

## Singapore

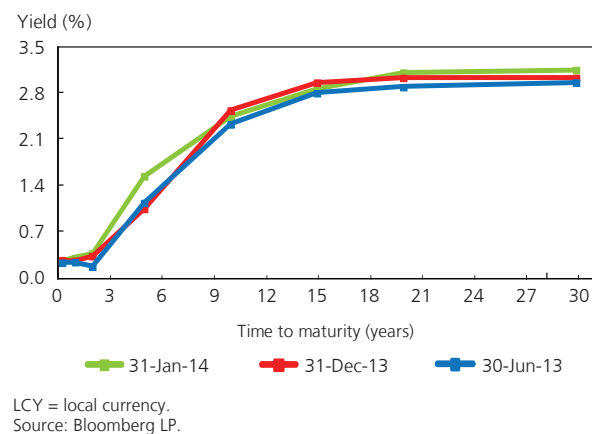
### Yield Movements

Between end-December and end-January, the yield curve for Singapore's local currency (LCY) government bonds rose for all tenors except the 3-month, and 10- and 15-year, which fell between 1 and 10 basis points (bps) during this period (**Figure 1**). Yields rose the most for the 5-year Singapore Government Security (SGS), gaining 49 bps. The yield spread between 2- and 10-year tenors narrowed to 205 bps at end-January from 219 bps at end-December. In 2H13, Singapore's government bond yield curve showed a rising trend at the longer-end of the curve. As Singaporean financial markets are highly correlated with United States (US) financial markets, and given the commencement in January of the tapering of the US Federal Reserve's quantitative easing (QE) measures, there might be increasing upward pressure on SGS yields, especially for longer tenors.

According to the Ministry of Trade and Industry (MTI), Singapore's real gross domestic product (GDP) expanded 5.5% year-on-year (y-o-y) in 4Q13, down from 3Q13's revised growth of 5.8%. By sector, the manufacturing industry posted 7.0% y-o-y growth in 4Q13 compared with 5.3% in 3Q13, the construction sector's growth slipped to 4.8% in 4Q13 from 6.6% in 3Q13, and the services producing industries recorded slower growth of 5.9% in 4Q13 compared with 6.3% in 3Q13. Meanwhile, on a quarter-on-quarter (q-o-q) and seasonally adjusted annualized basis, the Singaporean economy grew 6.1% in 4Q13, a substantial increase from the revised economic growth of 0.3% in the previous quarter. MTI announced in February that it was maintaining Singapore's growth forecast for 2014 at 2.0%–4.0%.

Meanwhile, Singapore's consumer price inflation eased to 1.5% y-o-y in December from 2.6% in November. The slower inflation was due mainly to lower private road transport costs, which declined 2.8% in December due to Certificate of Entitlement premiums. Accommodation costs increased 2.9%, compared with a 3.3% hike in the previous month, and food inflation rose to 2.7% from 2.6% amid slightly faster increases in the prices of non-cooked food items. Consumer price inflation averaged 2.4% in 2013, down significantly from 4.6% in 2012. On a m-o-m basis, consumer price inflation slowed to 0.3% in December from 0.7% in November.

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



### Size and Composition

The total outstanding size of Singapore's LCY bond market rose 1.4% q-o-q and 8.3% y-o-y to SGD305 billion (US\$242 billion) at end-December, led by growth in both the government and corporate bond markets (**Table 1**). Growth in the government bond sector was mainly due to the substantial increase in the stock of Monetary Authority of Singapore (MAS) bills, which were first issued in April 2011 as part of MAS money market operations.

**Government Bonds.** LCY government bonds outstanding reached SGD189 billion at end-December, representing a 1.1% q-o-q and 9.3% y-o-y increase, led by 8.8% q-o-q and 111.9% y-o-y growth in MAS bills outstanding, which reached SGD64 billion at end-December. MAS bills are negotiable instruments used to help Singaporean banks better manage their liquidity and to increase the availability of high-quality liquid assets. To withdraw liquidity from the financial market, MAS conducts net issuance of MAS bills; to inject liquidity, MAS pursues the net redemption of MAS bills. Banks in need of liquidity can sell or pledge MAS bills as collateral in the interbank repurchase (repo) market.

The large increase in MAS bills outstanding is not only a result of MAS open market operations to withdraw liquidity, but also because MAS ceased to issue the 3-month SGS bill effective 12 June 2013, instead replacing it with

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

	Outstanding Amount (billion)						Growth Rate (%)			
	4Q12		3Q13		4Q13		4Q12		4Q13	
	SGD	US\$	SGD	US\$	SGD	US\$	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	<b>282</b>	<b>231</b>	<b>301</b>	<b>240</b>	<b>305</b>	<b>242</b>	<b>2.2</b>	<b>14.1</b>	<b>1.4</b>	<b>8.3</b>
Government	173	142	187	149	189	150	1.2	12.6	1.1	9.3
SGS Bills and Bonds	143	117	128	102	125	99	(0.9)	3.0	(2.4)	(12.5)
MAS Bills	30	25	59	47	64	51	12.6	102.0	8.8	111.9
Corporate	109	89	114	91	116	92	3.9	16.4	1.9	6.7

( ) = negative, LCY = local currency, MAS = Monetary Authority of Singapore, q-o-q = quarter-on-quarter, SGS = Singapore Government Securities, 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. SGS bills and bonds do not include the special issue of SGS held by the Singapore Central Provident Fund (CPF).

3. Bloomberg LP end-of-period LCY-US\$ rates are used.

4. Growth rates are calculated from LCY base and do not include currency effects.

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

the 12-week MAS bill. MAS also introduced the 6-month MAS bill in January to replace the 6-month SGS bill after its last issuance on 27 December 2013. The 6-month MAS bill will be issued fortnightly.

The 4Q13 stock of SGS bills and bonds has contracted for the past 3 quarters, falling to SGD125 billion at end-December, due to the net redemption of SGS bills partly driven by the replacement of 3-month SGS bills with 12-week MAS bills.

**Corporate Bonds.** LCY corporate bonds outstanding continued to expand steadily in 4Q13, reaching SGD116 billion at end-December based on *AsianBondsOnline* estimates, representing a 1.9% q-o-q and 6.7% y-o-y increase. Singapore Statutory Boards—comprising government agencies such as the Housing and Development Board (HDB) and Land Transport Authority—and the financial sector continue to dominate the corporate bond market in terms of bonds outstanding.

The amount of LCY bonds outstanding of the top 30 corporate bond issuers in Singapore at end-2013 reached SGD63.8 billion, or about half of the total corporate bond market (**Table 2**). Singapore's HDB retained its ranking as the top corporate issuer with bonds outstanding of SGD17.6 billion at end-December, up from SGD16.1 billion at end-September. United Overseas Bank climbed from the fourth- to second-ranked corporate issuer between end-September and end-December with bonds outstanding of SGD4.6 billion due to the bank's November issue of subordinated bonds worth SGD500 million in anticipation of the new Basel III regulatory capital requirements.

CapitaLand was ranked the third-largest corporate issuer with bonds outstanding of SGD4.5 billion. The rest of the top 30 issuers more or less sustained their previous rankings from 3Q13.

A total of 19 bonds were issued by 18 corporates amounting to SGD5.1 billion in 4Q13, up from SGD4.2 billion in 3Q13. **Table 3** lists some notable corporate bond issuances in 4Q13. Similar to the previous quarter, perpetual bonds were issued by DBS Group and United Overseas Bank carrying coupon rates of 4.70% and 4.75%, respectively. These two issues reflected the banks' anticipation of a transition to the new Basel III regulatory capital rules under which the existing preferred shares will no longer fully qualify as Tier 1 capital. The rest of the issuances were dominated by real estate companies, with maturities between 1 year and 10.5 years, and coupon rates between 1.5% and 8.5%.

## Policy, Institutional, and Regulatory Developments

### HKEx and SGX Cooperate on RMB Internationalization

On 4 December 2013, Hong Kong Exchanges and Clearing Limited (HKEx) and SGX signed a Memorandum of Understanding (MOU) that enables both exchanges to cooperate in promoting the internationalization of the renminbi. This cooperation can be in the form of product development, connectivity enhancement, technology development, and extraterritorial market infrastructure regulation.

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

Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
	LCY Bonds (SGD billion)	LCY Bonds (US\$ billion)			
1. Housing and Development Board	17.6	13.9	Yes	No	Financial
2. United Overseas Bank	4.6	3.6	No	Yes	Financial
3. CapitaLand	4.5	3.5	No	Yes	Financial
4. DBS Bank	4.2	3.3	No	Yes	Financial
5. Temasek Financial I	3.6	2.9	No	No	Financial
6. SP PowerAssets	2.4	1.9	No	No	Utilities
7. Public Utilities Board	2.1	1.7	Yes	No	Utilities
8. GLL IHT	2.0	1.6	No	No	Real Estate
9. Land Transport Authority	1.8	1.4	Yes	No	Industrial
10. Oversea-Chinese Banking Corp.	1.7	1.4	No	Yes	Financial
11. Keppel	1.5	1.2	No	Yes	Industrial
12. Olam International	1.4	1.1	No	Yes	Consumer
13. City Developments	1.4	1.1	No	Yes	Consumer
14. Neptune Orient Lines	1.3	1.0	No	Yes	Industrial
15. CapitaMalls Asia Treasury	1.1	0.9	No	No	Financial
16. Keppel Land	1.1	0.9	No	Yes	Real Estate
17. PSA	1.0	0.8	No	No	Consumer
18. Overseas Union Enterprise	1.0	0.8	No	Yes	Consumer
19. Mapletree Treasury Services	1.0	0.8	No	No	Financial
20. Hyflux	1.0	0.8	No	Yes	Industrial
21. Sembcorp Financial Services	0.9	0.7	No	No	Industrial
22. Singtel Group Treasury	0.9	0.7	No	No	Telecommunications
23. DBS Group Holdings	0.8	0.6	No	Yes	Financial
24. Singapore Airlines	0.8	0.6	No	No	Transportation
25. Temasek Financial III	0.8	0.6	No	No	Financial
26. Global Logistic Properties	0.8	0.6	No	Yes	Industrial
27. CMT MTN	0.8	0.6	No	No	Financial
28. CapitaLand Treasury	0.7	0.6	No	No	Financial
29. Joynote	0.7	0.6	No	No	Financial
30. F&N Treasury	0.7	0.5	No	No	Financial
<b>Total Top 30 LCY Corporate Issuers</b>	<b>63.8</b>	<b>50.5</b>			
<b>Total LCY Corporate Bonds</b>	<b>116.4</b>	<b>92.1</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>	<b>54.8%</b>	<b>54.8%</b>			

LCY = local currency.

Notes:

1. Data as of end-December 2013.

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.

**Table 3: Notable LCY Corporate Bond Issuance in 4Q13**

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
Housing and Development Board		
4-year bond	1.88	1,500
DBS Group		
perpetual bond	4.70	805
Capitaland		
10-year bond	1.95	800
United Overseas Bank		
perpetual bond	4.75	500
Sembcorp Financial Services		
10.5-year bond	3.64	200
LMIRT Capital		
3-year bond	4.25	150
GLL IHT		
1-year bond	2.00	150
3-year bond	3.55	125

LCY = local currency.  
Source: Bloomberg LP.

## SGX and Thomson Reuters Launch SGD Bond Indices

On 10 December 2013, Singapore Exchange (SGX) and Thomson Reuters launched the Thomson Reuters–SGX Singapore Fixed Income Indices, which cover corporate, government, and statutory board bonds. The indices were made for market participants to serve as a benchmark for investment performance.

## RQFII License Applications Open for Eligible Singaporean Financial Institutions

On 24 January, MAS announced that all Singapore-incorporated financial institutions that it approved to conduct fund management activities may submit applications for the Renminbi Qualified Foreign Institutional Investor (RQFII) license. This will allow them to offer renminbi investment products as well as invest offshore renminbi into the PRC's securities market. This move followed the recent allocation of an aggregate quota of CNY50 billion to Singapore under the PRC's RQFII program.