

Singapore

Yield Movements

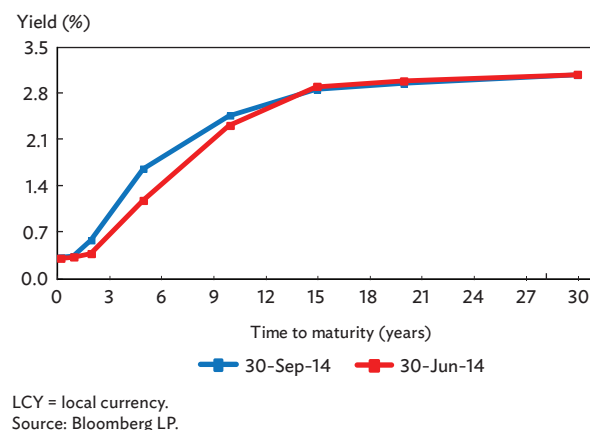
Local currency (LCY) government bond yields in Singapore rose for most tenors from the short-end of the curve through the 10-year tenor between end-June and end-September (**Figure 1**). Bond yields rose the most for the 5-year maturity, gaining 48 basis points (bps). On the other hand, bond yields with maturities of 15 years or more shed between 1 bp and 5 bps. The yield spread between the 2- and 10-year tenors narrowed to 188 bps at end-September from 193 bps at end-June.

Inflation has remained benign thus far in 2014. Consumer price inflation eased to 1.2% year-on-year (y-o-y) in July and further slowed to 0.9% in August and 0.6% in September. The Monetary Authority of Singapore (MAS) expects inflation to remain subdued and has revised downward its 2014 headline inflation forecast to a range of 1.0%–1.5%.

In its monetary policy decision held on 14 October, MAS decided to maintain its existing policy of a slow and gradual appreciation of the Singapore Dollar Nominal Effective Exchange Rate (\$NEER). MAS will make no change to either the slope, width, or level at which the exchange rate is centered. MAS cited its forecast of moderate growth in the economy for the remainder of 2014 and in 2015. MAS expects that growth in Singapore's economy will be driven by a recovery in external markets, though tempered by supply-side pressures. MAS sees overall inflation moderating but core inflation is expected to be under pressure due to higher imported food prices and little slack in labor markets.

Advanced estimates released by the Ministry of Trade and Industry indicated Singapore's economy expanded 2.4% y-o-y in 3Q14, the same pace of growth as in 2Q14. The manufacturing and construction sectors both recorded 1.4% y-o-y growth rates in 3Q14, slower compared with the earlier quarter. On the other hand, the output of services-producing industries rose 2.9% y-o-y. On a quarter-on-quarter (q-o-q) and seasonally adjusted annualized basis, gross domestic product (GDP) stood at 1.2% after contracting 0.1% in 2Q14.

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



Size and Composition

The outstanding size of LCY bonds in Singapore increased to SGD322 billion (US\$252 billion) at end-September on growth of 4.7% q-o-q and 6.1% y-o-y (**Table 1**).

Government Bonds. LCY government bonds recorded modest growth of 2.8% q-o-q and 4.2% y-o-y to reach SGD195 billion at end-September. Growth mostly came from increases in the stock of MAS bills, which are a tool of MAS money market operations. The stock of MAS bills rose 4.8% q-o-q and 58.5% y-o-y to SGD94 billion. In 3Q14, new issuance of MAS bills totaled SGD97 billion, up 2.8% q-o-q and 27.1% y-o-y.

In 3Q14, the outstanding size of Singapore Governments Securities (SGS) bills and bonds, which account for 52% of total government bonds, was up 1.0% q-o-q but declined 20.9% y-o-y to SGD101 billion. New issuance of SGS bonds fell 26.9% q-o-q and 66.5% y-o-y in 3Q14. There was no SGS bill issuance during the quarter under review.

Corporate Bonds. Based on *AsianBondsOnline* estimates, the outstanding size of LCY corporate bonds in Singapore stood at SGD127 billion at end-September. This translates to growth of 7.8% q-o-q and 9.3% y-o-y.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	3Q13		2Q14		3Q14		3Q13		3Q14	
	SGD	US\$	SGD	US\$	SGD	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	303	241	307	247	322	252	0.6	9.9	4.7	6.1
Government	187	149	189	152	195	153	(0.3)	9.4	2.8	4.2
SGS Bills and Bonds	128	102	100	80	101	79	(7.2)	(11.1)	1.0	(20.9)
MAS Bills	59	47	89	72	94	73	19.0	119.3	4.8	58.5
Corporate	116	93	118	95	127	100	2.2	10.7	7.8	9.3

() = 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: Bloomberg LP, Monetary Authority of Singapore, and Singapore Government Securities.

At end-September, the outstanding bonds of the top 31 LCY corporate bond issuers in Singapore reached SGD67 billion, accounting for 52.7% of total outstanding LCY corporate bonds (**Table 2**).

The largest bond issuer in Singapore is the state-owned Housing and Development Board with outstanding bonds amounting to SGD20.3 billion at end-September. Taking the second spot was real estate firm Capitaland with outstanding bonds valued at SGD5.3 billion. United Overseas Bank was the third-largest issuer with outstanding bonds amounting to SGD4.1 billion.

The top 31 corporate bond issuers consisted of diverse sectors including, financial, real estate, utilities, transportation, telecommunications, industrial, and consumer. There were only three state-owned firms on the list, all of which were ranked in the top 10.

In 3Q14, new corporate bond issuance totaled SGD5.7 billion, rising a notable 32.0% q-o-q and 35.4% y-o-y. A total of 24 new bond series were issued

in 3Q14 by 22 corporate firms. Ten bond series carried maturities of 2–4 years, while eight had maturities of 5–7 years. Three new bond series had maturities of 10 years, one of 15 years, and two were perpetual maturity bonds. **Table 3** lists some of the largest corporate bond issues during the quarter.

Policy, Institutional, and Regulatory Developments

ASEAN CIS Framework Launched

On 25 August, MAS, Securities Commission for Malaysia, and Securities and Exchange Commission (Thailand) jointly launched the Association of Southeast Asian Nations (ASEAN) Collective Investment Scheme (CIS) Framework to facilitate cross-border offers of CIS to retail investors. The ASEAN CIS Framework allows fund managers based in Singapore, Malaysia, and Thailand to offer CIS products to retail investors in all three markets under a streamlined authorization process.

Table 2: Top 31 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	20.3	15.9	Yes	No	Financial
2.	Capitaland	5.3	4.1	No	Yes	Real Estate
3.	United Overseas Bank	4.1	3.2	No	Yes	Financial
4.	Temasek Financial I	3.6	2.8	No	No	Financial
5.	DBS Bank	3.3	2.6	No	Yes	Financial
6.	SP PowerAssets	2.4	1.9	No	No	Utilities
7.	Public Utilities Board	2.1	1.6	Yes	No	Utilities
8.	GLL IHT	1.8	1.4	No	No	Real Estate
9.	Land Transport Authority	1.8	1.4	Yes	No	Industrial
10.	City Developments	1.6	1.3	No	Yes	Consumer
11.	Keppel	1.5	1.2	No	Yes	Industrial
12.	Olam International	1.4	1.1	No	Yes	Consumer
13.	Hyflux	1.4	1.1	No	Yes	Industrial
14.	Singapore Airlines	1.3	1.0	No	No	Transportation
15.	Neptune Orient Lines	1.3	1.0	No	Yes	Transportation
16.	CapitaLand Treasury	1.2	1.0	No	No	Real Estate
17.	Keppel Land	1.1	0.9	No	Yes	Real Estate
18.	CapitaMalls Asia Treasury	1.0	0.8	No	No	Real Estate
19.	Oversea-Chinese Banking Corp.	1.0	0.8	No	Yes	Financial
20.	PSA	1.0	0.8	No	No	Consumer
21.	Mapletree Treasury Services	1.0	0.8	No	No	Financial
22.	CMT MTN	0.9	0.7	No	No	Financial
23.	Singtel Group Treasury	0.9	0.7	No	No	Telecommunications
24.	DBS Group Holdings	0.8	0.6	No	Yes	Financial
25.	Temasek Financial III	0.8	0.6	No	No	Financial
26.	Global Logistic Properties	0.8	0.6	No	Yes	Real Estate
27.	FCL Treasury	0.7	0.6	No	No	Real Estate
28.	Joynote	0.7	0.6	No	No	Real Estate
29.	Overseas Union Enterprise	0.7	0.5	No	Yes	Consumer
30.	Sembcorp Financial Services	0.7	0.5	No	No	Industrial
31.	SMRT Capital	0.7	0.5	No	No	Transportation
Total Top 31 LCY Corporate Issuers		67.0	52.6			
Total LCY Corporate Bonds		127.1	99.6			
Top 31 as % of Total LCY Corporate Bonds		52.7%	52.7%			

LCY = local currency.

Notes:

1. Data as of end-September 2014.

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 3Q14

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
Housing and Development Board		
5-year bond	2.29	500
10-year bond	3.10	900
FCL Treasury		
Perpetual bond	4.88	600
Jurong Shipyard		
7-year bond	2.95	275
15-year bond	3.85	325
Capitaland Treasury		
10-year bond	3.80	500
Olam International		
5-year bond	4.25	400
Lend Lease REIT		
7-year bond	3.28	300
CMT MTN		
10-year bond	3.48	300
Pacific International		
3-year bond	5.90	300

LCY = local currency.
Source: Bloomberg LP.