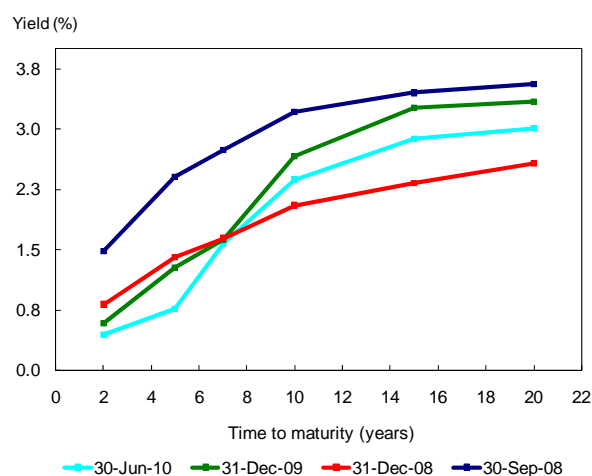


# Singapore—Update

## Yield Movements

Singapore's benchmark yields fell along the entire length of their curve between end December 2009 and end June 2010. This reflected the dramatic recovery of Singapore's economy as well as the shift of its exchange rate policy from zero percent appreciation to modest and gradual appreciation. The curve flattened both at the short end of the curve and for maturities of more than 7 years, while it steepened for maturities between 5 and 7 years.

**Figure 1: Singapore's Benchmark Yield Curve—Local Currency Government Bonds**



Source: Bloomberg LP.

Singapore's gross domestic product (GDP) grew 15.5% year-on-year (y-o-y) in the first quarter of 2010, reflecting an upward revision of the 13.1% y-o-y growth rate forecast from the advance estimate released on 11 April. Growth in 1Q10 was broad-based, with the manufacturing sector expanding 32.9% y-o-y, while the construction and services sectors grew 13.7% and 10.9% y-o-y, respectively. The Ministry of Trade and Industry has announced that it will maintain its forecast of 7%–9% GDP growth in 2010.

With the expectation that external conditions will continue to improve, the government has raised its total trade growth forecast to 14%–16% from 9%–11%. Also, the growth forecast for non-oil domestic exports (NODX) has been revised to 15%–17% from 10%–12%.

Given the strong recovery in Singapore's growth outlook, the Monetary Authority of Singapore (MAS) has announced a re-centering of its exchange rate policy band to the prevailing level of the Singapore dollar nominal effective exchange rate (S\$NEER) and will shift its policy from zero percent appreciation to modest and gradual appreciation. However, the width of the policy band remains unchanged.

Singapore's consumer price inflation stood at 3.2% y-o-y in May, the same as in April. On a month-on-month (m-o-m) basis, the consumer price index (CPI) rose 0.6% in May, reflecting higher transport and housing costs. For the first 5 months of the year, consumer price inflation was reported at 1.8% y-o-y.

## Size and Composition

As of end-March 2010, the amount of total local currency (LCY) bonds outstanding was SGD222 billion, representing a 17.8% y-o-y increase from SGD188 billion at end-March 2009 (**Table 1**). Government bonds outstanding increased 17.0% y-o-y to SGD127 billion, while corporate bonds outstanding rose 18.9% y-o-y. Corporate issuance in 1Q10 included Temasek's issue of SGD2 billion worth of 10-, 15-, and 25-year bonds.

At the end of March, the top 20 corporate issuers accounted for 36.02% of total corporate bonds outstanding (**Table 2**).

**Table 1: Size and Composition of Local Currency Bond Markets in Singapore**

	Amount (billion)								Growth Rate (%)						
	Dec-09		Jan-10		Feb-10		Mar-10		Dec-09		Jan-10	Feb-10		Mar-10	
	SGD	USD	SGD	USD	SGD	USD	SGD	USD	y-o-y	q-o-q	m-o-m	m-o-m	y-o-y	q-o-q	m-o-m
Total	211	150	209	149	215	153	222	159	15.6	(0.4)	(0.8)	2.7	17.8	5.2	3.4
Government	124	88	123	88	126	89	127	90	18.3	0.9	(0.2)	1.7	17.0	2.3	0.9
Bills	52	37	52	37	52	37	52	37	45.1	5.7	(0.6)	(0.2)	25.2	(0.8)	-
Bonds	72	51	72	51	74	53	75	54	4.2	(2.3)	-	3.1	12.0	4.6	1.5
Corporate	87	62	86	61	89	63	95	68	12.1	(2.2)	(1.7)	4.1	18.9	9.4	6.9

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

Notes:

1. Calculated using data from national sources. Corporate bonds are based on *AsianBondOnline* 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, and Bloomberg LP.

**Table 2: Bonds Outstanding of Top Corporate Issuers**

Issuer	Outstanding Amount (SGD billion)
Housing & Development BRD (Public Housing Auth.)	5.55
Capital Land Ltd. (Real Estate)	3.67
United Overseas Bank Ltd (Banking)	3.62
Temasek Financial (Investment Company)	2.60
SP Power Assets Ltd. (Electricity Transmission and Distribution)	2.41
Oversea-Chinese Banking (Banking)	2.20
Public Utilities Board (National Water Authority)	2.10
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
Singapore Airlines (Airlines)	0.90
Yanlord Land Group (Real-estate Developer PRC-based)	0.71
Ascott Capital Pte Ltd (Real Estate)	0.71
Capitaland Treasury Ltd (Real Estate Operations)	0.70
HK Land Treasury Service (Property Investment Management)	0.70
Keppel Land (Real Estate Developer)	0.65
Capitamall Trust (REITS-Shopping Centers)	0.65
Singapore Press Holdings (Publishing)	0.60
City Developments (Hotels and Motels)	0.56
<b>Total</b>	<b>34.34</b>
<b>% of total corporate outstanding</b>	<b>36.02%</b>

Source: Bloomberg LP

## Policy, Institutional and Regulatory Developments

### **Amendment to Government Securities Act Provides More Power to MAS**

On 11 January, the Parliament passed an Amendment to the Government Securities Bill 2009 that provides MAS with more regulatory powers and the flexibility to manage the government bond market. Effective 1 April, the Government Securities (Amendment) Act 2010 empowered MAS with regulatory authority over the primary dealers of bonds, including the power to inspect, suspend, and revoke the appointments of primary dealers. The amendment also authorized MAS to redeem its Singapore Government Securities (SGS) before maturity at market price, if this is deemed necessary. MAS is also allowed to enter into securities lending arrangements involving SGS with primary dealers. The amount MAS can lend, however, is limited to its own holdings. When MAS holdings are not enough to meet primary dealers' demand for SGS, the government can issue new SGS to MAS, which MAS can lend on an overnight basis.

### **MAS Ends Swap Facility**

MAS allowed its USD30 billion swap facility with the United States (US) Federal Reserve to lapse on 1 February as a result of improving wholesale funding market conditions.