



# Weekly Macro Views (WMV)

OCBC Group Research

22 June 2026

# Weekly Macro Update

## Key Global Data for this week:

22 June	23 June	24 June	25 June	26 June
<ul style="list-style-type: none"> <li>• <b>CA</b> CPI</li> <li>• <b>CH</b> 1Y LPR, 5Y LPR</li> <li>• <b>EC</b> Consumer Confidence</li> <li>• <b>HK</b> BoP Current Account Balance, BoP Overall</li> <li>• <b>SK</b> Imports 20D YoY, Exports 20D YoY</li> </ul>	<ul style="list-style-type: none"> <li>• <b>AU, EC, IN, US</b> PMI Composite, PMI Mfg, PMI Services</li> <li>• <b>HK</b> CPI Composite YoY</li> <li>• <b>SI</b> CPI</li> <li>• <b>SK</b> Consumer Confidence</li> <li>• <b>US</b> Richmond Fed Mfg Index, Richmond Fed Business Conditions</li> </ul>	<ul style="list-style-type: none"> <li>• <b>AU</b> CPI MoM, CPI YoY, CPI Trimmed Mean MoM, CPI Trimmed Mean YoY</li> <li>• <b>SK</b> Retail Sales YoY, Department Store Sales YoY</li> <li>• <b>TH</b> BoT Benchmark Interest Rate</li> <li>• <b>US</b> MBA Mortgage Applications, Current Account Balance, New Home Sales</li> </ul>	<ul style="list-style-type: none"> <li>• <b>AU</b> Employment Change, Unemployment Rate, Participation Rate, Job Vacancies QoQ, Household Spending YoY</li> <li>• <b>HK</b> Exports YoY, Imports YoY</li> <li>• <b>TH</b> Custom Exports YoY, Custom Imports YoY</li> <li>• <b>US</b> Personal Income, Personal Spending, Chicago Fed Nat Activity Index, PCE YoY, Core PCE YoY, Initial Jobless Claims, GDP annualized QoQ (1Q T)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>EC</b> ECB 1Y-/3Y Inflation</li> <li>• <b>SI</b> Industrial production</li> <li>• <b>TH</b> Gross International Reserves, Forward Contracts</li> <li>• <b>US</b> U.Mich Sentiment, U.Mich Current Conditions, U.Mich Expectations, U.Mich 1Y-/5Y Inflation, wholesale inventories</li> </ul>

## Summary of Macro Views:

<b>Global</b>	<ul style="list-style-type: none"> <li>• <b>Global:</b> US-Iran peace talks begin</li> <li>• <b>UK:</b> Politics in the spotlight</li> <li>• <b>US:</b> A hawkish hold at the June FOMC meeting</li> <li>• <b>US:</b> Activity signals slower expansion amid mixed manufacturing data</li> </ul>	<b>Asia</b>	<ul style="list-style-type: none"> <li>• <b>ID:</b> BI delivers another 25bp hike</li> <li>• <b>ID:</b> MSCI review in focus</li> <li>• <b>MY:</b> Strong data mix</li> <li>• <b>MY:</b> Watching fiscal elections as elections ramp up</li> <li>• <b>TH:</b> BSP delivers a 25bp hike</li> </ul>
<b>Asia</b>	<ul style="list-style-type: none"> <li>• <b>SG:</b> NODX surged higher, turbocharged by AI boom</li> <li>• <b>SG:</b> MAS Survey of Professional Forecasters (SPF)</li> <li>• <b>SG:</b> Will 2026 be a replay of 2025?</li> <li>• <b>CH:</b> Another milestone in RMB Internationalization</li> <li>• <b>CH:</b> Revised interest rate corridor</li> <li>• <b>HK:</b> Base rate unchanged at 4%</li> <li>• <b>HK:</b> Further slack in labour market</li> </ul>	<b>Asset Class</b>	<ul style="list-style-type: none"> <li>• <b>FX &amp; Rates:</b> Oil relief, Fed pressures</li> </ul>

# Global: Central Banks

## Forecast – Key Rates

People's Bank of China (PBoC)



Monday, 22<sup>th</sup> June

Bank of Thailand (BOT)



Wednesday, 24<sup>th</sup> June

### House Views

*1-year Loan Prime Rate*

**hold at 3.00%**

*5-year Loan Prime Rate*

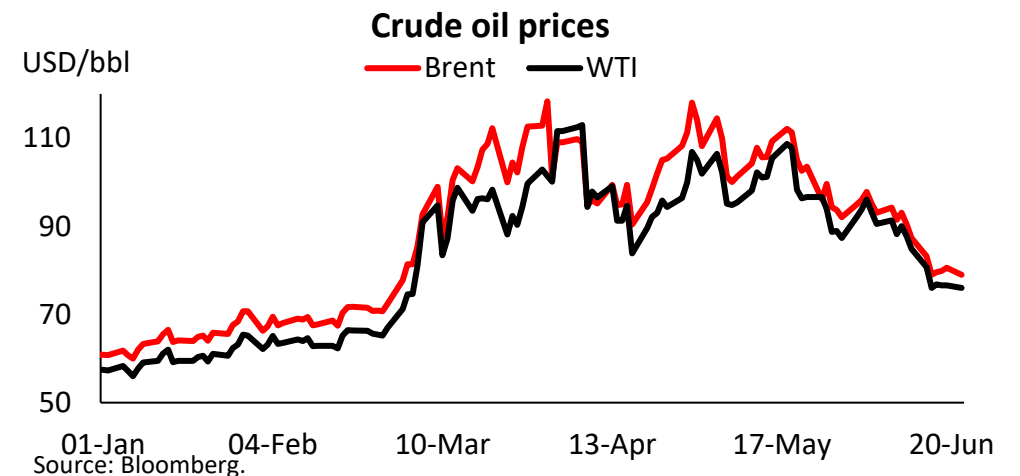
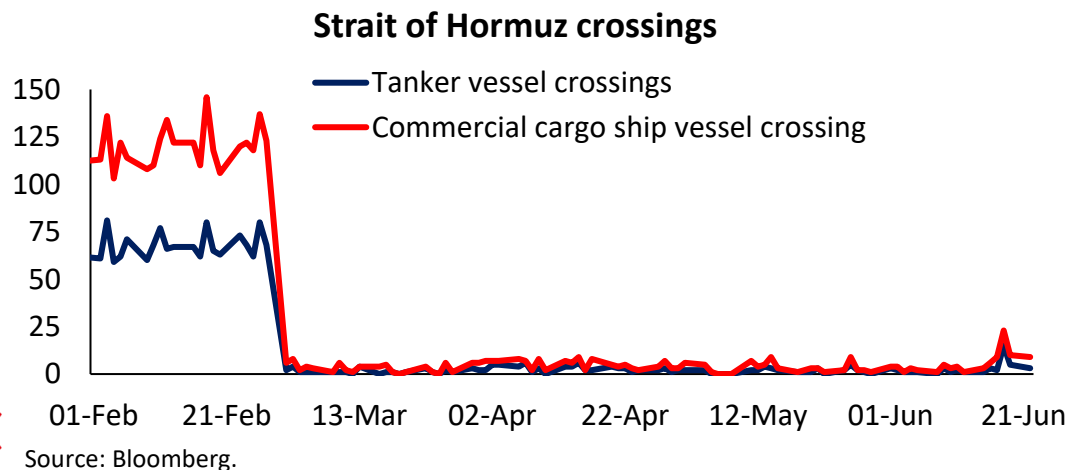
**hold at 3.50%**

*Benchmark Interest Rate*

**Likely hold at 1.00%**

# Global: US-Iran peace talks begin

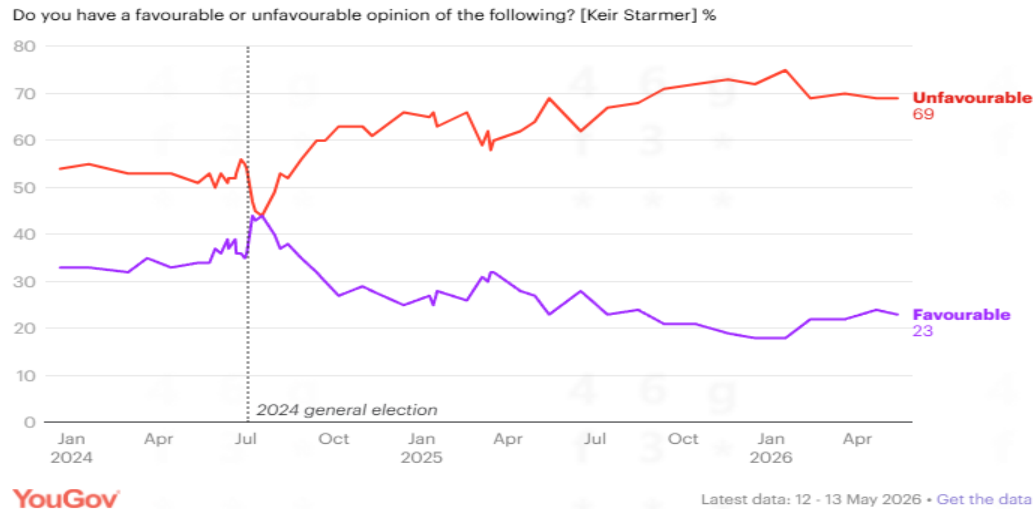
- US–Iran peace talks in Bürgenstock started on a rocky note over the weekend but have since shown meaningful progress. Early setbacks included Iran’s closure of the Strait of Hormuz, triggered by perceived failures by the US and Israel to enforce a ceasefire, alongside threats from Trump to resume attacks on Iran.
- Despite these tensions, mediators Qatar and Pakistan announced that both sides have agreed to a roadmap toward a final deal within 60 days. The agreement includes the formation of a “High-Level Committee” to oversee negotiations, the establishment of a “de-confliction” cell involving the US, Iran, and Lebanon to prevent military escalation in Lebanon, and the creation of a communication line to ensure safe commercial shipping through the Strait.
- Commercial shipping activity initially rebounded following the memorandum of understanding, with US Central Command reporting 55 merchant vessels transiting the Strait on Saturday (20 June), carrying over 17 million barrels of oil. However, traffic dropped sharply again to just five vessels on Sunday (21 June) after Iran reinstated the closure. Oil prices have responded to the renewed uncertainty, with Brent crude rising 0.67% to USD 81.1 per barrel, briefly reaching a high of USD 82.3 on 22 June.



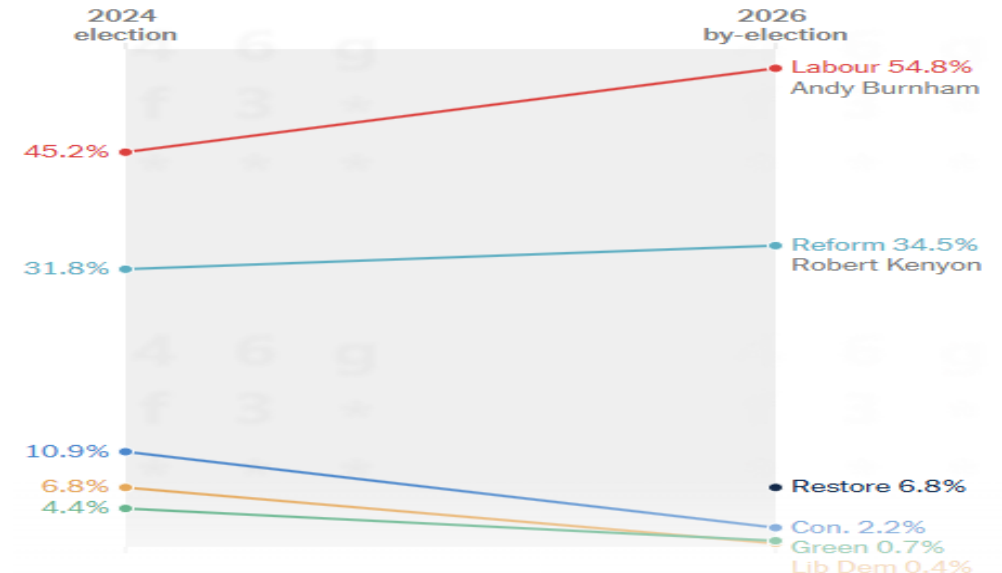
# UK: Politics in the spotlight

- UK Prime Minister Keir Starmer tendered his resignation on 22 June, following a prolonged period of pressure and speculation regarding his position. A recent YouGov poll showed that 23% of Britons saw Starmer favourably, while 69% viewed him unfavourably, leaving him with a net favourability score of -46 in May.
- Starmer's departure paves the way for Andy Burnham to attempt to take over as successor. Andy Burnham said Labour has a "final chance to change" after his victory on 18 June in the Makerfield by-election, where he secured nearly 55% of the vote.
- Andy Burnham has been the Mayor of Greater Manchester from 2017 to 2026. Previously, he was Chief Secretary to the Treasury from 2007 to 2008, Culture Secretary from 2008 to 2009 and Health Secretary from 2009 to 2010.

## Keir Starmer favourability tracker



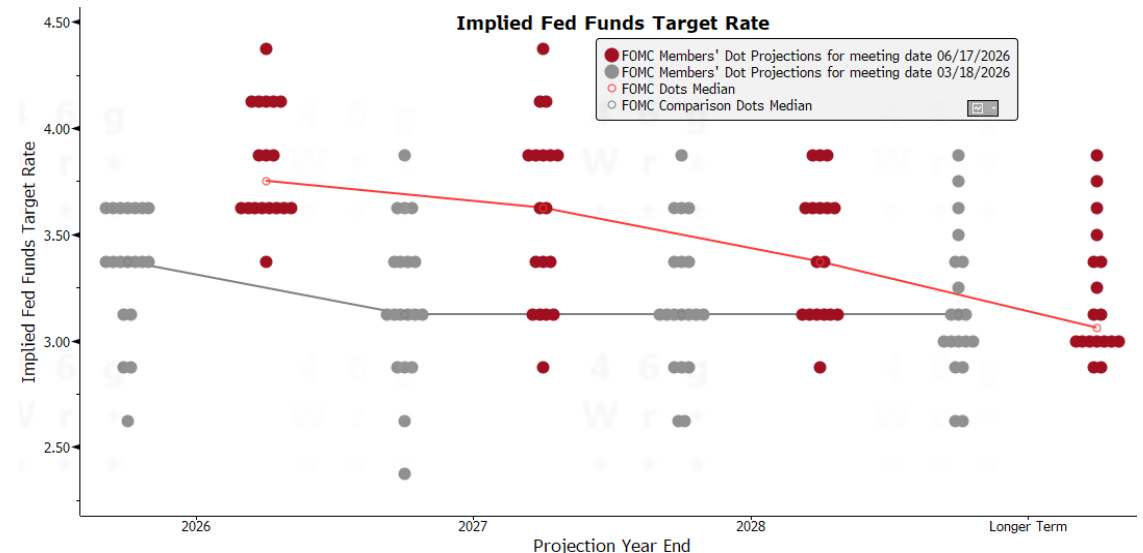
## Makerfield by-election results



# US: A hawkish hold at the June FOMC meeting

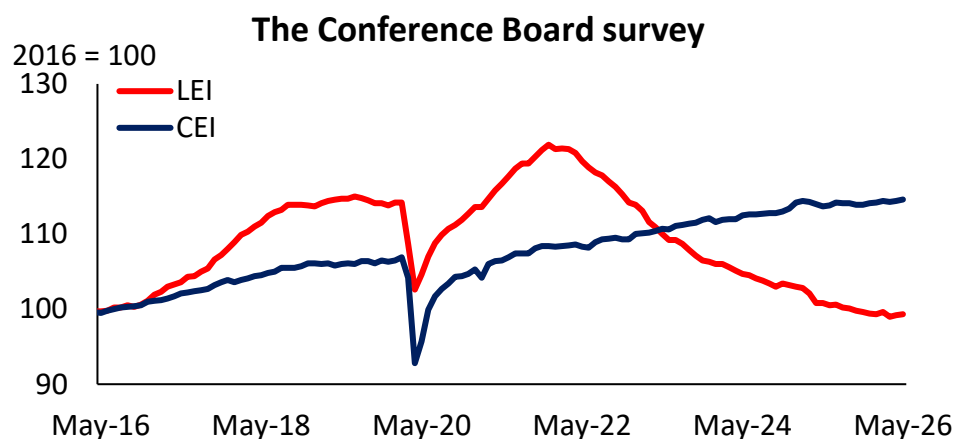
- The first Federal Reserve meeting chaired by Kevin Warsh proved consequential for several reasons. While the policy rate was left unchanged at 3.50–3.75%, the emphasis on price stability amid a resilient activity and labour market backdrop lent itself to more hawkish market interpretations. Warsh also announced task forces covering five areas central to monetary policy: Fed communications, balance sheet policy, data sources, productivity and jobs in an era of transformation, and the Fed’s inflation frameworks, recommendations that could result in material changes. The Fed’s communication style is already evolving under Warsh, with the policy statement shortened to 20 lines and expectations for further changes, including to the SEP.
- Within the SEP, the ‘dot plot’ showed nine members forecast at least one rate hike this year, eight expect no change, and one expects a rate cut, while Warsh refrained from participating. Forecast changes included a significant upward revision to 2026 PCE (3.6% from 2.7%) and core PCE (3.3% from 2.7%), with both easing to around 2% by 2028. GDP growth for 2026 was also revised lower to 2.2% while the 2026 unemployment rate was lowered marginally to 4.3%.

Variable	Median			
	2026	2027	2028	Longer run
Change in real GDP	2.2	2.3	2.2	2.0
March projection	2.4	2.3	2.1	2.0
Unemployment rate	4.3	4.3	4.2	4.2
March projection	4.4	4.3	4.2	4.2
PCE inflation	3.6	2.3	2.0	2.0
March projection	2.7	2.2	2.0	2.0
Core PCE inflation	3.3	2.5	2.1	-
March projection	2.7	2.2	2.0	-
Federal funds rate	3.8	3.6	3.4	3.1
March projection	3.4	3.1	3.1	3.1

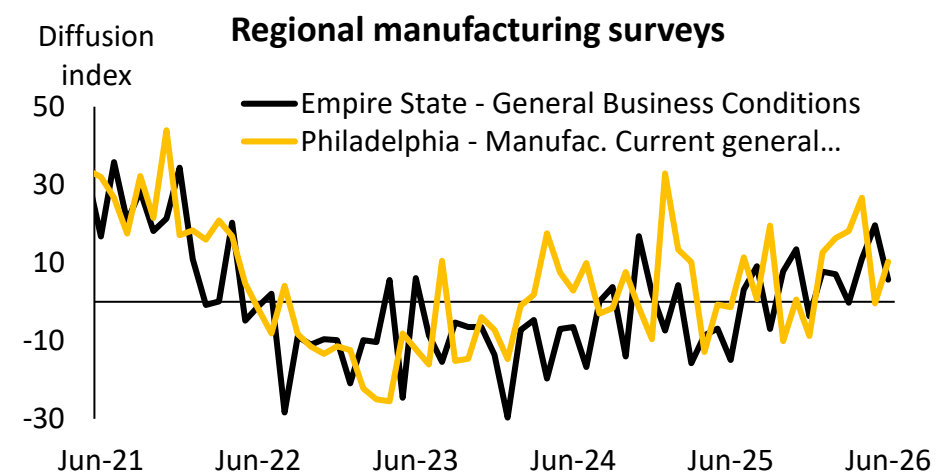


# US: Activity signals slower expansion amid mixed manufacturing data

- US activity indicators point to continued economic expansion, albeit at a slower pace than previously. The Conference Board Leading Economic Index (LEI) growth eased to 0.1% MoM, to 99.3 in May, from a 0.2% gain in April. However, its 6- and 12-month growth rates remained negative, suggesting softer growth ahead. Financial components, particularly equity prices and the interest rate spread, drove the improvement, while consumer expectations remained a key drag as higher energy and everyday costs weighed on household spending. Meanwhile, the Coincident Economic Index (CEI) rose 0.2% MoM to 114.6, from a 0.1% gain in April. The Conference Board expects US GDP growth to slow to 1.8% YoY in 2026 from 2.1% in 2025.
- The regional manufacturing surveys were more constructive for June, although they still pointed to sticky cost pressures. Specifically, the Empire State index showed a positive reading of 5.7, from 19.6 in May, with new orders, shipments, employment, and hours worked continuing to expand, although supply availability deteriorated to its weakest level since June 2022. The Philadelphia Fed survey showed a stronger rebound, with the general activity index rising to 10.3 from -0.4 in May, and new orders increasing by ~29 points to 27.3. Forward-looking indicators were also firm, with the Philadelphia Fed's future new orders and shipments indices reaching five-year highs.



Source: The Conference Board, Bloomberg, OCBC Group Research.

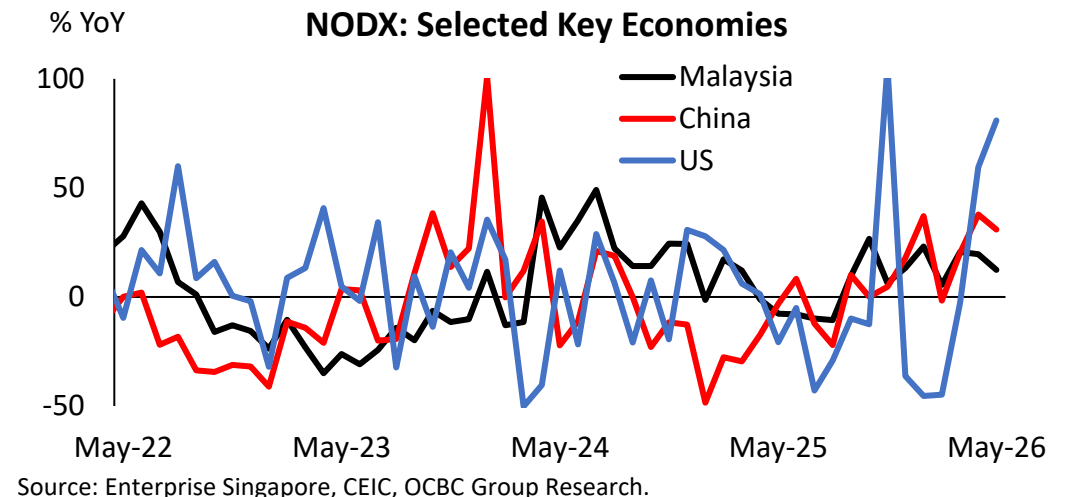
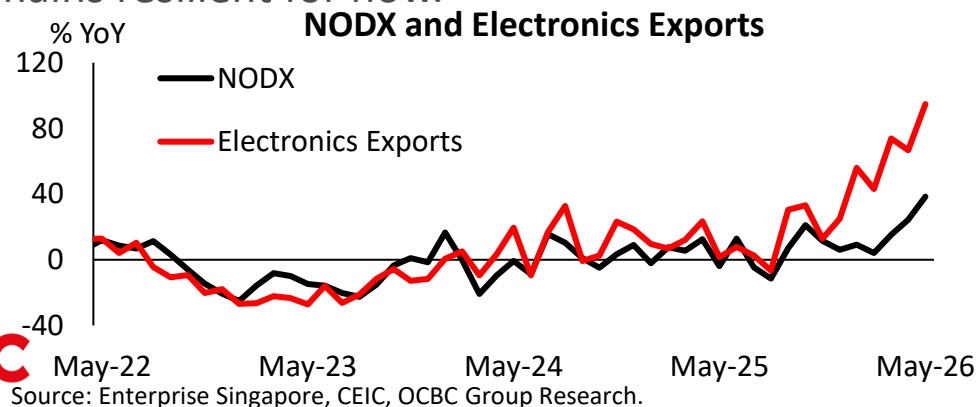


Source: Philadelphia Fed, New York Fed, Bloomberg, OCBC Group Research.



# Singapore: NODX surged higher, turbocharged by AI boom

- NODX accelerated by 38.4% YoY in May, up from 24.4% the previous month. This marked the third consecutive month of double-digit gains and is also the strongest print in two decades. The global AI tailwind continues to sustain electronics exports which surged by 95% YoY in May. To that end, this is also the strongest electronics NODX print in two decades, as well as the 9th straight month of double-digit YoY growth since September 2025. Non-electronics NODX also grew by 17.7% YoY, which is an improvement from the 10.9% in the previous month.
- Year-to-May 2026, NODX expanded 18.1%, marking a very strong start to the year despite the heightened geopolitical tensions. By destination, NODX to nine of the top ten NODX markets also increased in May with the key exception of Indonesia. In particular, NODX to the major trading partners of US (80.9% YoY), EU27 (41.4%) and China (31.0%) remained robust, suggesting diminished growth concerns due to the Middle East conflict.
- Looking ahead, we maintain our 2026 full-year NODX forecast of 6.0% YoY at this juncture, as 2H26 is likely to see some moderation and higher base effects. The recent market relief over the US-Iran agreement (even though many uncertainties about further negotiation and sustainability of the deal remain) and the sharp pullback in global energy prices are likely to provide more breathing space for many energy-importing economies. Additionally, the global AI story remains resilient for now.



# Singapore: MAS Survey of Professional Forecasters (SPF)

- In the June edition of the MAS Survey of Professional Forecasters, the median GDP growth forecast for 2026 was revised slightly lower to 3.5% from 3.6% in the March 2026 survey.
- The 2026 median headline CPI and core CPI forecasts were revised higher to 2.3% YoY and 2.0% YoY, respectively, compared to 1.5% in the March 2026 survey. Growth momentum in 2Q26 is expected to remain robust, with the median GDP forecast tipped at 4.3%.
- The median forecast for growth is 2.5% YoY in 2027 while the 2027 median headline CPI and core CPI are tipped at 2.1% and 2.0%, respectively.

Median Forecasts of Macroeconomic Indicators for 2026		
Key Macroeconomic Indicators (% YoY)	March Survey	June Survey
<b>GDP</b>	<b>3.6</b>	<b>3.5</b>
Manufacturing	4.3	5.0
Finance & Insurance	3.6	4.5
Construction	5.0	6.5
Wholesale & Retail Trade	4.0	4.9
Accommodation & Food Services	1.3	1.8
Private Consumption	3.5	3.2
Non-oil Domestic Exports	4.5	6.1
<b>CPI-All Items Inflation (% YoY)</b>	<b>1.5</b>	<b>2.3</b>
<b>MAS Core Inflation (% YoY)</b>	<b>1.5</b>	<b>2.0</b>
Overall Unemployment Rate (End-period, SA %)	2.1	2.1
Exchange Rate (End-period, S\$ per US\$)	1.250	1.258
SORA (Average, percent per annum)	1.30	1.20
Bank Loans (End-period, % growth)	4.8	4.0

Source: MAS SPF (June 2026).



Source: MAS SPF (June 2026), OCBC Group Research.

Forecasts of Key Macroeconomic Indicators for 2Q26				
Key Macroeconomic Indicators (% YoY)	June Survey			
	Median	Mean	Min	Max
<b>GDP</b>	<b>4.3</b>	<b>4.2</b>	<b>3.3</b>	<b>5.0</b>
Manufacturing	7.1	7.3	4.3	12.0
Finance & Insurance	5.6	5.4	4.0	6.5
Construction	6.9	6.8	3.4	8.6
Wholesale & Retail Trade	7.3	7.1	4.0	10.7
Accommodation & Food Services	2.0	2.4	1.2	5.5
Private Consumption	3.2	3.3	2.2	4.0
Non-oil Domestic Exports	15.0	16.5	3.6	31.0
<b>CPI-All Items Inflation (% YoY)</b>	<b>2.1</b>	<b>2.1</b>	<b>1.7</b>	<b>2.5</b>
<b>MAS Core Inflation (% YoY)</b>	<b>1.6</b>	<b>1.7</b>	<b>1.5</b>	<b>2.0</b>
Overall Unemployment Rate (End-period, SA %)	2.1	2.1	2.0	2.2
Exchange Rate (End-period, S\$ per US\$)	1.270	1.272	1.260	1.280
SORA (Average, percent per annum)	1.07	1.10	0.90	1.31
Bank Loans (End-period, % growth)	5.9	6.1	3.5	8.2

Source: MAS SPF (June 2026).



# Singapore: MAS Survey of Professional Forecasters (SPF)

- Regarding monetary policy, the June survey highlighted that “38% of respondents anticipate monetary policy tightening in July 2026 through an increase of the slope of the S\$NEER policy band, up from 24% in the previous survey, with the rest of the respondents expecting no change to the slope of the policy band. Looking ahead to the October 2026 policy review, 30% of the respondents anticipate monetary policy tightening via an increase in the slope of the S\$NEER policy band, up from 18% in the previous survey.”

Expectations of the S\$NEER Policy Band (Proportion of Respondents, %)						
Indicators	March Survey			June Survey		
	2026 July	2026 October	2027 January	2026 July	2026 October	2027 January
<b>Slope of the S\$NEER Policy Band</b>						
Increase	23.5	17.6	0.0	38.1	30.0	0.0
Reduce	0.0	0.0	0.0	0.0	0.0	0.0
Flatten	0.0	0.0	0.0	0.0	0.0	0.0
Unchanged	76.5	82.4	100.0	61.9	70.0	100.0
<b>Level at which the S\$NEER Policy Band is centred</b>						
Higher	0.0	0.0	0.0	4.8	0.0	0.0
Lower	0.0	0.0	0.0	0.0	0.0	0.0
Unchanged	100.0	100.0	100.0	95.2	100.0	100.0
<b>Width of the S\$NEER Policy Band</b>						
Widen	0.0	0.0	0.0	0.0	0.0	0.0
Narrow	0.0	0.0	0.0	0.0	0.0	0.0
Unchanged	100.0	100.0	100.0	100.0	100.0	100.0

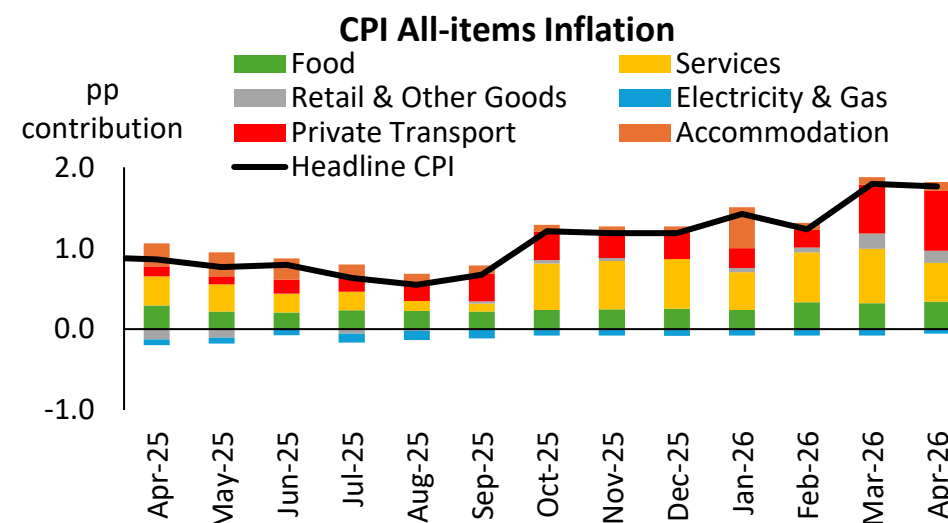
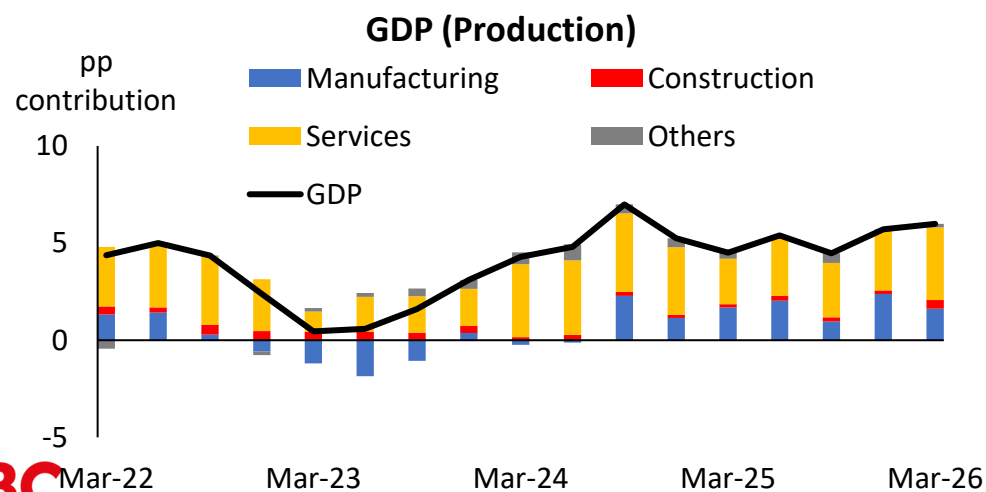
Source: MAS SPF (June 2026).



Source: MAS SPF (June 2026), OCBC Group Research.

# Singapore: Will 2026 be a replay of 2025?

- Singapore's economy entered 2026 carrying enormous cyclical momentum from 2025. 1Q26 GDP growth surprised on the upside, driven by AI-related momentum that benefited manufacturing and trade activities. We forecast full-year GDP growth of 3.5% for 2026, implying a moderation in 2H26 (2Q26: 4.0% YoY; 3Q26: 2.8%; 4Q26: 1.8%), partly due to high base effects in manufacturing from 2H25.
- Regarding inflation, we expect headline and core inflation in 2026 to hover around or slightly above the 2% handle. There remains upside risk to inflation, as the Middle-East driven energy passthrough is still underpriced due to some lag effects. Additionally, uncertainties related to weather changes and fertiliser shortages affecting agriculture crop yields have put food inflation on the radar, albeit the more diversified food import sourcing should help mitigate the impact of cost increases in the near term. We do not expect inflation to subside significantly until 1Q27.
- On monetary policy, MAS may deliver one additional monetary policy tightening (likely through a steepening of the S\$NEER slope) in July or October 2026.



Source: MTI, Singstat, CEIC, OCBC Group Research.

Source: Singstat, CEIC, OCBC Group Research.

# China: Another milestone in RMB Internationalization

## More measures to support RMB Internationalization

China Foreign Exchange Trade System (CFETS) announced that six major Chinese banks—ICBC, ABC, BOC, CCB, BoCom and CITIC Bank—completed 125 offshore RMB foreign exchange transactions on 17 June, with a total turnover of RMB7.24 billion. The transactions covered both spot trading between CNH and major currencies such as the US dollar and euro, as well as derivatives including forwards and swaps.

**Implications:** **First**, it should improve cross-market arbitrage efficiency, structurally narrow the CNH-CNY spread, and strengthen the PBOC's influence over RMB exchange-rate dynamics. **Second**, it helps address a key infrastructure gap in the RMB's evolution as a reserve currency and could accelerate the next phase of RMB internationalization.

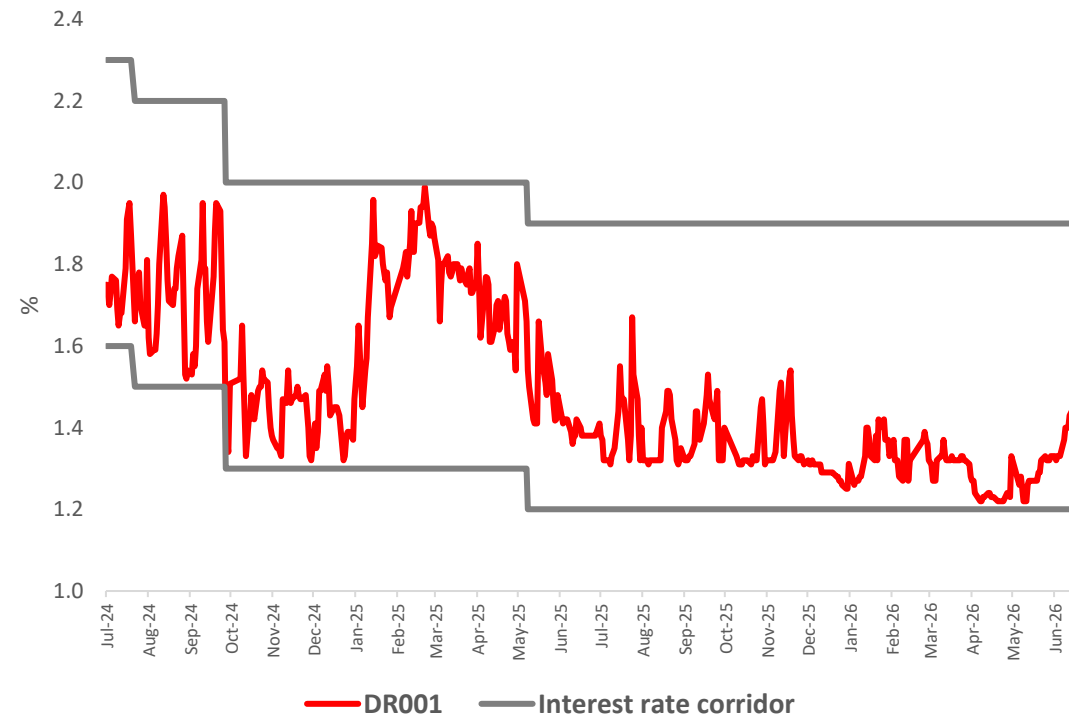
China's central bank plans to establish an overseas central bank repo facility, allowing foreign central banks and monetary authorities that hold Chinese government bonds (CGBs) to obtain RMB liquidity by temporarily pledging those bonds through repo transactions with the PBoC or its designated institutions.

**Implications:** The objective is no longer just encouraging foreign central banks to hold RMB assets, but enabling those assets to be actively used within the global liquidity and collateral framework. Over the longer term, this could strengthen the attractiveness of RMB reserve holdings, increase foreign demand for CGBs, and reinforce the development of a more RMB-centric international monetary system.



# China: Revised interest rate corridor

- PBOC Governor Pan Gongsheng announced at the Lujiazui Forum last week that the PBOC would narrow its interest-rate corridor from 70bp to 50bp and shift from an asymmetric to a symmetric framework. Specifically, the upper bound was lowered from the 7-day reverse repo rate plus 50bp to plus 25bp, while the lower bound was adjusted from minus 20bp to minus 25bp.
- A narrower corridor should not be interpreted as a signal of lower policy rates. Whether the effective funding-rate centre of gravity moves lower will depend on future liquidity conditions and policy intentions. In our view, the significance of this adjustment lies less in its immediate policy stance and more in its institutional implications.



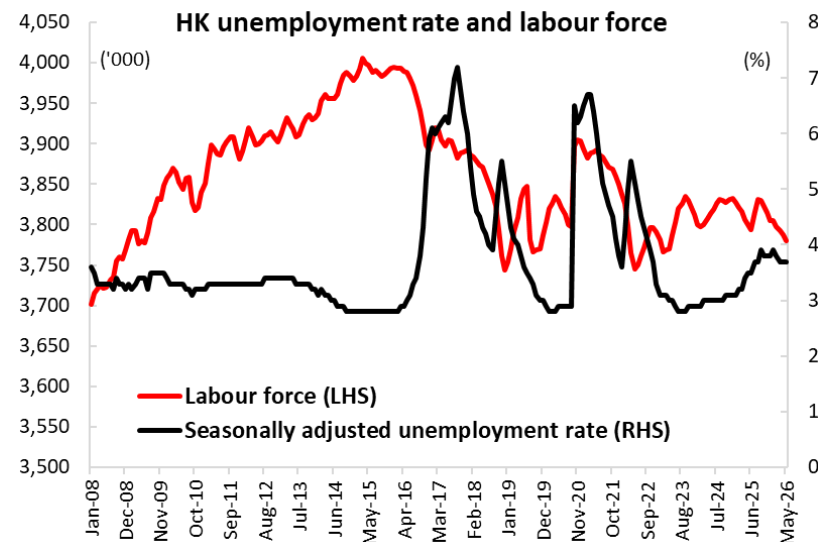
# HK: Base rate unchanged at 4%

- As expected, the HKMA held base rate unchanged at 4%, following Fed's decision to stay put. In parallel, local commercial banks also kept the Hong Kong Dollar prime rate unchanged. On the other hand, HKD rates continued to trend higher, ahead of the dividend payout, fund raising activities and quarter-end settlement.
- HIBORs were fixed broadly higher in past few sessions, in particular in the short-end. HKD IRS were paid up across curve in a flattening manner, tracking but underperforming the US rates. The cut-off yields of most recent Exchange Fund Bills tender were also at multi-week highs, at 2.61% for 91-day bills and 2.58% for 182-day bills.
- HKD liquidity will likely stay on tight side, until the passing of half-year settlement. For the rest of the year, we see limited downside for HKD rates as the Fed is expected to hold rate unchanged in periods ahead. With the rate spreads having become less negative and USD rates appearing sticky downward near term, we do not expect the upward move in HKD-USD rate spreads to be much extended. That said, should there be any triggering of FX intervention, we expect to see abrupt tightening of HKD liquidity and more room for HKD-USD rate spread compression. We pitch one-month and three-month HIBORs at 2.80% and 2.95% respectively at end-2026.



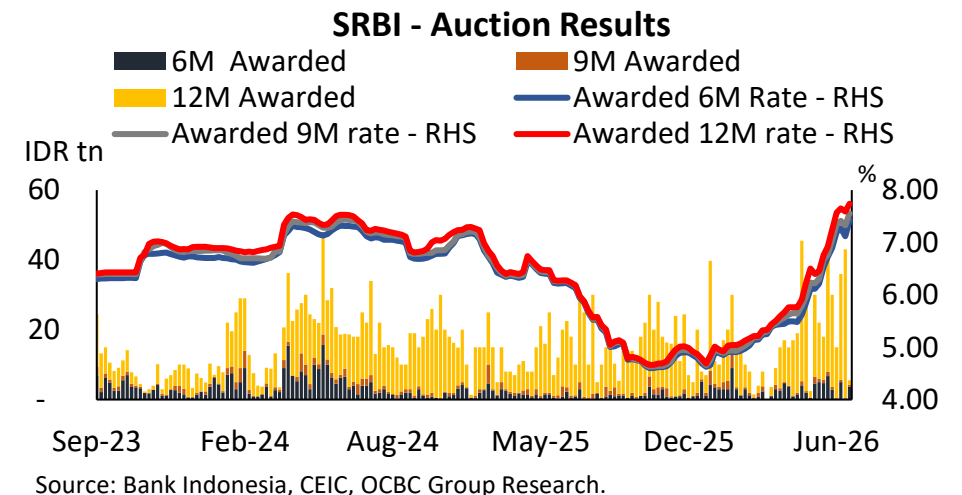
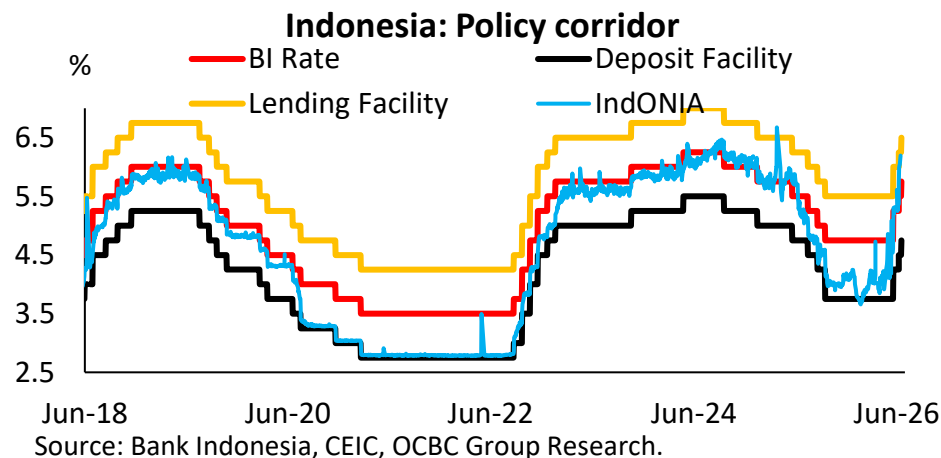
# HK: Further slack in labour market

- The seasonally adjusted unemployment rate and underemployment rate were unchanged at 3.7% and 1.5% respectively in March – May 2026. However, details pointed further slack in the labour market. On sequential term, the number of unemployed persons rose for the third straight month by 1.4%, while labour force declined further by 0.2%, to the lowest level since early 2023. The labour force participation rate set another record low at 56.1%.
- Comparing March - May 2026 with February - April 2026, more sectors recorded increases in unemployment rate than those recording declines, though the magnitudes were generally not large. In particular, accommodation services, transportation, and professional and business services sectors saw the most notable increases in unemployment rates.
- Policy-wise, following the review of the Enhanced Supplementary Labour Scheme, the government proposed to tighten hiring rules and impose harsher penalties for non-compliance under the scheme. The local-to-importer ratio in food and beverage businesses will be changed from the current setting of two-to-one, to three-to-one.



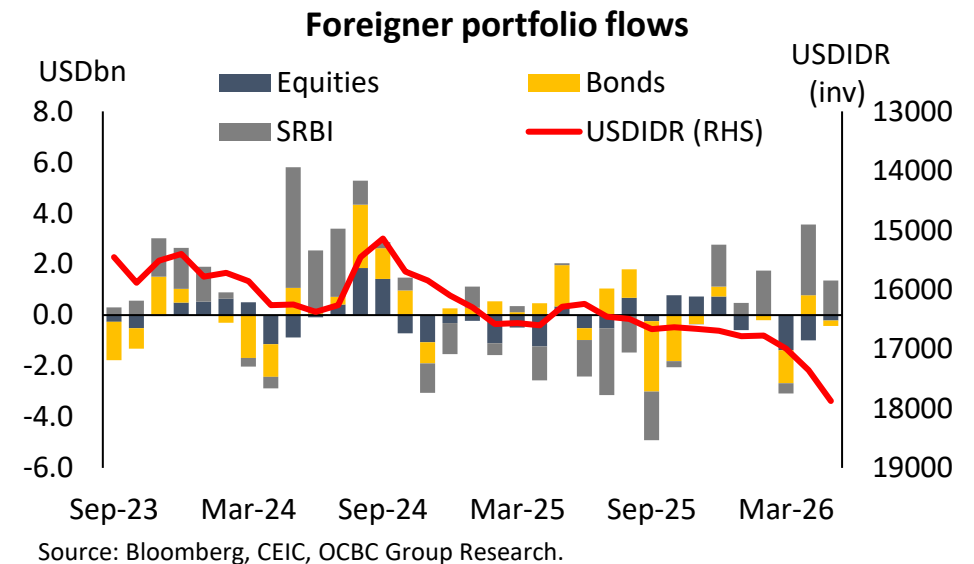
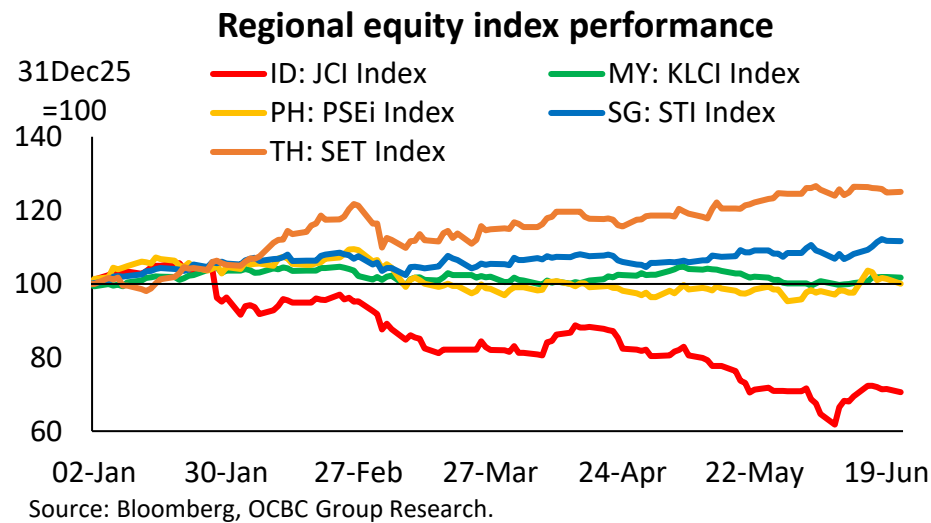
# Indonesia: BI delivers another 25bp hike

- Bank Indonesia (BI) raised its policy rate by 25bp to 5.75%, bringing cumulative tightening to 100bp in 29 days. BI stayed focussed on maintaining IDR stability and noted that the balance of payments needed to be supported further. To that end, BI noted that it continued to raise the SRBI rate as part of the measures announced on 9 June.
- External pressures remain BI's main concern for the rest of 2026. To mitigate these pressures, we forecast another cumulative 75bp in rate hikes. A sustained improvement in external pressures (and IDR stability) will also depend on greater clarity around recent government policy announcements.
- BI also introduced non-rate measures to enhance monitoring of capital flows and allow banks to mobilise liquidity more effectively. BI will limit monthly FX cash purchases without underlying documents to USD10k (from USD25k) per participant from 1 July, while lowering the threshold for documentation requirements on outgoing foreign currency transfers to above USD25,000 (from USD50,000). These measures aim to better track flows and curb speculative activity. To support liquidity mobilisation, BI will raise the foreign funding ratio (RPLN) to 40% of capital, from 35%, effective 1 July.



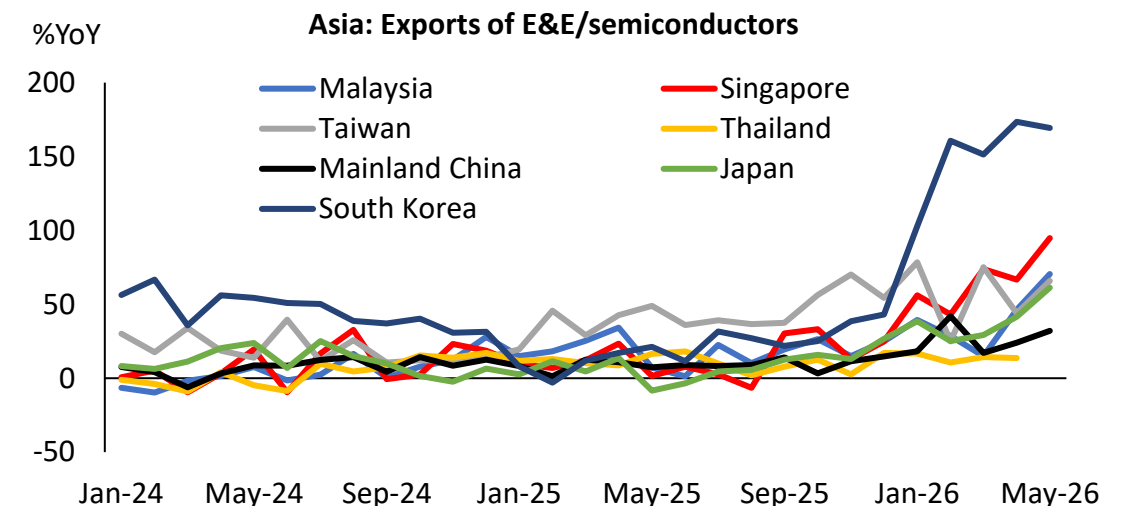
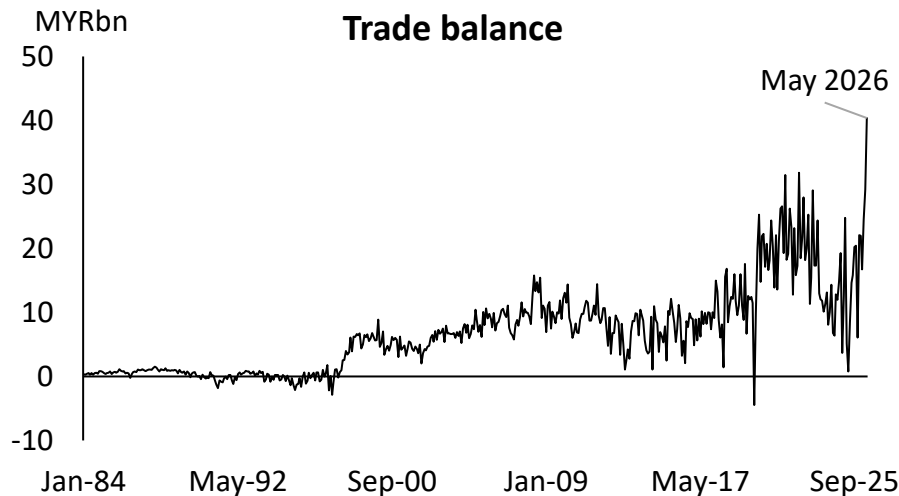
# Indonesia: MSCI review in focus

- Attention turns to 23 June 2026, when MSCI releases its Annual Market Classification Review, which will determine whether Indonesia retains its Emerging Market status or is downgraded to Frontier Market. Maintaining its current status would support stability, while a downgrade would risk exacerbating existing capital outflow pressures, with foreign outflows already reaching around USD3.9bn year-to-date, according to data compiled by Bloomberg, and could drive further volatility. The Jakarta Composite Index is down 29% year-to-date.
- The review follows MSCI’s Global Market Accessibility assessment on 18 June, which downgraded Indonesia’s information flow rating to negative, citing concerns over “limited transparency in shareholding structures and coordinated trading behaviour that undermines proper price function.” The index provider had earlier frozen index inclusion for Indonesian securities on 27 January 2026, citing “fundamental investability issues” and “possible coordinated trading behaviour,” and warning of a potential market status downgrade if structural reforms were not implemented by May. In response, authorities have stepped up regulatory measures, including lowering beneficial ownership disclosure thresholds to 1% and raising minimum free-float requirements to 15%.



# Malaysia: Strong data mix

- The data mix for May was solid, with headline CPI remaining manageable and export growth far exceeding already elevated expectations. Headline CPI rose modestly to 2% YoY in May from 1.9% in April while core CPI eased to 2.0% YoY from 2.2% in April.
- On the external front, export growth exceeded already strong expectations, rising 45.3% YoY from an upwardly revised 37.3% in April, in line with regional peers, while import growth slowed to 14.1% YoY from 20% in April, albeit still above expectations (Consensus: 12.5%; OCBC: 16.2%). As a result, the trade surplus widened to MYR40.4bn in May from MYR29.2bn in April, the highest on record since 1984.
- Our base case now is for BNM to raise its policy rate by 25bp in early 2027. That said, should incoming activity data continue to surprise to the upside, BNM may have scope to normalise monetary policy settings sooner rather than later.

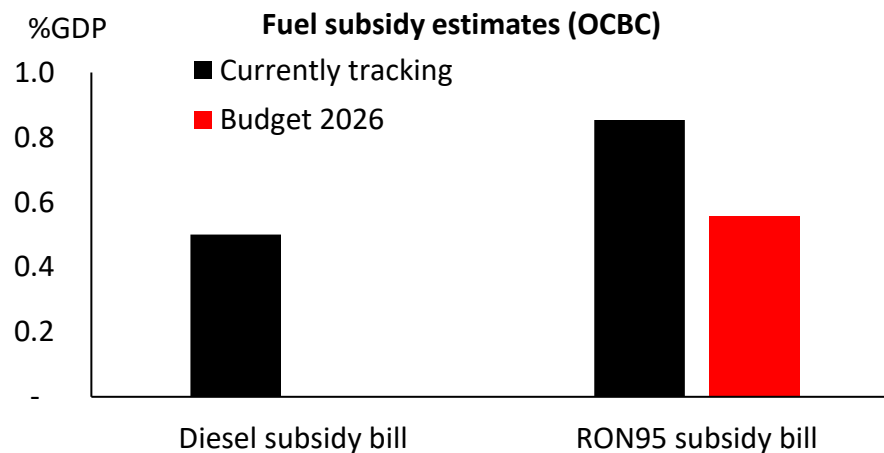


Source: CEIC; OCBC Group Research

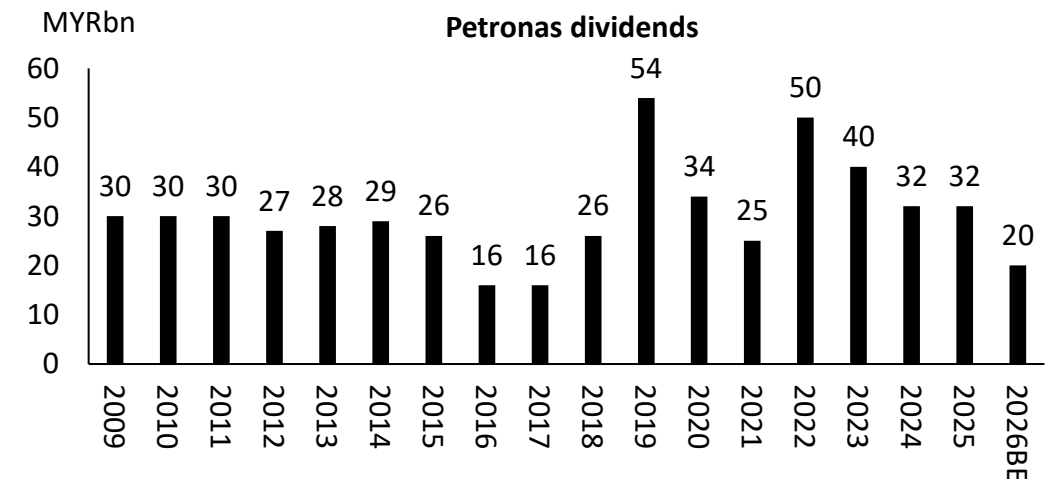
Note: The categories are not directly comparable. Source: CEIC; OCBC Group Research.

# Malaysia: Watching fiscal elections as elections ramp up

- PM Anwar Ibrahim announced, on 21 June, that the authorities will cap the price of retail diesel at MYR2.10/litre using the MyKad mechanism. This announcement comes ahead of state elections in Johor on 11 July and Negeri Sembilan on 1 August.
- We estimate that the diesel subsidy bill will increase by MYR10bn (0.5% of GDP) for the remainder of the year, should global oil prices continue to average USD88/barrel. Ministry of Finance noted on 17 June that the subsidy bill is expected to remain high at MYR3.5bn per month, with RON95 at MYR2bn and diesel at MYR1.5bn.
- Taken together, with RON95 subsidies, the fuel subsidy bill could add up to 1.4% of GDP in 2026. This is significantly higher than the budget estimate of 0.3% of GDP. The slippage of >1% of GDP could be plugged by additional dividend payouts from Petronas, which is budgeted at MYR20bn for 2026. We had pencilled in fiscal slippage of 0.1% of GDP for 2026 as early as March 2026, but the risk now is that the fiscal slippage could be greater and closer to 0.2% of GDP.



Source: Budget 2026; Ministry of Finance Malaysia, OCBC Group Research.

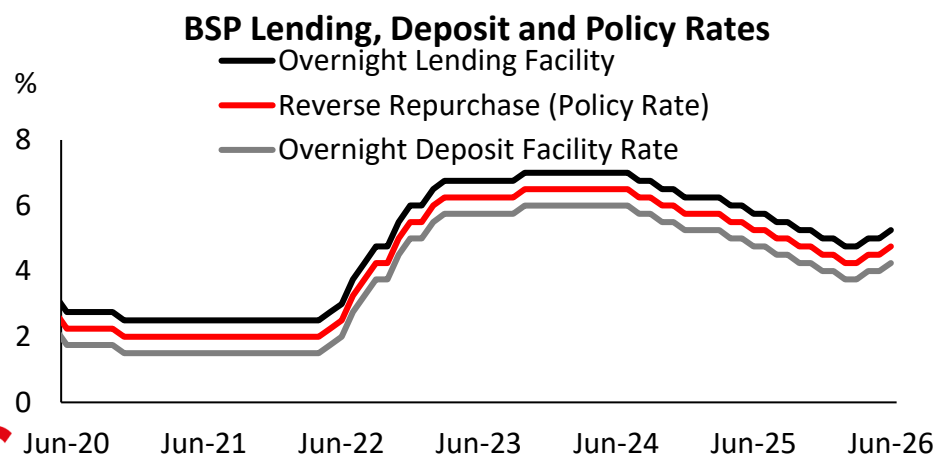


Source: Petronas; Annual Economic Reports; OCBC Group Research.



# Philippines: BSP delivers a 25bp hike

- Bangko Sentral ng Pilipinas (BSP) raised its policy rate by 25bps to 4.75% at its 18 June meeting. Concurrently, the overnight deposit and lending rates were adjusted to 4.25% and 5.25%, respectively.
- BSP’s decision was clearly focused on curbing price pressures and mitigating second round effects from sharply higher headline CPI in recent months. Indeed, its latest 2026 and 2027 headline CPI forecasts have been revised higher to 6.4% and 4.5%, respectively. However, with global oil prices falling sharply, we could see headline CPI ease in the coming months if the decline in oil prices is sustained. That said, it could still take until late 3Q26/4Q26 to reach 5.5% levels. This implies an asymmetric path to lower CPI compared to the sharper increases seen in April and May.
- BSP Governor Eli Remolona noted that the BSP is closely watching second-round effects from higher CPI and is prepared to take further action to ensure that CPI is brought back within the tolerance ceiling. As such, we expect BSP to deliver further rate hikes, with one 25bp hike at each of the remaining three meetings on 27 August, 22 October, and 17 December. This would take the policy rate to 5.50% by end-2026.



Date of MB Decision	Headline Inflation (%YoY)		
	2026F	2027F	2028F
Dec-25	3.2	3.0	
Feb-26	3.6	3.2	
Mar-26	5.1	3.8	
Apr-26	6.3	4.3	
Jun-26	6.4	4.5	3.1

Source: Bangko Sentral ng Pilipinas, OCBC Group Research.



# FX & Rates



# FX & rates: Oil relief, Fed pressures

- **Oil Relief, Fed Pressures:** *USD support has shifted from oil to rates. Hawkish Fed signals have driven higher front-end yields and a stronger USD, outweighing energy relief. Risks now tilt toward a modest USD upside break if tightening fears persist.*
- **BoJ Tightens, JPY Lags:** *BoJ hikes as expected but stays cautious. Gradual tightening and low real rates limit near-term JPY support. Intervention risk is high, but without a clear hawkish shift, the JPY is unlikely to become an investment currency.*
- **MYR remains cautious.** *Domestic fundamentals remain supportive, and softer oil offers a buffer, but this is unlikely to be a strong MYR catalyst as USD momentum and US Treasury yields stay firm. USDMYR may remain better supported unless the broader USD bid fades.*
- **UK Rates On Hold:** *Soft inflation keeps the BoE sidelined despite lingering tightening bias. Political noise may drive volatility, but policy continuity should limit GBP downside. Neutral stance unchanged.*
- **Light data flow for Asia.** *Focus on TW IP, SG CPI and BOT MPC this week. Asian currencies' direction likely still hinges more on US Treasury yields and the USD than on regional data alone. This puts attention on US core PCE.*

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