Weekly Macro Views (WMV)

Global Markets Research & Strategy

21 July 2025

Weekly Macro Update

Key Global Data for this week:

21 July	22 July	23 July	24 July	25 July
• **CA** Industrial Product Price MoM • **CH** 1-Year Loan Prime Rate • **CH** 5-Year Loan Prime Rate • **HK** CPI Composite YoY • **US** Leading Index	• **MA** CPI YoY • **MA** Foreign Reserves • **SK** PPI YoY • **UK** Public Sector Net Borrowing • **US** Richmond Fed Manufact. Index	• **EC** Consumer Confidence • **SI** CPI YoY • **SI** CPI NSA MoM • **UK** Retail Price Index • **US** MBA Mortgage Applications • **US** Existing Home Sales	• **EC** ECB Deposit Facility Rate • **JN** S&P Global Japan PMI Composite • **SK** GDP YoY • **US** Chicago Fed Nat Activity Index • **US** S&P Global US Composite PMI	• **JN** Tokyo CPI YoY • **JN** Tokyo CPI Ex-Fresh Food YoY • **SI** Industrial Production SA MoM • **SI** Industrial Production YoY • **TH** Gross International Reserves

Summary of Macro Views:

Global	• **US:** Genius Act passed for stablecoin adoption • **US:** Improving manufacturing and consumer sentiments • **US:** Mixed inflation readings in June • **EU:** EU imposes heavy sanctions on Russian oil
Asia	• **SI:** Frontloading sees NODX exports accelerate • **CH:** Stronger than expected 1H growth • **CH:** Some recent technology breakthrough in China • **CH:** Headwinds are gathering • **CH:** Involution • **HK:** Labour market stayed soft

Asia	• **MY:** Mixed data keeps the door open for rate cuts • **ID:** Cutting a deal with the US • **ID:** Leaves the door open for more rate cuts • **TH:** Announcement for next BoT governor delayed
Asset Class	• **Commodities:** Lower oil prices • **ESG:** Guidance for leveraging the Singapore-Asia Taxonomy • **FX & Rates:** China Curve Steepens; USD Consolidates

OCBC

Global: Central Banks

European Central Bank (ECB)

Thursday, 24th July

House Views

Deposit Facility Rate

Likely *hold* at *2.00%*

Source: OCBC

US: Genius Act passed for stablecoin adoption

- President Trump signed the GENUIS Act into law on 18 July 2025. According to the Act, permitted issuers must back the stablecoin on a 1:1 peg with U.S. currency or other similarly liquid assets. By mandating strict backing with the peg, it allows stablecoins to be backed by the US Dollar, and assets such as US Treasuries.
- This, according to the White House, promotes President Trump's agenda to make the US the "crypto capital of the world, emphasizing the need to embrace digital assets to drive economic growth and technological leadership".

Key Requirements	Genius Act	MAS Stablecoin Regulatory Framework
Value Stability	Permitted issuers must maintain reserves backing the stablecoin on a **one-to-one basis using U.S. currency** or other similarly liquid assets.	SCS* reserve assets will be subject to requirements **relating to their composition, valuation, custody and audit.**
Capital	Reserves must be **held in U.S. currency or other similarly liquid assets**, as specified by the Act.	Issuers must maintain **minimum base capital and liquid assets** to reduce the risk of insolvency.
Redemption at Par	Redemption policies subject to disclosure of permitted issuers.	Issuers must **return the par value of SCS to holders within five business days** from a redemption request.
Disclosure	Permitted issuers must also publicly disclose their redemption policy and publish monthly the details of their reserves.	Issuers must provide appropriate disclosures to users, including information on the SCS' value stabilising mechanism, rights of SCS holders, as well as the audit results of reserve assets.

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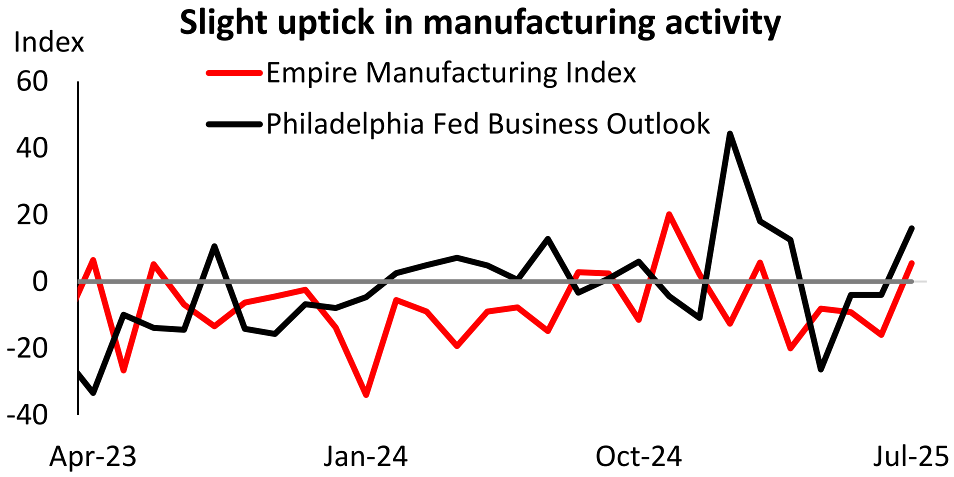
Source: Bloomberg, Congress.Gov, Financial Times, Monetary Authority of Singapore, OCBC

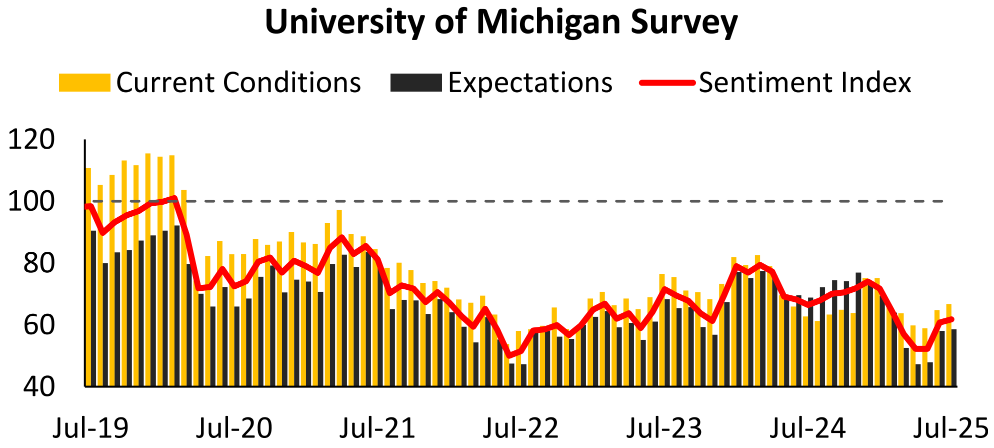
* SCS: Single-currency stablecoins (SCS)

US: Improving manufacturing and consumer sentiments

- Manufacturing activity picked up in June, with the Empire Manufacturing Index climbing 22 points to 5.5, up from -16 in May, marking the first positive reading since February 2025. Contributing to the uptick were improved new orders and shipments, inventories also saw an increase, and employment expanded for the second consecutive month. Similarly, the Philadelphia Fed's Manufacturing Business Outlook Survey improved to 15.9 in July from -4.0 in June but noting that "the indexes for new orders and shipments were positive but low."
- Consumer outlook on current economic conditions also improved slightly, with the University of Michigan Survey (preliminary) noting an uptick in consumer sentiment to 61.8 in June from 60.7, though it remains below its historical average. The survey noted improvement in short-run business conditions but also added that "consumers are unlikely to regain their confidence in the economy unless they feel assured that inflation is unlikely to worsen." To that end, the year-ahead inflation expectation fell to 4.4% from 5.0% previously.



Source: Federal reserve, Bloomberg, OCBC.

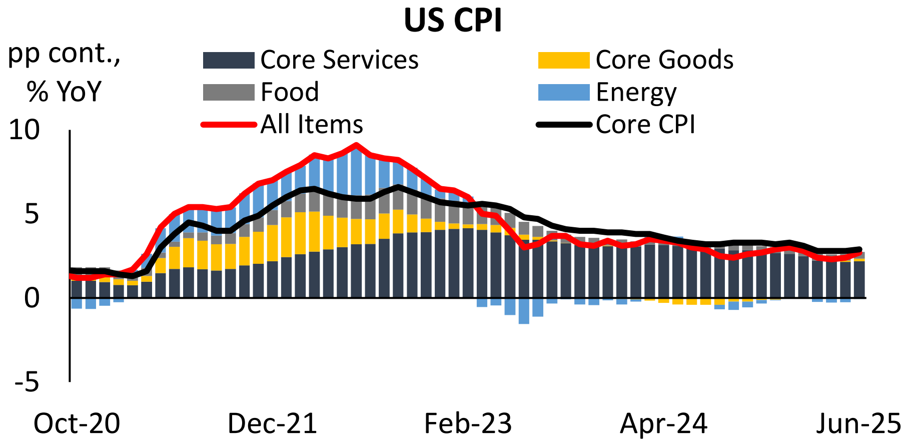


Source: Federal reserve, Bloomberg, OCBC.

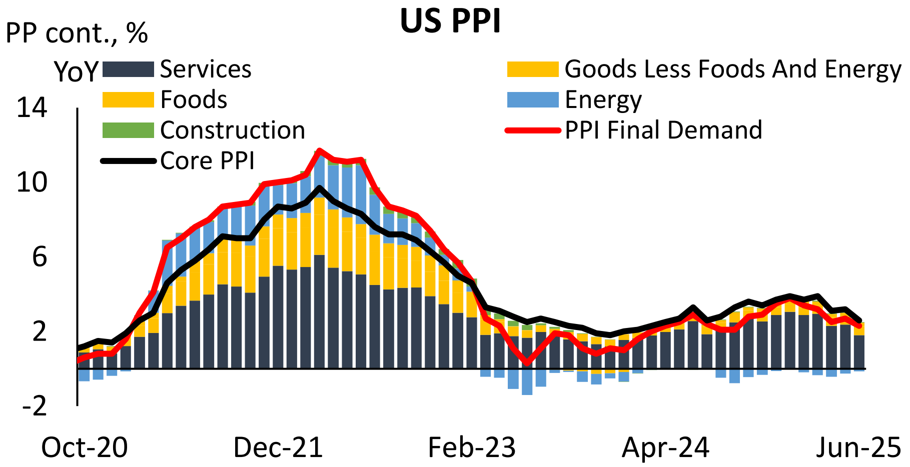
Source: Federal Reserve Bank of Philadelphia, Federal Reserve Bank of New York, University of Michigan, Bloomberg, OCBC

US: Mixed inflation readings in June

- US headline CPI rose by 2.7% YoY (0.3% MoM) in June, up from 2.4% (0.1% MoM) in May, beating expectations (Consensus: 2.6%; 0.3% MoM). Similarly, excluding food and energy prices, the core CPI rose slightly to 2.9% YoY (0.2% MoM) in June compared to 2.8% (0.1% MoM) in the previous month. Although prices increased in certain categories, such as apparel, appliances, and home furnishings, we observed a decline in prices in other categories, including new and used vehicles.
- Meanwhile, PPI for the month of June was lower than expectations, easing to 2.3% YoY (0.0% MoM) from 2.7% (0.3% MoM) in May. On a monthly basis, the final demand components for goods rose by 0.3% MoM, the largest increase since February this year. This was offset by final demand services, "which edged down -0.1% MoM after increasing 0.4% MoM in May," according to the BLS.
- While data for June have started to reflect some impact of tariffs, particularly for food (+3.0% YoY), the overall effect still appears marginal for now, with reciprocal tariffs set to kick in on 1 August.



Source: Bloomberg, OCBC.



Source: Bloomberg, OCBC.

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Source: Bloomberg, OCBC

Euro Area: EU imposes heavy sanctions on Russian oil

- On 18 July, the EU implemented a new wave of sanctions against Russia, as it aims to increase pressure over its war in Ukraine. According to the press release from the European Commission, the 18th package of sanctions focuses on 5 key pillars, "cutting Russia's energy revenues, hitting Russia's banking sector, further weakening its military-industrial complex, strengthening anti-circumvention measures, and holding Russia accountable for its crimes against Ukrainian children and cultural heritage."
- Firstly, the EU aims to lower the price cap for crude oil from USD60/bbl to USD47.6/bbl and introduce an "automatic and dynamic mechanism". This mechanism will adjust the price cap at "15% lower than the average market price" to ensure downward pressure on Russia oil revenues.
- To clamp down on shadow fleet vessels used to facilitate trade of Russian oil, "full-fledged listings – asset freezes, travel bans" will be imposed to paralyse the shadow fleet supply chain.
- Financial sanctions have also been revised and expanded. According to the European Commission, "22 new Russian banks have been added to the existing transaction ban", along with third-country financial operators including crypto-asset providers who help circumvent sanctions.

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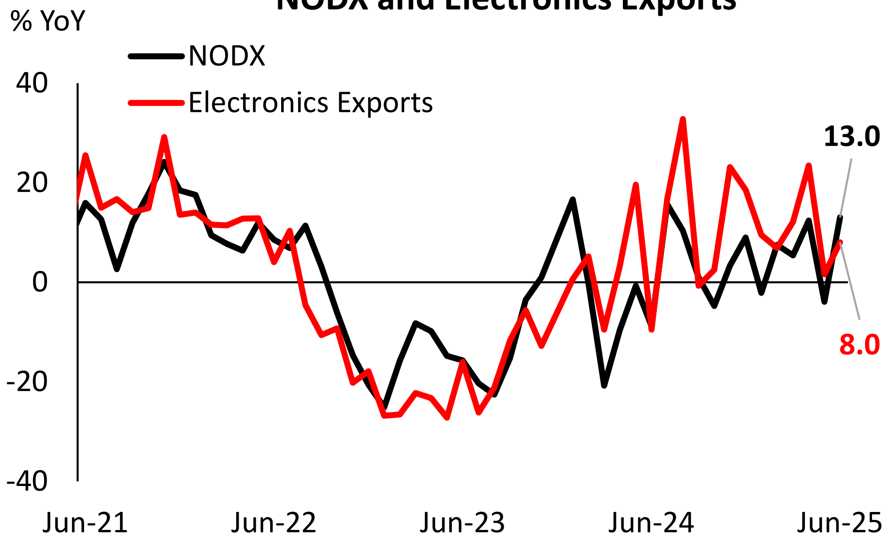
Source: European Commission, OCBC.

Singapore: Frontloading sees NODX exports accelerate

- Non-oil domestic exports (NODX) expanded by 13% YoY in June, following a decline in May where exports declined by -3.9% YoY. The June data beat market expectations (Consensus: 5.0% YoY), driven by frontloading of electronics and non-electronic exports.
- Electronics NODX grew 8.0% YoY in June, accelerating from 1.6% YoY the previous month. The most significant contributors to the growth in electronic NODX were integrated circuits (ICs), and personal computers (PCs) and bare printed circuit boards (PCBs) , which rose 17.5%, 53.8%, and 17.0%, respectively. Non-electronic NODX expanded by 14.5% YoY in June, recovering from a 5.8% decline in May.
- Among the top 10 markets, growth in NODX were led by Hong Kong (54.4% YoY versus 0.1% in May), South Korea (33.0% versus 4.9%), Taiwan (28.3% versus 15.6%), and China (8.5% versus -3.1%).
- With the June print, Jan-Jun NODX accelerated to 5.2% YoY, up from 0.2% in 2024. Looking ahead, we see increasing upside risk to our current 2025 NODX closer to 2%, given the healthy performance in 1H25.

NODX and Electronics Exports



Source: Enterprise Singapore, CEIC,

Non-oil Domestic Exports to Top Markets (% y-o-y growth)

Top Markets^	NODX		Electronic NODX		Non-Electronic NODX	
	May 2025	Jun 2025	May 2025	Jun 2025	May 2025	Jun 2025
Hong Kong	0.1	54.4	5.9	45.9	-15.6	65.9
Taiwan	15.6	28.3	0.7	9.8	30.9	40.1
South Korea	4.9	33.0	5.7	27.2	4.4	35.4
China	-3.1	8.5	-18.6	-39.3	-0.3	19.9
Japan	-7.4	-3.4	34.5	76.6	-17.1	-18.1
Indonesia	2.9	-13.6	130.6	29.8	-7.0	-17.3
US	-20.6	-4.8	-23.4	-5.6	-20.1	-4.6
Malaysia	-7.6	-8.0	0.4	0.7	-13.0	-14.1
Thailand	-17.0	-19.8	-9.9	-15.4	-20.8	-21.4
EU 27	8.4	-23.6	-0.4	-0.6	9.9	-26.4

^: Ranked by contribution to the y-o-y change in NODX levels over the year.

Source: Enterprise Singapore

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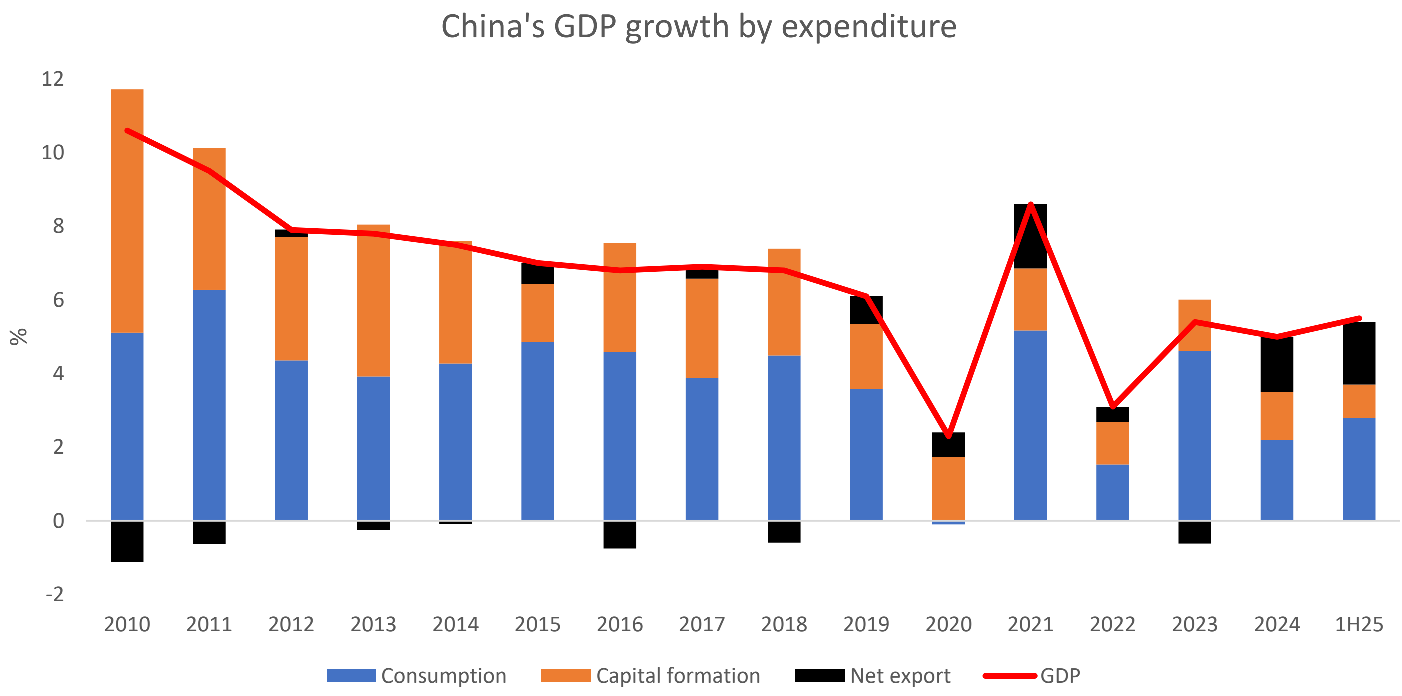
Source: EnterpriseSG, OCBC.

China: Stronger than expected 1H growth

- China's economy grew by 5.2% YoY in the second quarter, bringing first-half 2025 GDP growth to 5.3%, above the government's annual target. The stronger-than-expected performance was underpinned by three key drivers: robust external demand, continued upgrade in high-tech industries, and policy support from the consumer trade-in program.
- Net exports contributed 31.2% to GDP growth in the first half, surpassing the 30.3% contribution in 2024. Looking ahead, July trade data may remain resilient due to the deferred tariff implementation. However, the real test could emerge in August if new tariffs are implemented.

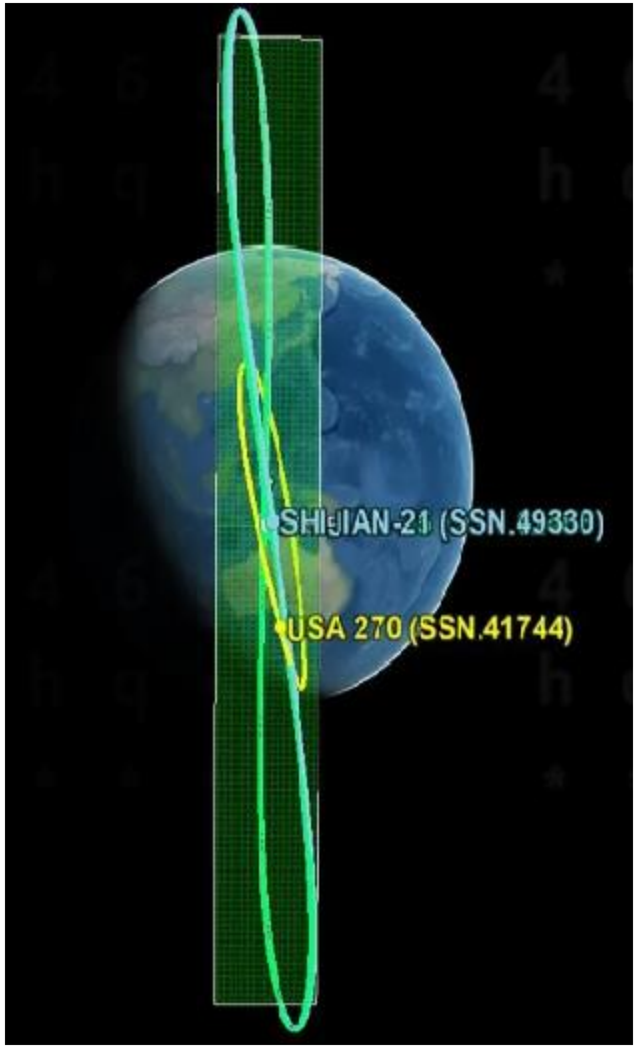


Source: Bloomberg, OCBC

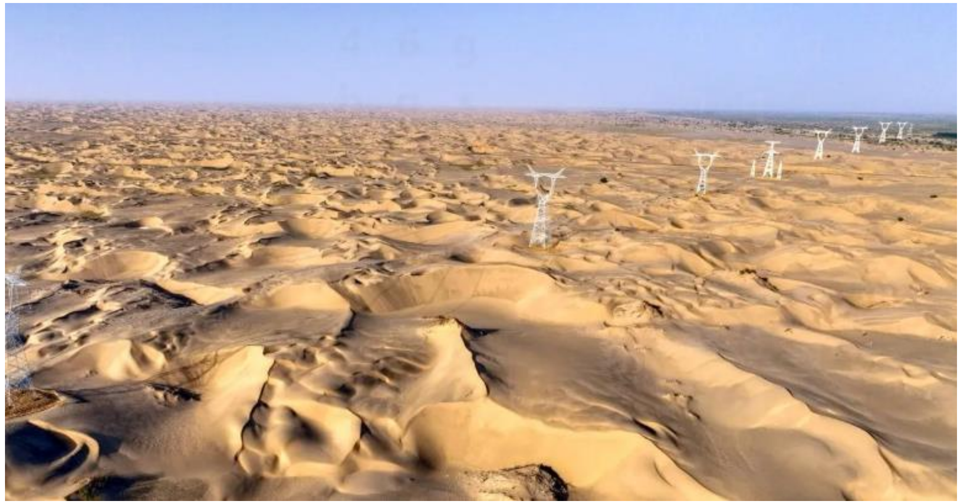
China: Some recent technology breakthrough in China

Uranium mining and processing from complex sandstone deposits in Inner Mongolia

China’s first satellite to satellite refuelling test



Extra-high voltage power transmission loop around the Tarim Basin



Source: Bloomberg, OCBC

China: Headwinds are gathering

- First, the uncertainty from the US-China trade tension despite the temporary truce remained elevated.
- Second, sentiment turned sour again following the intensification of new wave of eight point regulation aiming at cutting government wastage and corruption from May.
- Third, the recovery of property market stalled again due to still weak income growth and income expectations as well as limited wealth effect. The contraction of China's real estate investment worsened to 11.2% in the first half from 10.7% in the first five months.
- Fourth, China's efforts to reflate its economy hit the bottleneck. CPI for 1H 2025 remained in slight deflation at -0.1% YoY, with core inflation staying below 0.5%, underscoring the persistent challenges along China's reflation path. The prolonged downturn in the property sector—now entering its fourth year—continues to erode household wealth and dampen consumer confidence.
- Given the still-uncertain trade outlook and the sluggish recovery in the property sector, we think hurdle for China to reach its "around 5%" GDP target remains high. Nevertheless, we upgrade our full year GDP forecast to 4.8% from 4.6% to reflect the stronger than expected external demand.

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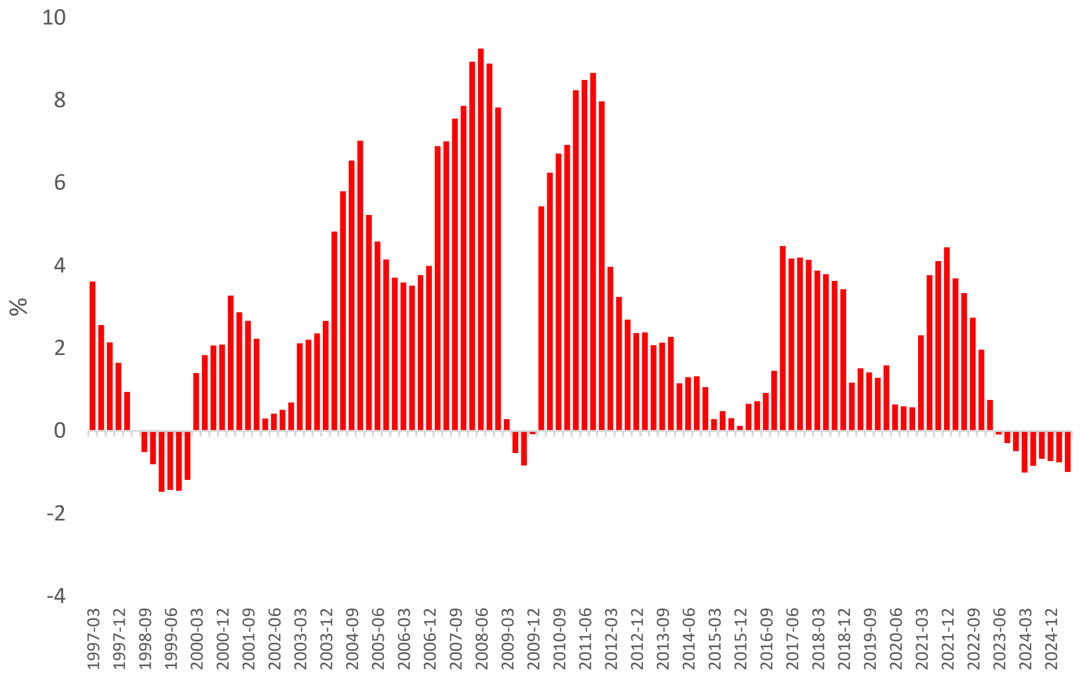
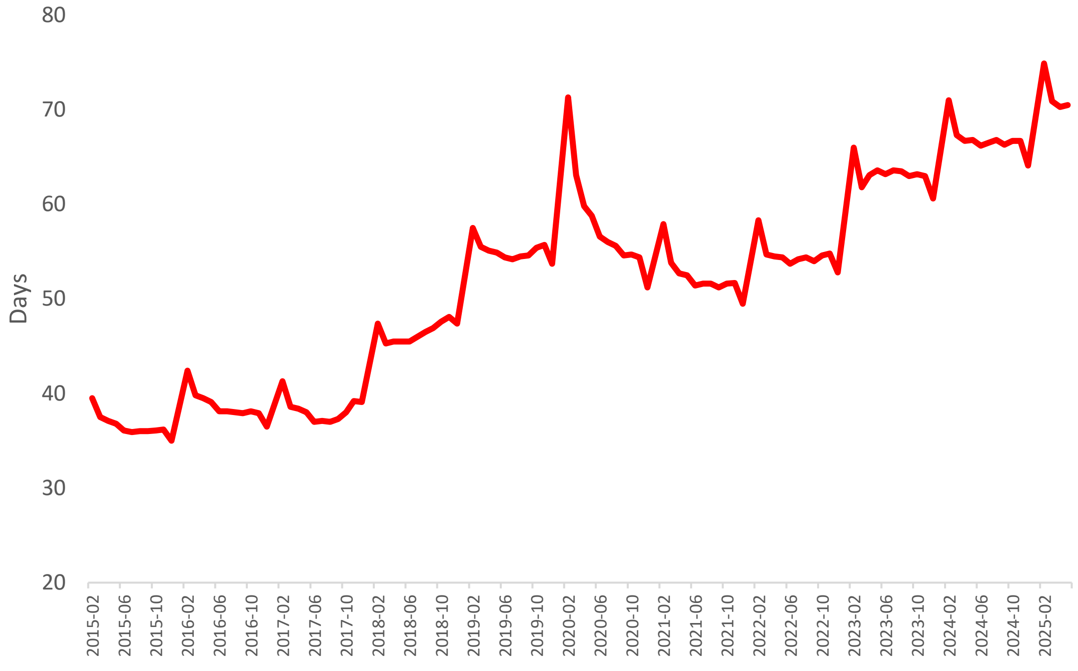
Source: Wind, OCBC

China: Involution

- The persistent disinflationary trend was partially due to involution. The involution also led to the lengthening of the accounts receivable cycle. The average collection period has now extended beyond 70 days, reflecting growing payment delays and rising financial strain within the corporate sector.



China's quarterly GDP deflator

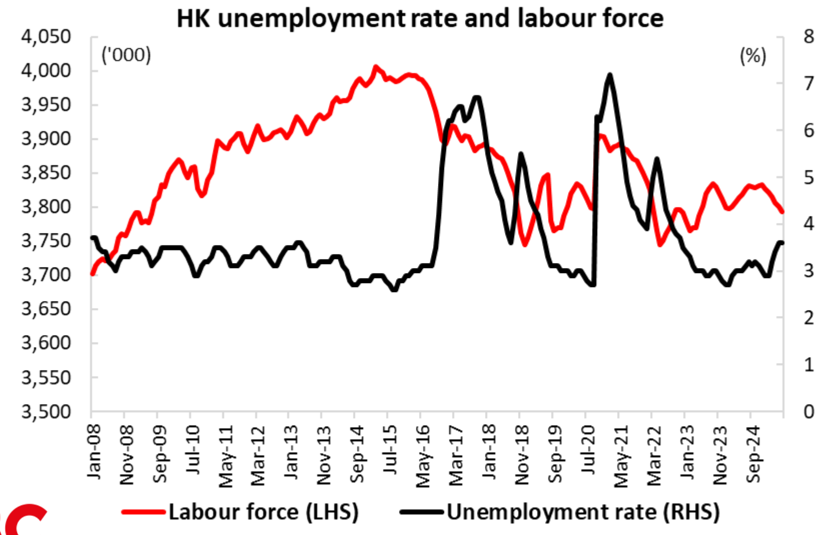


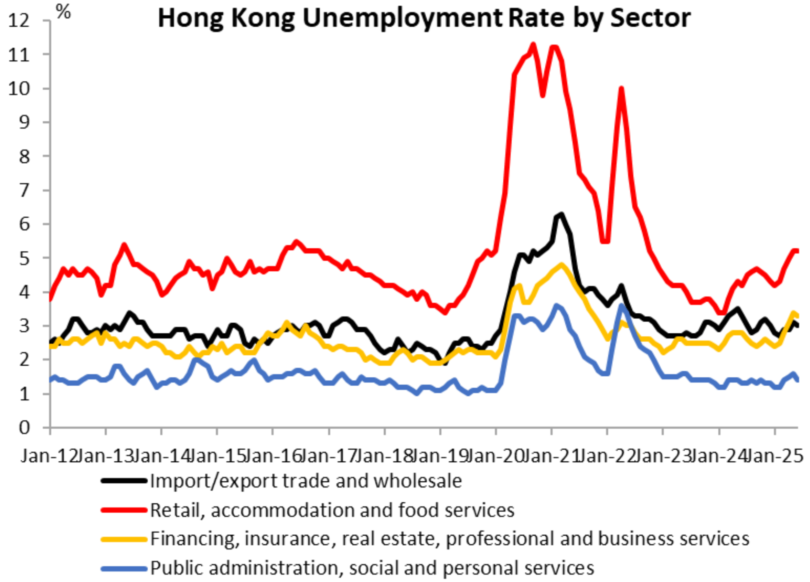
Average collection periods for receivable

Source: Wind, OCBC

HK: Labour market stayed soft

- Hong Kong's seasonally adjusted unemployment rate and underemployment rate held unchanged at 3.5% and 1.4% respectively in the three-month ending June 2025. Analyze by sector, unemployment rate fell notably in arts, entertainment and recreation sector, and professional and business services sector; and increased in construction sector and food and beverage service activities sector.
- Unemployed person rose further to the highest level since 4Q 2022 at 136.2k (+11% QoQ) in the three-month ending June 2025. Meanwhile, total labour force shrank by 22.0k to 3,793.5k.
- Anecdotal evidence suggested that labour market stayed soft more recently. Besides, the entry of fresh graduates and school leavers in the coming few months may further push up the unemployment rate. We pitched the full-year unemployment rate at 3.4%, with weakness seen in construction sector, accommodation services sector, food and beverage service activities sectors.



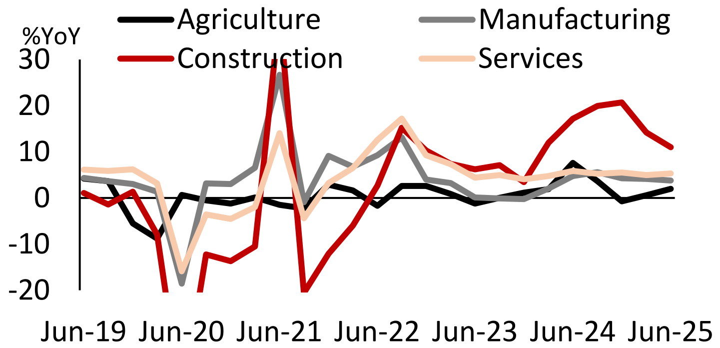


Source: C&SD Dept, OCBC Research

Malaysia: Mixed data keeps the door open for rate cuts

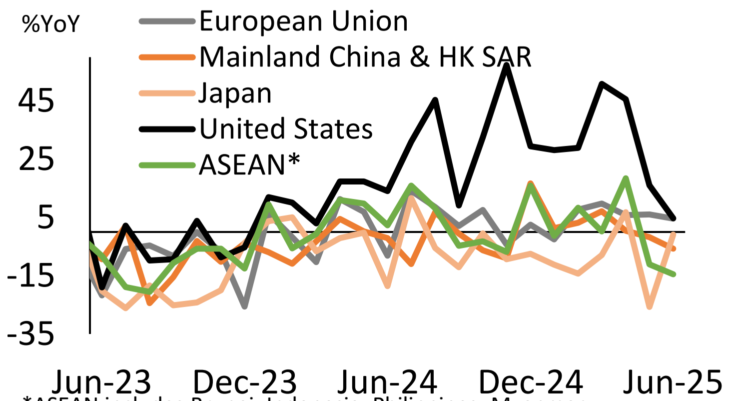
- The advance estimate of 2Q25 GDP growth showed that the economy expanded by a better than expected 4.5% YoY from 4.4% in 1Q25 (Consensus: 4.2%; OCBC: 3.9%). Growth was led by services and agriculture, while manufacturing and construction softened.
- The weaker output in the manufacturing sector is consistent with signs of faltering external demand. The June trade data painted a lacklustre picture of external demand, with June export growth worsening further to -3.5% YoY from -1.1% in May. Import growth slowed to 1.2% YoY from 6.6% in May and the trade surplus, as a result, widened to MYR8.6bn from MR0.8bn in May.
- The 1H25 growth average stood at 4.4%, but momentum is expected to ease to 3.5% in 2H25 as frontloading fades and external demand weakens. Domestic reforms, infrastructure spending, and projects like JS-SEZ could provide some support. However, unresolved US tariff talks, especially on semiconductors, remain a key risk. Looking ahead in terms of monetary policy, with inflation still benign, BNM is likely to deliver another 25bp of rate cuts for the remainder of 2025.

GDP Supply-side



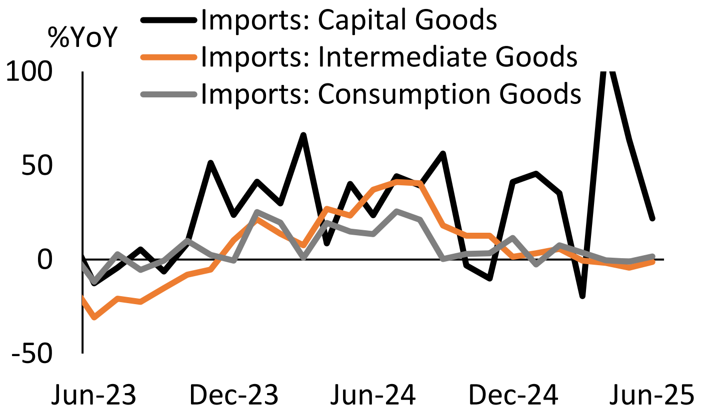
Source: CEIC; OCBC Bank

Exports by destination



*ASEAN includes Brunei, Indonesia, Philippines, Myanmar, Singapore, Thailand & Vietnam. Source CEIC; OCBC Bank.

Imports by end use



Source: CEIC; OCBC Bank

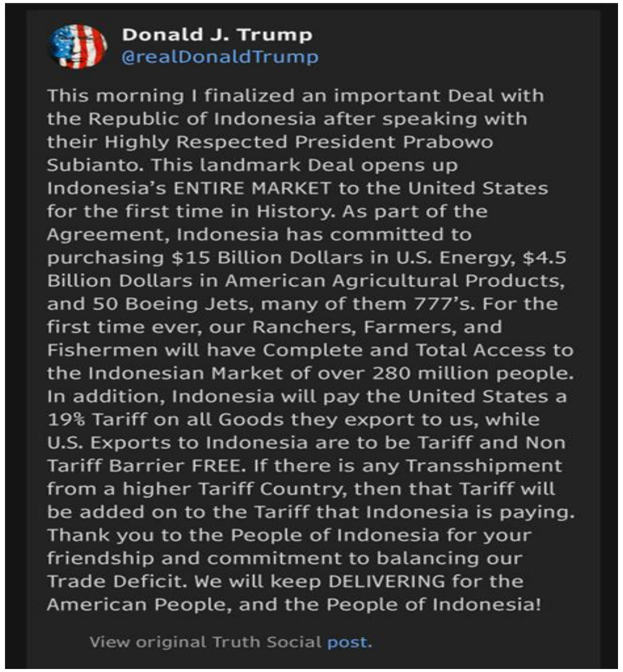
Source: CEIC, OCBC.

Indonesia: Cutting a deal with the US

- The government has struck a deal with the US to lower the tariff rate to 19% from 32% that was stated in the 7 July letter and 2 April announcement. This marks the second lowest tariff rate among ASEAN member countries for now.
- US President Trump revealed that Indonesia has agreed to purchase 50 Boeing jets, USD15bn worth of US energy products, and USD4.5bn worth of US agricultural products. This will essentially reduce Indonesia’s trade imbalance with the US. Indonesia’s trade surplus with the US was USD17bn in 2024 and USD7.2bn for the first five months of 2025.
- Secretary of the Coordinating Ministry of Economic Affairs, noted that a US-Indonesia joint statement is being prepared, with more details to be provided. Nonetheless, he noted that the government is still negotiating, seeking tariff exemptions for key exports such as crude palm oil, nickel, cocoa, and rubber. In return, the country will eliminate most tariffs on US imports, and ease import quotas, while committing to Boeing aircraft purchases and US energy imports.

Country	2 April announcement	7 July Announcement	Latest deal
Indonesia	32%	32%	19% ↓
Brunei Darussalam	24%	25% ↑	-
Cambodia	49%	36% ↓	-
Laos	48%	40% ↓	-
Malaysia	24%	25% ↑	-
Myanmar	44%	40% ↓	-
Philippines	17%	17%	-
Thailand	36%	36%	-
Singapore	10%	-	-
Vietnam	46%	-	20%, and 40% for transshipment. ↓

Source: The White House.


Donald J. Trump
@realDonaldTrump

This morning I finalized an important Deal with the Republic of Indonesia after speaking with their Highly Respected President Prabowo Subianto. This landmark Deal opens up Indonesia’s ENTIRE MARKET to the United States for the first time in History. As part of the Agreement, Indonesia has committed to purchasing $15 Billion Dollars in U.S. Energy, $4.5 Billion Dollars in American Agricultural Products, and 50 Boeing Jets, many of them 777’s. For the first time ever, our Ranchers, Farmers, and Fishermen will have Complete and Total Access to the Indonesian Market of over 280 million people. In addition, Indonesia will pay the United States a 19% Tariff on all Goods they export to us, while U.S. Exports to Indonesia are to be Tariff and Non Tariff Barrier FREE. If there is any Transshipment from a higher Tariff Country, then that Tariff will be added on to the Tariff that Indonesia is paying. Thank you to the People of Indonesia for your friendship and commitment to balancing our Trade Deficit. We will keep DELIVERING for the American People, and the People of Indonesia!

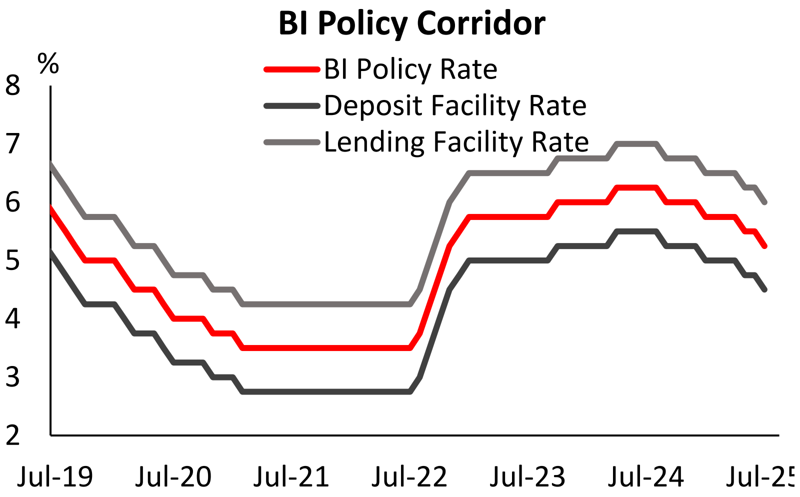
View original Truth Social post.

OCBC

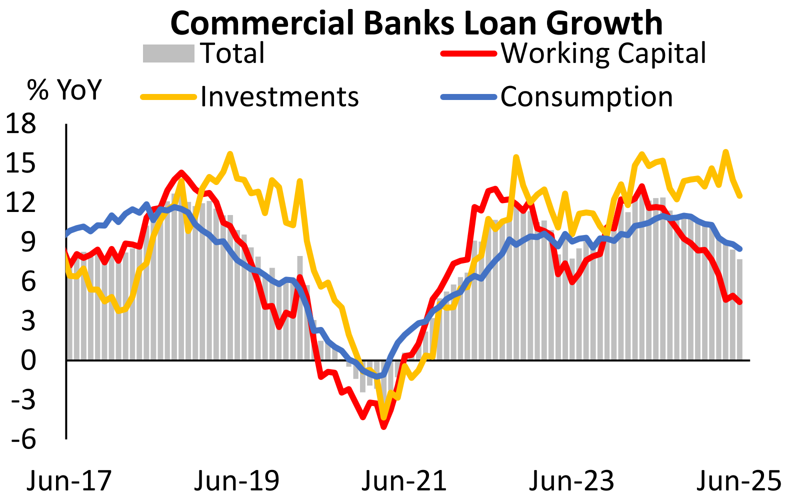
Source: The White House, OCBC.

Indonesia: Leaves the door open for more rate cuts

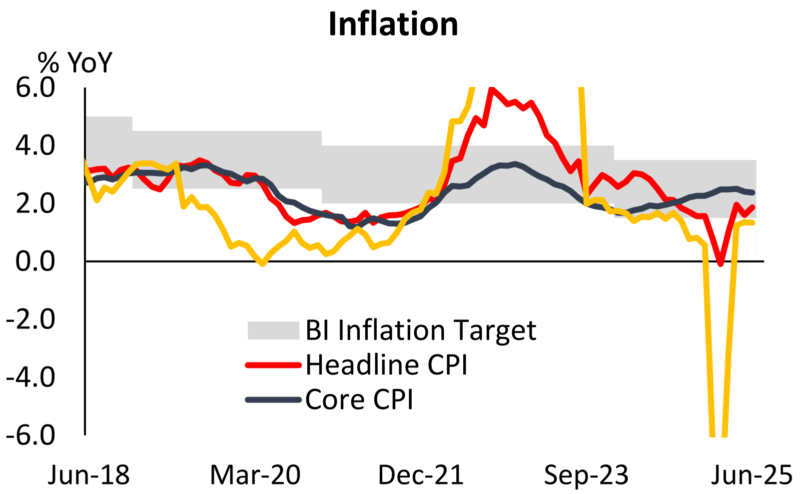
- Bank Indonesia (BI) cut its policy rate by 25bps, in line with our expectations but against consensus expectations of no change, taking the policy rate to 5.25%. BI left the door open for further rate cuts as it buttresses economic and credit growth prospects.
- Interestingly, the Governor's change in assessment was for core inflation. He noted that core inflation could be lower than expected. Core inflation was stable at 2.4% YoY in May and June 2025, compared to 2.3% in end-2024. Our baseline forecast is for headline inflation to remain well contained, averaging 2.0% YoY in 2025 from 2.3% in 2024. This implies higher inflation in the coming months, but still within BI's target range of 1.5-3.5%.
- Looking ahead, we add another 50bps in rate cut expectations for the remainder of the year. The timing of these forthcoming rate cuts will be done keeping in mind IDR stability, in our view.



Source: Bank Indonesia, CEIC, OCBC



Source: OJK, BI, CEIC, OCBC

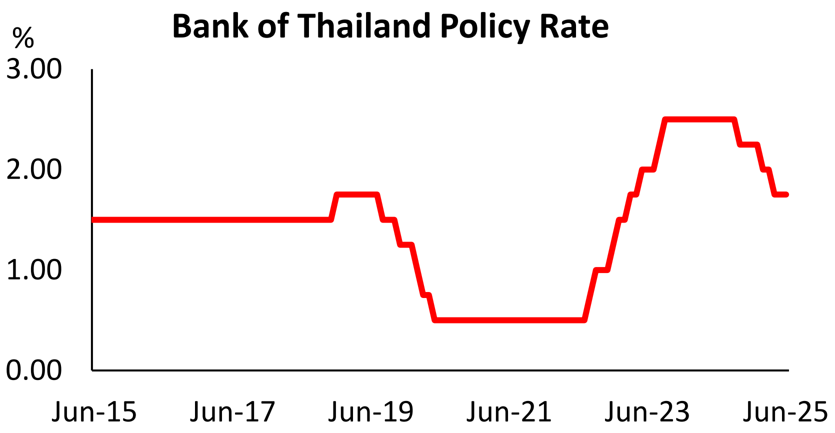


Source: Statistics Indonesia (BPS), Bloomberg, OCBC.

Source: Bank Indonesia, OJK, CEIC, Bloomberg, OCBC.

Thailand: Announcement for next BoT governor delayed

- The widely anticipated announcement of the next Bank of Thailand governor has been delayed by at least a week. Finance Minister Pichai Chunhavajira announced that the candidate to succeed current BoT Governor, Sethaput Suthiwartnarueput, will be presented to the cabinet on 22 July.
- Local media reported that Vitai Ratanakorn, President of the Government Savings Bank, was expected to be nominated. Nonetheless, the delay in the announcement suggests that BoT Deputy Governor Roong Mallikamas, also a contender for the position, may still be in the running. In an interview, she said she would be "a little more aggressive" in articulating the path for interest rates, while calling for monetary and fiscal policies to be "directed in the same direction in a cohesive manner and better coordinated".
- We forecast lower GDP growth of 1.8% (BoT: 2.3%) in 2025, down from 2.5% in 2024 as domestic policy uncertainties and tariff pressures pose headwinds to growth this year. Our baseline forecast anticipates the Bank of Thailand lowering its policy rate by another 50bps in 2H25, bringing the policy rate to 1.25%, by end-2025.



Source: Bank of Thailand, CEIC, OCBC.

Names	Background / Role	Selected Past Experiences/Education
Vitai Ratanakorn	President and CEO, Government Savings Bank.	Secretary-General, Government Pension Fund. Director and Acting President, Islamic Bank of Thailand. Master of Arts (Political Economy), Chulalongkorn University. Master of Laws (Business Law), Chulalongkorn University. Master of Science (Finance), Drexel University.
Roong Mallikamas	Deputy Governor for Financial Institutions Stability, Bank of Thailand.	Member, Bank of Thailand board of directors. Vice-Chairman, Financial Institutions Policy Committee, Bank of Thailand. Vice-Chairman, Payment Systems Committee, Bank of Thailand. Ph.D. in Economics, MIT.

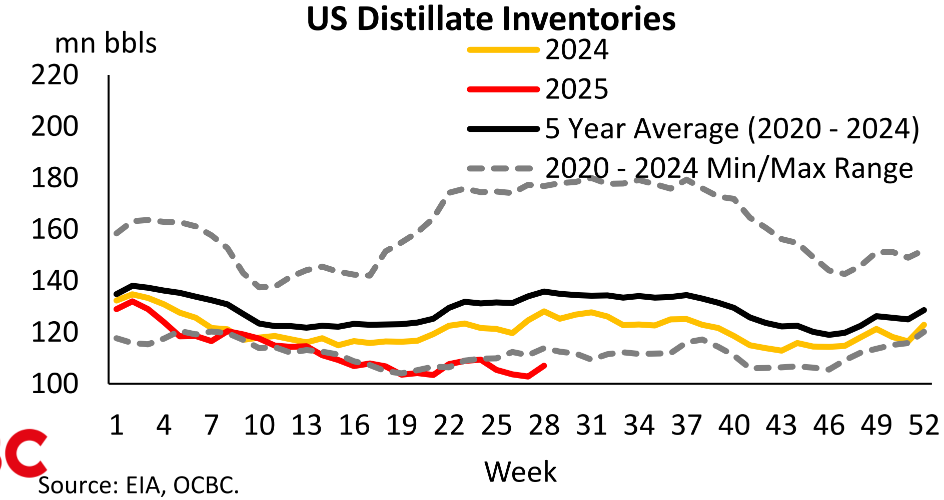
Source: Bank of Thailand, GSB, Bangkok Post.

Source: Bank of Thailand, GSB, Bangkok Post, CEIC, OCBC.

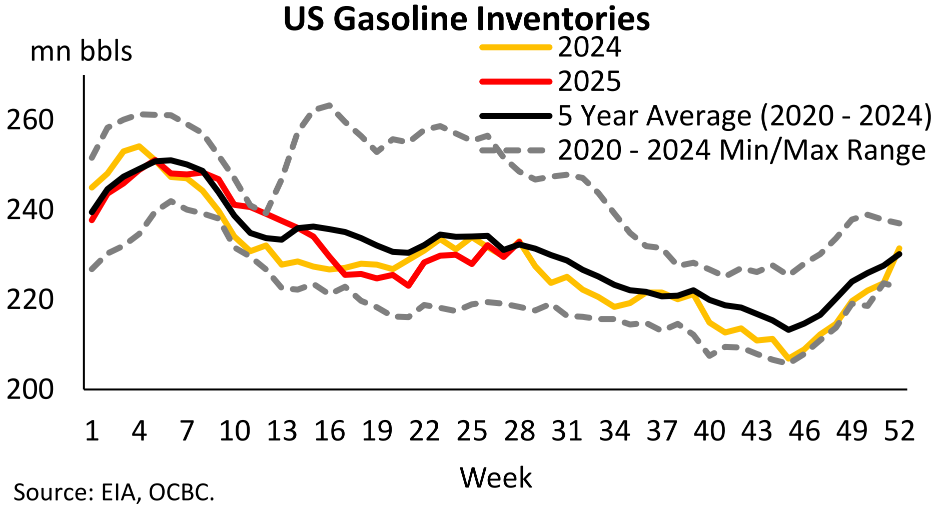
Commodities

Commodities: Lower oil prices

- Crude oil benchmarks declined, with WTI and Brent falling by 1.6% and 1.5% week-on-week, respectively, to close at USD67.3/bbl and USD69.3/bbl.
- Prices dropped on prospects of a surplus in the global oil market once demand from the summer driving season wanes. Additionally, President Trump's threats of "secondary tariffs" on Russia's trade partners eased concerns about harsher sanctions that could disrupt the global oil market. Nevertheless, near-term supply tightness likely limited losses. Notably, distillate inventories have remained tight despite signs of weakness in other fuel products. The EU also adopted a new sanctions package against Russia, introducing lower price caps, imposing curbs on refined oil products derived from Russian crude, banning an oil refinery in India, amongst other measures. Adding further upward pressure on prices, several Iraqi oil fields in the semi-autonomous Kurdistan region were struck by drone attacks, impacting ~0.2mbpd of oil production.
- Looking ahead, we expect Brent crude to trade within the range of USD68-72/bbl. For the week, the key focuses include data releases from the US (i.e., July prelim S&P PMIs, June durable goods orders etc.).



Source: EIA, OCBC.



Source: EIA, OCBC.

Source: EIA, Bloomberg, Reuters, OCBC.

ESG

OCBC Bank

ESG: Guidance for leveraging the Singapore-Asia Taxonomy

- The guidance for leveraging the Singapore-Asia Taxonomy (SAT) was recently published by the Singapore Sustainable Finance Association, to further support its practical application in green and transition financing. OCBC's GWB Sustainability Office played a leading role in shaping the guidance as co-lead of the SSFA Taxonomy workstream.
- The SAT, launched by the MAS, details the thresholds and criteria for defining green and transition activities that contribute to climate change mitigation. The guidance document addresses practical challenges in applying the SAT, such as data availability gaps, interim threshold treatment, and interpretation of transition categories, offering clarity to both financiers and borrowers navigating green and transition finance requirements. For example, where data is limited, the guidance suggests that financiers can rely on proxy data that take reference from internationally or nationally recognised databases that are deemed credible in the relevant sectors.
- The guidance document helps market participants reference the SAT even when full technical alignment is not immediately feasible, offering approaches for transition financing of assets or projects that temporarily fall short of certain criteria due to data limitations or lack of commercially available low-carbon solutions.
- By establishing practical actionable guidelines to unlock more credible transition finance, the guidance fosters greater consistency, transparency, and confidence in sustainable finance disclosures, furthering the adoption of the SAT and supporting mobilisation of capital towards credible green and transition activities across Southeast Asia.

Source: Singapore Sustainable Finance Association, OCBC

FX & Rates

FX and Rates: China Curve Steepens; USD Consolidates

- **USD rates.** This week brings auctions of USD13bn of 20Y bond and of USD21bn of 10Y TIPS; further out at the end of the month, focus is US Treasury's quarterly refunding update, including as to whether US Treasury will keep the phrase "Treasury anticipates maintaining nominal coupon and FRN auction sizes for at least the next several quarters". We expect auction sizes to be kept unchanged for the Aug-Oct period at least, and probably for another three-month period (Nov-Jan), with much lesser impact of SOMA redemption.

- **DXY. *Consolidation*.** Better-than-expected US data and fears of tariff implication on CPI were some of the factors behind USD's bounce. Comments from Fed officials, including Waller and Mary Daly on Fed cut appeared to have partially curtailed some of USD's strength. There was also a WSJ report of Treasury secretary Bessent signalling to Trump that Fed officials have indicated 2 rate cuts before year ends. Trump also mentioned that a couple of "big" trade deals are coming "soon". There is not much tier-1 data for markets to digest this week apart from prelim PMIs (Thu) and durable goods orders (Fri). Near term, DXY may be caught in 2-way trades, with headlines likely taking over from data.

- **USDJPY. *Watch Post-Election Responses.*** Upper House election results showed LDP-Komeito coalition has lost the majority. While USDJPY traded choppy, the pair did not significantly rise in a disorderly manner. In fact, price action suggests that pessimism was already in the price. The risks to watch next are 1) how opposition parties would push for reduction in taxes and/or raise spending, in turn adding to the risk that Japan's credit rating may face a downgrade (as per Moody's warning). Constitutional Democratic Party leader Noda already told a press conference overnight that CDP party will resubmit a bill to abolish provisional gasoline tax, targeting to help lower gas prices; 2) if opposition parties may table a motion of no-confidence, leading to further political uncertainty. For now, PM Ishiba had vowed to stay on despite the setback while markets keep a look out on what may come next.

- **CNY rates.** We expect PBoC to withdraw back part of the liquidity this week given most tax payments should have been done. Separately, CNY200bn of MLF matures on Friday; total amount of MLF maturities in the month is CNY300bn and market watch as to whether PBoC will more than roll over MLF. The repo-IRS curve has been steepening since the start of the month, and the 1s5s segment ended inversion. The steepening move may reflect an improved economic outlook perceived by the market. The broader trend remains a steepening one, but as further fall in the 1Y rate may be constrained before additional interest rate cut materialises, transient reversal to a mild inversion cannot be ruled out – as and when it happens, we should not read too much into it. Long-end CGB yields also appear to be bottoming out. Prospect remains for more fiscal support to come, and hence additional long-end bond supply needs to be digested. Meanwhile, there have been signs that the economy may be turning the corner. Overall, we maintain a steepening bias on the CGB curve across 2s30s segment. In offshore, the CNH CCS curve, after a period of flattening, steepened back in line with our expectation; we maintain a mild steepening bias on the CNH CCS curve.

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