

Singapore—Update

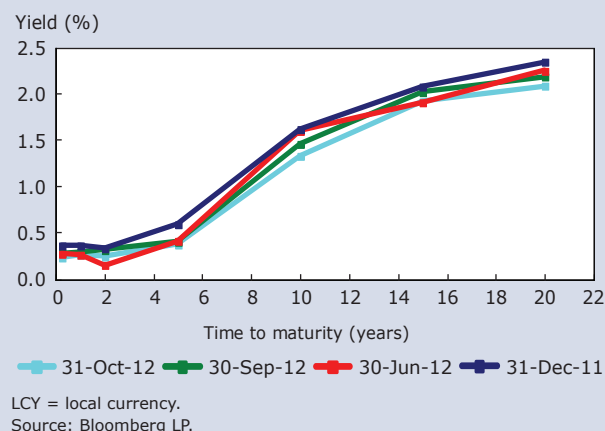
Yield Movements

Between end-June and end-September, the yield curve for local currency (LCY) government bonds in Singapore rose slightly at the shorter-end, while falling between the belly of the curve and the longer-end, with the exception of the 15-year maturity. Yields fell across all maturities between end-September and end-October (**Figure 1**). Despite the uptick in the inflation rate in 3Q12, yields between the 2-month and 5-year maturities fell between 3 basis points (bps) and 7 bps between end-September and end-October. Meanwhile, the yield for the 10-year benchmark posted a larger decline at 13 bps, while the 15- and 20-year maturities each fell by 10 bps. The yield spread between the 2- and 10-year maturities narrowed further to 109 bps at end-October from 115 bps at end-September and 145 bps at end-June.

Inflation in September accelerated to 4.7% year-on-year (y-o-y) in September from 3.9% in August and 4.0% in July, mainly due to higher transportation and housing costs. The increase in Certificate of Entitlement (COE) premiums drove the increase in the index for transportation in September.

Based on advance estimates by the Ministry of Trade and Industry, Singapore's economy posted modest 1.3% y-o-y growth in 3Q12, down from revised growth of 2.3% in the previous quarter. Growth in the manufacturing sector slipped to 0.7% y-o-y in 3Q12 from 4.6% in 2Q12, while construction sector growth eased to 8.5% in 3Q12 from 10.1% in 2Q12. Meanwhile, growth in the services sector slightly improved to 1.1% y-o-y in 3Q12 from 0.9% in the previous quarter. On a seasonally adjusted quarter-on-quarter (q-o-q) annualized basis, however, Singapore's gross domestic product (GDP) fell 1.5% in 3Q12, after posting revised 0.2% growth in 2Q12. The q-o-q decline was mainly due to a 3.9% drop in manufacturing that reflected the decline in

Figure 1: Singapore's Benchmark Yield Curve—LCY Government Bonds



output in the electronics cluster. Growth for the rest of the year is expected to be weighed down by subdued global economic conditions, with the externally oriented sector continuing to be affected by the slowdown in demand from advanced economies. The GDP growth projection is still within the 1.5%–2.5% forecast for the year.

In October, the Monetary Authority of Singapore (MAS) decided to maintain a modest and gradual appreciation of the Singapore dollar nominal effective exchange rate (S\$NEER) policy band. MAS also decided to keep the slope and width of the S\$NEER policy band unchanged.

Size and Composition

The total amount of outstanding LCY bonds in Singapore increased 18.1% y-o-y to reach SGD290.8 billion (US\$236.9 billion) at end-September, mainly due to a surge in LCY corporate bond issuance (**Table 1**). Outstanding LCY corporate bonds accelerated 27.8% y-o-y to SGD120.0 billion at end-September, after posting 18.3% y-o-y growth at end-June. On a q-o-q basis, outstanding LCY corporate bonds rose 9.1% in 3Q12.

Table 1. Size and Composition of the LCY Bond Market in Singapore

	Amount (billion)						Growth Rate (%)										
	Jun-12		Jul-12		Aug-12		Sep-12		Jun-12		Jul-12		Aug-12		Sep-12		
	USD	SGD	USD	SGD	USD	SGD	USD	SGD	y-o-y	q-o-q	m-o-m	y-o-y	q-o-q	m-o-m	y-o-y	q-o-q	m-o-m
Total	274	217	274	220	282	226	291	237	15.8	3.2	0.1	18.1	6.1	3.3	18.1	6.1	3.3
Government	164	130	161	129	164	132	171	139	14.1	1.5	(1.8)	12.1	4.0	4.1	12.1	4.0	4.1
Central Govt. Bonds and Bills	144	114	141	114	142	114	144	117	3.8	-	(1.7)	0.8	0.1	1.1	0.8	0.1	1.1
Central Bank Bills	20	16	20	16	22	17	27	22	277.8	13.3	(2.5)	9.0	31.9	24.0	60.1	31.9	24.0
Corporate	110	87	113	91	117	94	120	98	18.3	5.8	3.0	27.8	9.1	2.1	27.8	9.1	2.1

- = not applicable, LCY = local currency, m-o-m = month-on-month, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

- Government bonds are calculated using data from national sources. Corporate bonds are based on *AsianBondsOnline* estimates.
- Government bonds and bills do not include the special issue of Singapore Government Securities held by the Singapore Central Provident Fund (CPF).
- Bloomberg LP end-of-period LCY-USD rate is used.
- Growth rates are calculated from LCY base and do not include currency effects.

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

Issuance of LCY corporate bonds in 3Q12 reached SGD10.1 billion, more than twice the SGD4.9 billion of issuance in 3Q11. Among the notable bond issues in 3Q12 were the SGD1.2 billion 10-year notes issued by United Oversea Bank Ltd., SGD1.0 billion 10.5-year notes issued by DBS Bank Ltd., and Oversea-Chinese Banking Corporation's SGD1.0 billion perpetual notes (**Table 2**). Mapletree Treasury Services issued SGD600 million of perpetual bonds, while Ezra Holdings and Ezion Holdings issued smaller perpetual bonds worth SGD150 million and SGD125 million, respectively. Finally, the Housing and Development Board raised SGD950 million from the sale of 5- and 10-year bonds, and NTUC Income Insurance issued SGD600 million worth of 15-year bonds.

Outstanding LCY government bonds increased 12.1% y-o-y at end-September, slightly lower than the 14.1% growth posted at end-June. Meanwhile, outstanding MAS bills rose 60.1% y-o-y to SGD22 billion. On the other hand, outstanding Singapore Government Securities (SGS) bills and bonds rose 6.2% y-o-y, but were roughly flat on a q-o-q basis at SGD143.9 billion.

Issuance of SGS bonds dropped 5.3% y-o-y but went unchanged q-o-q in 3Q12. During the first 9 months of the year, SGS bonds issuance was down 10.8% compared with the same period last year. On the other hand, issuance of SGS bills rose 0.6% y-o-y but fell 8.9% q-o-q, while issuance of MAS bills rose 6.0% y-o-y but dropped 4.0% q-o-q in 3Q12.

Table 2: Notable Corporate Issuances in 3Q12

Corporate Issuers	Amount Issued (SGD million)	Tenor (years)	Coupon (%)
United Overseas Bank Ltd.	1,200.00	10	3.15
DBS Bank Ltd.	1,000.00	10.5	3.10
Oversea-China Banking Corp.	1,000.00	Perpetual	4.00
Mapletree Treasury Services	600.00	Perpetual	5.13
NTUC Income Insurance	600.00	15	3.65
Housing and Development Board	500.00	10	2.09
		5	1.11

Source: Bloomberg LP.

The top 30 corporate issuers in Singapore accounted for 50.1% of total corporate bonds outstanding at end-September and were found mainly in the financial and consumer sectors (**Table 3**). The Housing and Development Board remained the biggest issuer with SGD11.6 billion of outstanding bonds at the end of 2Q12, while DBS Bank Singapore and Capitaland followed with outstanding amounts of SGD5.0 billion and SGD4.9 billion, respectively.

Policy, Institutional, and Regulatory Developments

ASEAN Trading Link Launches with the Connection of Bursa Malaysia and Singapore Exchange

ASEAN Exchanges—a collaboration among the seven stock exchanges of the Association of

Southeast Asian Nations (ASEAN) that seeks to promote growth in the region's capital markets—announced the rollout of the ASEAN Trading Link on 18 September with the connection of Bursa Malaysia and Singapore Exchange. The ASEAN Trading Link allows brokers to execute trades directly on connected exchanges without having to be licensed with that exchange.

MAS Sets Up Contingent Liquidity Facility

MAS announced in its annual report released in July 2011 that it entered into an agreement with the Singapore Deposit Insurance Corporation Limited (SDIC) through which MAS could offer a contingent liquidity facility of up to SGD20 billion in the event of a banking crisis. The agreement was signed in February; as of 31 March, no request had been made on the facility.

Table 3: Top 30 Issuers of LCY Corporate Bonds in Singapore (as of end-September 2012)

Issuers	Outstanding Amount		State-Owned	Privately-Owned	Listed Company	Type of Industry
	LCY Bonds (SGD billion)	LCY Bonds (US\$ billion)				
1. Housing and Development Board	11.6	9.4	Yes	No	No	Financial
2. DBS Bank Singapore	5.0	4.1	No	Yes	yes	Financial
3. CapitaLand	4.9	4.1	No	Yes	Yes	Financial
4. United Overseas Bank	4.5	4.0	No	Yes	Yes	Financial
5. Temasek Financial I	3.6	2.9	No	Yes	No	Financial
6. Oversea-Chinese Bank	2.9	2.4	No	Yes	Yes	Financial
7. SP Powerassets Ltd.	2.5	2.0	No	Yes	No	Utilities
8. Public Utilities Board	2.1	1.7	Yes	No	No	Utilities
9. Land Transport Authority	2.1	1.7	Yes	No	No	Industrial
10. GLL IHT PTE	1.5	1.2	No	Yes	No	Financial
11. Keppel Corp	1.5	1.2	No	Yes	Yes	Industrial
12. Olam International	1.5	1.2	No	Yes	Yes	Consumer
13. Keppel Land	1.4	1.1	No	Yes	Yes	Financial
14. Mapletree Treasury	1.3	1.1	No	Yes	No	Diversified
15. Temasek Financial III	1.3	1.1	No	Yes	No	Financial
16. CapitaMalls Asia Treasury	1.1	0.9	No	Yes	No	Financial
17. Overseas Union Enterprise	1.1	0.9	No	Yes	Yes	Consumer
18. City Developments	1.1	0.9	No	Yes	Yes	Consumer
19. PSA Corporation	1.0	0.8	No	Yes	No	Consumer
20. Neptune Orient Lines	1.0	0.8	No	Yes	Yes	Industrial
21. F&N Treasury	1.0	0.8	No	Yes	No	Financial
22. Hyflux	1.0	0.8	No	Yes	Yes	Industrial
23. Singapore Post	0.9	0.7	Yes	No	No	Industrial
24. Singtel Group Treasury	0.9	0.7	No	Yes	No	Communications
25. CapitaMall Trust	0.8	0.7	No	Yes	Yes	Financial
26. Singapore Airlines	0.8	0.7	No	Yes	No	Transportation
27. Global Logistic Properties	0.8	0.6	No	Yes	yes	Industrial
28. CapitaLand Treasury	0.7	0.6	No	Yes	No	Financial
29. Joynote Ltd.	0.7	0.6	No	Yes	No	Financial
30. Sembcorp Financial Services	0.7	0.6	No	Yes	No	Industrial
Total Top 30 LCY Corporate Issuers	61.1	49.8				
Total LCY Corporate Bonds	120.0	97.8				
Top 30 as % of Total LCY Corporate Bonds	50.9%	50.9%				

LCY = local currency.
Source: Bloomberg LP.