

Singapore—Update

Yield Movements

At the end of September, Singapore benchmark bond yields were largely unchanged from their levels at end-June 2009 (**Figure 1**). On 27 August, the government auctioned a new 15-year benchmark Singapore Government Security (SGS) amounting to SGD 1.4 billion, which was lower than the expected issuance of SGD2 billion. Aside from the 1-year bond issued in November, there is no further issuance scheduled for the rest of the year.

Based on advance estimates released by the Ministry of Trade and Industry (MTI), Singapore's economy expanded 0.6% year-on-year (y-o-y) in 3Q09. Growth was driven by the expansion of manufacturing output, particularly in the electronics and biomedical sectors. The Monetary Authority of Singapore (MAS) has revised its 2009 gross domestic product (GDP) forecast to a contraction of 2.0%–2.5% from an earlier projection of a 4.0%–6.0% contraction.

While recent developments point to a modest recovery, sustained economic growth will depend largely on an improvement in Singapore's key export markets. In October, MAS kept its currency appreciation policy stance fixed at zero percent,

which was put in place in October 2008 amidst the weakening global economy. The central bank also maintained the level and width of its exchange rate policy band, which was last re-centered following a policy review in April 2009.

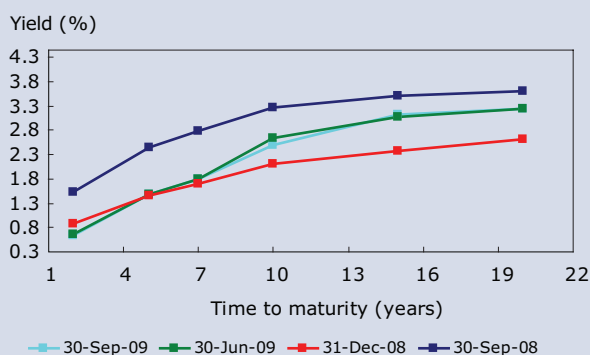
On a y-o-y basis, the consumer price inflation remained in negative territory in July, August, and September at –0.5%, –0.3%, and –0.4%, respectively. The consumer price index (CPI) for the January–September period increased by only 0.4% y-o-y. MTI has forecast that inflation will range between –1.0% and zero for the whole of 2009.

Size and Composition

As of September 2009, the amount of total local currency (LCY) bonds outstanding was SGD215 billion, which represented a 17.3% y-o-y increase. Government bonds outstanding surged 20.7% y-o-y to SGD123 billion, while corporate bonds outstanding rose 13.1% y-o-y and 9.4% quarter-on-quarter (q-o-q) (**Table 1**). One notable corporate issuance during 3Q09 was that of CapitaLand, which issued USD1.2 billion in 7-year convertible bonds.

At the end of September, the top 20 corporate issuers accounted for 35% of total corporate bonds outstanding (**Table 2**).

Figure 1: Benchmark Yield Curve—Local Currency Government Bonds



Source: Bloomberg LP.

Policy, Institutional, and Regulatory Developments

MAS Announces Measures to Increase Bank Liquidity

MAS enhanced its standing facility to provide ample liquidity to domestic financial institutions. In July, MAS announced that the facility would accept as collateral all AAA-rated, SGD-debt securities issued by sovereigns, supnationals, and sovereign-

Table 1. Size and Composition of Local Currency Bond Market in Singapore

	Amount (billion)						Growth Rate (%)										
	Jun-09		Jul-09		Aug-09		Sep-09		Jun-09		Jul-09		Aug-09		Sep-09		
	USD	SGD	USD	SGD	USD	SGD	USD	SGD	y-o-y	q-o-q	m-o-m	m-o-m	m-o-m	m-o-m	m-o-m	m-o-m	
Total	201	139	206	143	208	144	215	153	6.3	6.5	2.8	2.8	0.8	0.8	17.3	7.4	3.6
Government	116	80	120	83	121	84	123	87	7.1	6.9	3.3	3.3	0.8	0.8	20.7	6.0	1.7
Bills	46	32	48	33	49	34	49	35	17.9	11.4	3.5	3.5	2.1	2.1	46.7	7.2	1.4
Bonds	70	48	72	50	72	50	73	52	1.0	4.2	3.2	3.2	-	-	7.8	5.2	1.9
Corporate	85	59	87	60	87	61	93	66	5.2	6.0	2.2	2.2	0.7	0.7	13.1	9.4	6.3

y-o-y = year-on-year, q-o-q = quarter-on-quarter, m-o-m = month-on-month.

Note:

1. Government bonds are calculated using data from national sources. Corporate bonds are based on *AsianBondsOnline* estimates.
2. Bloomberg end-of-period LCY-USD rate is used.
3. Growth rates are calculated from LCY base and do not include currency effects.

Source: Monetary Authority of Singapore, Singapore Government Securities, and Bloomberg LP.

Table 2. Bonds Outstanding of Top Corporate Issuers (SGD billion)

Issuer	Outstanding Amount
Housing & Development BRD (Public Housing Auth.)	5.15
CapitaLand Ltd. (Real Estate)	4.88
United Overseas Bank Ltd (Banking)	3.62
SP Power Assets Ltd. (Electricity Transmission and Distribution)	2.41
Oversea-Chinese Banking (Banking)	2.2
Public Utilities Board (National Water Authority)	1.85
Land Transport Authority (Building and Construction)	1.80
DBS Bank Ltd/Singapore (Banking)	1.61
F&N Treasury Pte Ltd (Food Service, Property, and Pub & Printing)	1.40
PSA Corp. Ltd. (Container Transshipment Hub)	1.20
Yanlord Land Group (Real-estate Developer PRC-based)	1.05
Singapore Airlines (Airlines)	0.90
Clover Holdings Limited (Special Purpose Entity)	0.88
Winmall Ltd (Financial)	0.77
Ascott Capital Pte Ltd (Real Estate)	0.76
Capitaland Treasury Ltd (Real Estate Operations)	0.70
HK Land Treasury Service (Property Investment Management)	0.70
Guocoland Ltd (Property Development and Investment)	0.69
Capitamall Trust (REITS-Shopping Centers)	0.65
Mapletree Treasury Svcs (Special Purpose Entity)	0.60
Total	33.81
% of total corporate outstanding	36.40%

Source: Bloomberg LP.

backed corporates. The central bank also will allow banks to treat these securities as Tier 2 liquid assets.

MAS signed a memorandum of agreement with De Nederlandsche Bank (DNB), the Dutch Central Bank, as part of its efforts to promote cross-border collateral arrangements with other central banks. The agreement allows Dutch banks operating in Singapore to approach MAS, as well as Singaporean banks operating in the Netherlands to approach DNB, for liquidity assistance if the need arises.

Singapore Improves Retail Investors' Access to SGS

Retail investors are allowed to participate in SGS and Treasury Bill auctions through the automated teller machines (ATMs) of major banks starting 1 July. Individuals with an existing Central Depository (CDP) account will have their purchased SGS custodized via book entry at the CDP, which will allow security holders to trade them in the secondary market. Individuals with SGS holdings issued before July will also be given the opportunity to migrate their SGS holdings to CDP.