

# Singapore

## Yield Movements

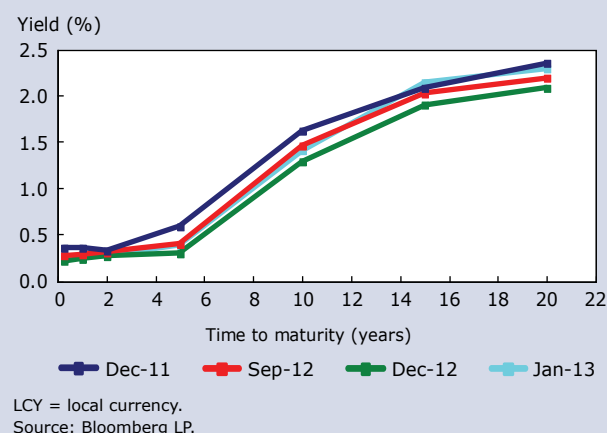
Between end-September and end-December, local currency (LCY) government bond yields in Singapore fell across all maturities, resulting in the entire curve shifting downward (**Figure 1**). However, between end-December and end-January, yields rose across all maturities, leading the curve to steepen as yields rose more at the longer-end of the curve than at the shorter-end. Yields rose the most for the 15-year tenor, gaining 24 basis points (bps). Yields at the longest-end of the curve (20-year) rose 21 bps, while yields at the shortest-end (3-month) increased 2 bps. The yield spread between the 2- and 10-year tenors widened to 113 bps at end-January compared with a spread of 102 bps at end-December.

In October 2012, the Monetary Authority of Singapore (MAS) decided to maintain the 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. According to MAS' assessment, the existing policy stance was appropriate for containing inflationary pressures and keeping the economy on a path toward sustainable growth.

Consumer price inflation in Singapore climbed to 4.3% year-on-year (y-o-y) in December from 3.6% in November (and 4.0% in October). This was due mainly to higher accommodations and transportation costs. Price indices for all major groups rose during the month except for communications. On a month-on-month (m-o-m) basis, consumer price inflation rose 0.7% in December. The inflation rate for full-year 2012 was recorded at 4.6%.

Based on advance estimates released by the Ministry of Trade and Industry (MTI), Singapore's economy expanded 1.1% y-o-y in 4Q12, after posting flat growth in 3Q12. In 4Q12, growth in the construction sector eased to 5.9% y-o-y from 7.7% in 3Q12, while the services sector expanded at an accelerated pace of 1.5% y-o-y

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



compared with 0.2% in the previous quarter. The manufacturing sector contracted 1.5% y-o-y in 4Q12 after slipping 1.6% in 3Q12.

On a quarter-on-quarter (q-o-q) and seasonally adjusted annualized basis, Singapore's economy rebounded to expand 1.8% in 4Q12 after contracting 6.3% in the previous quarter. The manufacturing sector contracted 10.8% q-o-q reflecting continued weakness in electronics output. The construction sector fell 8.9% q-o-q as private sector building activities declined. Output in services rose 7.0% in 4Q12 due to a rebound in wholesale and retail trade, the finance and insurance sectors, and other service industries.

For the full-year 2012, gross domestic product (GDP) growth was 1.2%, falling short of MTI's forecast of growth of about 1.5%, as weakness in the manufacturing sector continued to weigh on the economy.

## Size and Composition

The size of Singapore's LCY bond market stood at SGD295 billion (US\$241 billion) at end-December on modest growth of 1.4% q-o-q (**Table 1**). On a y-o-y basis, the bond market grew 19.4%, with growth driven by both the government and corporate sectors of the bond market.

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

	Outstanding Amount (billion)						Growth Rate (%)									
	Sep-12		Oct-12		Nov-12		Dec-12		Sep-12		Oct-12		Nov-12		Dec-12	
	SGD	US\$	SGD	US\$	SGD	US\$	SGD	US\$	q-o-q	y-o-y	m-o-m	m-o-m	m-o-m	m-o-m	q-o-q	y-o-y
Total	291	237	290	238	293	240	295	241	6.5	18.1	(0.3)	1.2	0.5	1.4	19.4	
Government	171	139	169	138	171	140	173	142	4.7	12.1	(1.2)	1.5	0.9	1.2	12.6	
Central Govt. Bonds and Bills	144	117	141	116	143	117	143	117	0.8	6.2	(1.9)	1.0	0.0	(0.9)	3.0	
Central Bank Bills	27	22	28	23	29	24	30	25	31.9	60.1	2.2	4.4	5.6	12.6	102.0	
Corporate	120	98	121	99	122	100	122	100	9.1	27.8	1.0	0.7	(0.01)	1.7	30.6	

( ) = negative, LCY = local currency, m-o-m = month-on-month, q-o-q = quarter-on-quarter, y-o-y = year-on-year.

Notes:

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

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

**Government Bonds.** LCY government bonds outstanding at end-December rose to SGD173 billion for a 1.2% q-o-q increase. On a y-o-y basis, government bonds grew 12.6% in 4Q12. Growth in the government bond market was largely driven by an increase in MAS bills, which have been issued since April 2011 as part of MAS' money market operations. In 4Q12, the stock of MAS bills rose 12.6% q-o-q and 102.0% y-o-y. Issuance of MAS bills was also up 5.4% q-o-q and 16.2% y-o-y in 4Q12.

The stock of Singapore Government Securities (SGSs), comprising treasury bills and bonds, fell 0.9% q-o-q. On a y-o-y basis, however, treasury instruments rose modestly by 3.0%. Issuance of SGS bills fell significantly in 4Q12, declining 13.7% q-o-q and 20.7% y-o-y. Meanwhile, issuance of SGS bonds fell a notable 64.3% q-o-q, but rose 11.1% y-o-y.

**Corporate Bonds.** Singapore's LCY corporate bonds outstanding stood at SGD122 billion at end-December, expanding 1.7% q-o-q and 30.6% y-o-y.

Also at end-December, the amount of LCY bonds outstanding of the top 30 corporate bond issuers in Singapore reached SGD62.3 billion, representing 51.1% of the total corporate bond market (**Table 2**). The top LCY corporate issuer was the Housing and Development Board with outstanding bonds valued at SGD12.2 billion. It was followed by CapitaLand Ltd. with a total bond stock amounting to SGD4.9 billion. In the third spot was United Overseas Bank Ltd. with bonds outstanding of SGD4.5 billion.

Corporate issuers from the financial sector dominated the list of the top 30 LCY corporate bond issuers in Singapore. Other major bond issuers were from the utilities, industrial, commercial, real estate, telecommunications, and transportation sectors. Only four companies on the list were state-owned firms.

In 4Q12, corporate bond issuance reached SGD2.4 billion, a notable decline of 76.1% q-o-q

**Table 2: Top 30 Issuers of LCY Corporate Bonds in Singapore**

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	12.2	10.0	Yes	No	No	Financial
2. CapitaLand Ltd.	4.9	4.0	No	Yes	Yes	Financial
3. United Overseas Bank Ltd.	4.5	3.7	No	Yes	Yes	Financial
4. DBS Bank Ltd.	5.0	4.1	No	Yes	Yes	Financial
5. Temasek Financial I	3.6	2.9	No	Yes	No	Financial
6. Oversea-Chinese Banking Corp.	2.7	2.2	No	Yes	Yes	Financial
7. SP PowerAssets Ltd.	2.4	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. Olam International Ltd.	2.0	1.6	No	Yes	Yes	Consumer
11. Keppel Corp Ltd.	1.5	1.2	No	Yes	Yes	Industrial
12. Keppel Land Ltd.	1.5	1.2	No	Yes	Yes	Real Estate
13. GLL IHT Pte Ltd.	1.4	1.2	No	Yes	No	Real Estate
14. Mapletree Treasury Services	1.3	1.1	No	Yes	No	Financial
15. Overseas Union Enterprise Ltd.	1.3	1.1	No	Yes	Yes	Consumer
16. Temasek Financial III	1.3	1.1	No	Yes	No	Financial
17. Neptune Orient Lines Ltd.	1.3	1.0	No	Yes	Yes	Industrial
18. CapitaMalls Asia Treasury	1.1	0.9	No	Yes	No	Financial
19. City Developments Ltd.	1.1	0.9	No	Yes	Yes	Consumer
20. PSA Corporation Ltd.	1.0	0.8	No	Yes	No	Consumer
21. F&N Treasury Pte Ltd.	1.0	0.8	No	Yes	No	Financial
22. Hyflux Ltd.	1.0	0.8	No	Yes	Yes	Industrial
23. Singapore Post Limited	0.9	0.7	Yes	No	No	Industrial
24. Singtel Group Treasury	0.9	0.7	No	Yes	No	Telecommunications
25. Singapore Airlines	0.8	0.7	No	Yes	No	Transportation
26. Global Logistic Properties	0.8	0.6	No	Yes	Yes	Industrial
27. CapitaMall Trust	0.7	0.6	No	Yes	Yes	Financial
28. CapitaLand Treasury Ltd.	0.7	0.6	No	Yes	No	Financial
29. Joynote Limited	0.7	0.6	No	Yes	No	Financial
30. Sembcorp Financial Services	0.7	0.6	No	Yes	No	Industrial
<b>Total Top 30 LCY Corporate Issuers</b>	<b>62.3</b>	<b>51.0</b>				
<b>Total LCY Corporate Bonds</b>	<b>122.0</b>	<b>99.9</b>				
<b>Top 30 as % of Total LCY Corporate Bonds</b>	<b>51.1%</b>	<b>51.1%</b>				

LCY = local currency.

Notes:

1. Data as of 31 December 2012.

2. State-owned firms are defined as those in which the government has more than a 50% ownership stake.

Source: *AsianBondsOnline* calculations based on Bloomberg data.

and 33.3% y-o-y. A total of 11 bond series were issued by 10 companies during the quarter. Corporate bonds issued in 4Q12 carried maturities ranging from 3 years to 12 years, and coupon rates of between 4.0% and 6.0%. **Table 3** lists notable corporate bonds issued in 4Q12.

## Policy, Institutional, and Regulatory Developments

### PBOC Appoints Clearing Bank for Renminbi in Singapore

On 8 February, the People’s Bank of China (PBOC) appointed the Industrial and Commercial Bank of China’s (ICBC) Singapore branch as the clearing bank for renminbi in Singapore. MAS will work closely with the PBOC and ICBC in implementing clearing arrangements in Singapore. The appointment of a renminbi clearing bank in Singapore marks

**Table 3: Notable LCY Corporate Bond Issuance in 4Q12**

Corporate Issuers	Issued Amount (SGD million)
Housing and Development Board	600
Olam International Ltd.	500
SMRT Capital Pte Ltd.	450
Neptune Orient Lines Ltd.	300
Overseas Union Enterprise Ltd.	200
Keppel Land Ltd.	130
Others	230
<b>Total</b>	<b>2,410</b>

LCY = local currency.  
Source: Bloomberg LP.

a milestone in financial cooperation between the PBOC and MAS, and will enable Singapore to facilitate greater use of the renminbi for trade, investment, and other economic activities in the region.