.16	44.11	43.95	43.99	43.98
SGD-VND	20505	20474	20514	20411	20365
SGD-CNH	5.6309	5.6285	5.6285	5.6250	5.6260
SGD-TWD	23.19	23.16	23.16	23.10	22.98
SGD-KRW	1041.01	1035.57	1027.67	1020.57	1014.26
SGD-HKD	6.1514	6.1502	6.1265	6.1313	6.1490
SGD-JPY	111.20	109.88	109.88	109.18	108.56
Gold $/oz	3510	3620	3720	3800	3850
Silver $/oz	37.34	38.51	39.57	40.43	41.85

Source: OCBC Research (Latest Forecast Update: 1 July 2025)

Note: These are not meant to serve as point forecast for the quarter-end but meant as trajectory bias of the currency pair

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Macroeconomic Calendar

Date Time	C	Event	Period	Survey	Actual	Prior
7/01 8:00	SK	Exports YoY	Jun	5.10%	4.30%	-1.30%
7/01 9:45	CH	Caixin China PMI Mfg	Jun	49.3	50.4	48.3
7/01 15:50	FR	HCOB France Manufacturing PMI	Jun F	47.8	--	47.8
7/01 22:00	US	ISM Manufacturing	Jun	48.8	--	48.5
7/02 7:00	SK	CPI YoY	Jun	2.10%	--	1.90%
7/02 16:30	HK	Retail Sales Value YoY	May	-1.40%	--	-2.30%
7/03 20:30	US	Change in Nonfarm Payrolls	Jun	110k	--	139k
7/09 9:30	CH	CPI YoY	Jun	--	--	-0.10%
7/11 14:00	GE	CPI YoY	Jun F	--	--	2.00%
7/11 14:45	FR	CPI YoY	Jun F	--	--	0.90%
7/14 12:30	JN	Industrial Production MoM	May F	--	--	0.50%
7/15 10:00	CH	GDP YoY	2Q	--	--	5.40%
7/15 17:00	GE	ZEW Survey Expectations	Jul	--	--	47.5
7/15 17:00	GE	ZEW Survey Current Situation	Jul	--	--	-72
7/15 20:30	US	CPI MoM	Jun	0.30%	--	0.10%
7/15 20:30	US	CPI YoY	Jun	--	--	2.40%
7/15 20:30	CA	CPI YoY	Jun	--	--	1.70%
7/16 14:00	UK	CPI YoY	Jun	--	--	3.40%
7/16 14:00	UK	CPI MoM	Jun	--	--	0.20%
7/16 14:00	UK	CPI Core YoY	Jun	--	--	3.50%
7/16 16:00	IT	CPI EU Harmonized YoY	Jun F	--	--	1.70%
7/16 20:30	US	PPI Final Demand MoM	Jun	--	--	0.10%
7/17 9:30	AU	Unemployment Rate	Jun	--	--	4.10%
7/17 9:30	AU	Employment Change	Jun	--	--	-2.5k
7/17 17:00	EC	CPI YoY	Jun F	--	--	1.90%
7/17 20:30	US	Initial Jobless Claims	12-Jul	--	--	--
7/17 20:30	US	Retail Sales Advance MoM	Jun	--	--	-0.90%
7/18 7:30	JN	Natl CPI YoY	Jun	--	--	3.50%
7/18 22:00	US	U. of Mich. Sentiment	Jul P	--	--	60.7
7/21 6:45	NZ	CPI QoQ	2Q	--	--	0.90%

Source: Bloomberg (Last Update: 1 July 2025)

Central Bank Interest Rate Decisions

Date Time	C	Event	Period	Survey	Actual	Prior
7/08 12:30	AU	RBA Cash Rate Target	8-Jul	--	--	3.85%
7/09 10:00	NZ	RBNZ Official Cash Rate	9-Jul	--	--	3.25%
7/09 15:00	MA	BNM Overnight Policy Rate	9-Jul	--	--	3.00%
7/16 15:20	ID	BI-Rate	16-Jul	--	--	5.50%
7/21 9:00	CH	1-Year Loan Prime Rate	21-Jul	--	--	3.00%
7/21 9:00	CH	5-Year Loan Prime Rate	21-Jul	--	--	3.50%
7/24 20:15	EC	ECB Main Refinancing Rate	24-Jul	--	--	2.15%
7/24 20:15	EC	ECB Deposit Facility Rate	24-Jul	--	--	2.00%
7/24 20:15	EC	ECB Marginal Lending Facility	24-Jul	--	--	2.40%
7/30 21:45	CA	Bank of Canada Rate Decision	30-Jul	2.50%	--	2.75%
7/31 2:00	US	FOMC Rate Decision (Upper Bound)	30-Jul	4.50%	--	4.50%
7/31 2:00	US	FOMC Rate Decision (Lower Bound)	30-Jul	4.25%	--	4.25%
7/10	SK	BOK Base Rate	10-Jul	--	--	2.50%
7/31	JN	BOJ Target Rate	31-Jul	--	--	0.50%

Source: Bloomberg (Last Update: 1 July2025)

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