

Singapore

Yield Movements

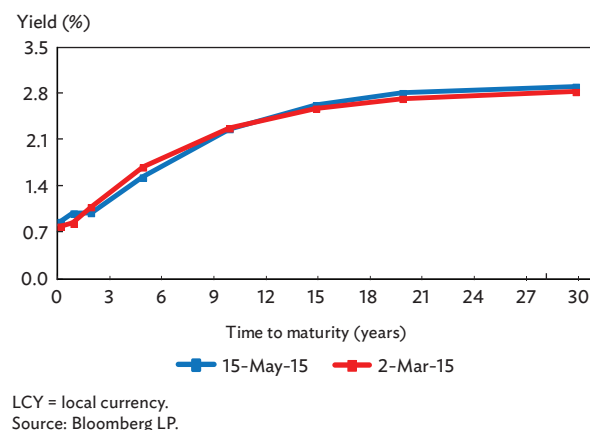
Local currency (LCY) government bond yields in Singapore mirrored movements in United States (US) bond yields between 2 March and 15 May (**Figure 1**). The Singapore Government Securities (SGS) bond yield curve was mixed, with yields rising at the short-end and the long-end of the curve, while falling in the belly of the curve. SGS bond yields rose the most for the 1-year SGS bond, which gained 16 basis points (bps). At the long-end of the curve, the 20-year tenor rose the most with a 9 bps gain. In the belly of the curve, bond yields shed between 1 bp and 15 bps for maturities between 2 years and 10 years. Meanwhile, the yield spread between the 2-year and 10-year maturities widened to 126 bps on 15 May from 119 bps on 2 March.

The Monetary Authority of Singapore (MAS) maintained its policy of modest and gradual appreciation of the S\$NEER policy band in its Monetary Policy Statement on 14 April. MAS left unchanged the slope and the width of the policy band, and the level at which it is centered. MAS noted that the economy is on track to grow 2.0%–4.0% in 2015, and inflation is expected to remain on target.

Economic growth in Singapore rose to 2.6% year-on-year (y-o-y) in 1Q15 from 2.1% in 4Q14. Both the wholesale and retail trade and construction sectors recorded gains, with y-o-y growth of 4.1% and 3.1%, respectively. The transportation and storage sector also rebounded, rising 1.5% y-o-y in 1Q15. The manufacturing sector, however, contracted 2.7% y-o-y in 1Q15 as output in the transport engineering, electronics, and biomedical manufacturing clusters declined. On a seasonally adjusted and quarter-on-quarter (q-o-q) basis, economic growth eased to 3.2% in 1Q15 from 4.9% in 4Q14. The Ministry of Trade and Industry maintained its GDP growth forecast of 2.0%–4.0% for 2015.

Singapore recorded deflation for the sixth straight month as consumer prices fell 0.5% y-o-y in April due mainly to lower prices of oil-related items and declining inflation in the services sector. Accommodation costs further dropped in April, falling 2.5% y-o-y, after contracting 2.2% y-o-y in March due to weakness in the rental housing market. On a monthly basis, consumer prices contracted 0.6% between March and April.

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



Size and Composition

Singapore's LCY bond market grew a marginal 0.1% q-o-q in 1Q15 to SGD320 billion (US\$233 billion) at end-March. On a y-o-y basis, however, bond market growth was more robust at 6.6% (**Table 1**).

Government Bonds. The stock of LCY government bonds fell 1.1% q-o-q to SGD192 billion due mainly to a decline in the stock of MAS bills. The stock of MAS bills dropped 4.2% q-o-q to SGD92 billion. In 1Q15, MAS bill issuance totaled SGD91.5 billion, contracting 6.5% from end-December but up from its level in 1Q14.

In contrast, the outstanding stock of Singapore Government Securities (SGS) bills and bonds, which account for a majority of LCY government bonds, gained 1.9% q-o-q but fell 8.2% y-o-y to SGD100 billion. New issuance of SGS bonds was down to SGD4.8 billion in 1Q15 from SGD6.9 billion in 4Q14. In 1Q15, new SGS bond issuance comprised re-openings of 2-, 7-, and 30-year SGS bonds.

Corporate Bonds. Based on *AsianBondsOnline* estimates, total outstanding LCY corporate bonds in Singapore reached SGD128 billion at end-March on growth of 1.9% q-o-q and 9.5% y-o-y in 1Q15 (**Table 2**).

At end-March, Singapore's top 31 corporate issuers had aggregate bonds outstanding of SGD67.8 billion.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	1Q14		4Q14		1Q15		1Q14		1Q15	
	SGD	US\$	SGD	US\$	SGD	US\$	q-o-q	y-o-y	q-o-q	y-o-y
Total	300	239	320	241	320	233	(2.5)	1.6	0.1	6.6
Government	183	146	194	147	192	140	(3.0)	(0.3)	(1.1)	4.8
SGS Bills and Bonds	109	87	98	74	100	73	(12.7)	(25.8)	1.9	(8.2)
MAS Bills	74	59	96	73	92	67	15.9	100.0	(4.2)	23.8
Corporate	117	93	125	95	128	93	(1.8)	4.7	1.9	9.5

() = 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.

This accounted for a 53.1% share of total corporate bonds. The state-owned Housing and Development Board was by far the biggest issuer with bonds outstanding of SGD20.5 billion. It was followed by real estate firm Capitaland with outstanding bonds valued at SGD5.2 billion. The third spot was taken by United Overseas Bank with total bonds amounting to SGD4.1 billion. Three state-owned firms were among the top 31 issuers, all of which ranked within the top 10. The top 31 corporate bond issuers came from a diverse set of sectors including financial, banking, real estate, utilities, transportation, telecommunications, and industrial.

A total of SGD1.9 billion of new corporate debt was issued in 1Q15, comprising 14 bond series from 12 corporate entities. Of these 12 corporate issuers, seven were financial institutions. In terms of maturity structure, nine bond series carried maturities of more than 1 year to 5 years, four bond series were medium-dated (more than 5 years to 10 years), and one was a perpetual bond. The largest corporate bond issues in 1Q15 are shown in **Table 3**.

Policy, Institutional, and Regulatory Developments

MAS to Launch Savings Bond Program

In March, MAS announced plans to launch a savings bond program aimed at providing individual investors with long-term savings options with safe returns. Singapore Savings Bonds carry a maturity of 10 years and are fully backed by the government. Investors may purchase bonds for a minimum amount of SGD500

and in increments of SGD500 thereafter. These savings bonds will carry a step-up interest rate based on long-term SGS rates. MAS plans to issue the savings bonds on a monthly basis and expects to commence issuance in the second half of 2015.

Singapore, Malaysia, and Thailand Sign Memorandum of Understanding on Cross-Border Equity and Debt Securities Offerings

In March, a Memorandum of Understanding was signed between MAS; Singapore Exchange; Securities Commission Malaysia; and the Securities and Exchange Commission, Thailand for the creation of a streamlined review framework for the Association of Southeast Asian Nations (ASEAN) common prospectus. This framework aims to facilitate cross-border offerings of equity and debt securities in ASEAN. The framework is expected to be implemented beginning in 3Q15.

MAS Provides Retail Investors with Access to Investment Products

In April, MAS expanded the range of simple, low-cost investment products available to retail investors by providing them with expanded access to investment products such as Exchange-Traded Funds. With this enhancement, fund managers may now reclassify investment funds as Excluded Investment Products. Previously, all investment funds that used derivatives were classified as Specified Investment Products, which are more complex products and require enhanced safeguards for retail investors.

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	20.5	15.0	Yes	No	Real Estate
2.	CapitaLand	5.2	3.8	No	Yes	Real Estate
3.	United Overseas Bank	4.1	3.0	No	Yes	Banking
4.	Temasek Financial I	3.6	2.6	No	No	Financing
5.	DBS Bank	3.3	2.4	No	Yes	Banking
6.	SP PowerAssets	2.4	1.7	No	No	Utilities
7.	Land Transport Authority	1.8	1.3	Yes	No	Transportation
8.	Public Utilities Board	1.8	1.3	Yes	No	Utilities
9.	City Developments	1.7	1.2	No	Yes	Real Estate
10.	GLL IHT	1.7	1.2	No	No	Financing
11.	FCL Treasury	1.6	1.2	No	No	Real Estate
12.	Keppel	1.5	1.1	No	Yes	Diversified
13.	Olam International	1.3	1.0	No	Yes	Consumer Goods
14.	Singapore Airlines	1.3	0.9	No	No	Transportation
15.	Hyflux	1.3	0.9	No	Yes	Utilities
16.	Neptune Orient Lines	1.3	0.9	No	Yes	Logistics
17.	CapitaLand Treasury	1.2	0.8	No	No	Financing
18.	Singtel Group Treasury	1.2	0.8	No	No	Telecommunications
19.	Keppel Land	1.1	0.8	No	Yes	Real Estate
20.	CapitaMalls Asia Treasury	1.0	0.7	No	No	Financing
21.	Oversea-Chinese Banking	1.0	0.7	No	Yes	Banking
22.	PSA	1.0	0.7	No	No	Port Operator
23.	Sembcorp Financial Services	1.0	0.7	No	No	Financing
24.	Mapletree Treasury Services	0.9	0.7	No	No	Financing
25.	DBS Group	0.8	0.6	No	Yes	Banking
26.	CMT MTN	0.8	0.6	No	No	Financing
27.	Global Logistic Properties	0.8	0.5	No	Yes	Real Estate
28.	SMRT Capital	0.8	0.5	No	No	Transportation
29.	Joynote	0.7	0.5	No	No	Financing
30.	Ezion Holdings	0.7	0.5	No	Yes	Marine Services
31.	Overseas Union Enterprise	0.7	0.5	No	Yes	Real Estate
Total Top 31 LCY Corporate Issuers		67.8	49.4			
Total LCY Corporate Bonds		127.8	93.1			
Top 31 as % of Total LCY Corporate Bonds		53.1%	53.1%			

LCY = local currency.

Notes:

1. Data as of end-March 2015.

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 1Q15

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
FCL Treasury		
Perpetual bond	5.00	700
Singtel Group Treasury		
5.5-year bond	2.58	150
6.5-year bond	2.72	150
GLL IHT		
2.5-year bond	3.60	170
5-year bond	4.20	50
Mapletree Commercial Trust		
8-year bond	3.25	100
Perennial Treasury		
3-year bond	4.25	100

LCY = local currency.
Source: Bloomberg LP.