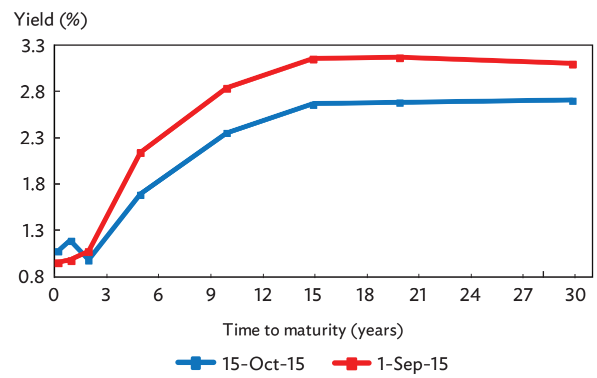
Singapore

Yield Movements

Between 1 September and 15 October, local currency (LCY) government bond yields in Singapore fell for all tenors, largely tracking the movement of United States (US) Treasuries, except at the very short-end of the curve (maturities of 3 months and 12 months), where yields rose **(Figure 1)**. Yields on Singapore Government Securities (SGS) bonds fell most sharply for maturities of between 5 years and 20 years, shedding 45–49 basis points (bps), while yields at the very long-end of the curve dipped 39 bps. On the other hand, yields for SGS bills gained 12 bps and 21 bps for the 3-month and 12-month maturities, respectively. As a result, the yield spread between the 2-year and 10-year tenors narrowed to 137 bps in mid-October from 175 bps at end-September.

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



LCY = local currency.
Source: Bloomberg LP.

Declining yields reflected market expectations of monetary easing by the Monetary Authority of Singapore (MAS) given weak economic growth and the persistence of deflation.

In its monetary policy statement on 14 October, MAS announced it would maintain its policy of modest and gradual appreciation of the Singapore dollar nominal effective exchange rate (S$NEER) policy band and held constant the width and level at which the S$NEER policy band is centered. MAS will also slightly reduce the rate of appreciation, signaling a slight easing in its monetary policy stance.

Based on advance estimates released by the Ministry of Trade and Industry, economic growth eased to 1.4% year-on-year (y-o-y) in 3Q15 from 2.0% y-o-y in 1Q15. The slowdown was due largely to a continued slump in the manufacturing sector amid weakness in the electronics, biomedical manufacturing, and transport engineering clusters. On a seasonally adjusted quarterly basis, the economy grew 0.1% in 3Q15 after contracting 2.5% in 2Q15, narrowly missing a technical recession, which is defined as 2 consecutive months of contraction. MAS expects economic growth to moderate earlier than initially projected, but kept its 2015 gross domestic product growth forecast at 2.0%–2.5%.

Singapore recorded deflation for the 10th consecutive month in August as consumer prices declined 0.8% y-o-y, following a 0.4% y-o-y drop in July, largely on account of lower private road transport costs. Accommodation costs also declined due to a soft housing rental market. MAS expects full-year inflation in 2015 to come in at between –0.5% and 0.5%.

Size and Composition

Singapore's LCY bond market contracted 3.9% quarter-on-quarter (q-o-q) in 3Q15 to SGD318 billion (US$224 billion) at end-September **(Table 1)**. On a y-o-y basis, the LCY bond market declined at a pace of 1.4% in 3Q15.

Government Bonds. The stock of LCY government bonds fell 5.0% q-o-q in 3Q15 to SGD188 billion at end-September, as SGS bills and bonds and MAS bills all recorded declines during the quarter in review. SGS bills and bonds slipped 2.3% q-o-q in 3Q15, but were up 1.7% on a y-o-y basis at end-September. Redemption of SGS bonds outpaced new issuance in 3Q15, resulting in a decline in the stock of SGS. New issuance of SGS bills and bonds in 3Q15, which declined 58.1% q-o-q and 42.6% y-o-y to SGD3.9 billion, comprised a SGD2.8 billion 5-year SGS bond and a SGD1.1 billion reopening of a 15-year SGS bond. There were no new issues of SGS bills during the quarter in review.

The outstanding amount of MAS bills declined to SGD85 billion at end-September, falling 8.0% q-o-q

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

	Outstanding Amount (billion)						Growth Rate (%)			
	3Q14		2Q15		3Q15		3Q14		3Q15	
	SGD	US$	SGD	US$	SGD	US$	q-o-q	y-o-y	q-o-q	y-o-y
Total	**323**	**253**	**331**	**246**	**318**	**224**	**3.5**	**6.4**	**(3.9)**	**(1.4)**
Government	195	153	197	147	188	132	2.8	4.2	(5.0)	(3.6)
SGS Bills and Bonds	101	79	105	78	103	72	1.0	(20.9)	(2.3)	1.7
MAS Bills	94	73	92	68	85	60	4.8	58.5	(8.0)	(9.4)
Corporate	128	100	134	99	131	92	4.7	10.1	(2.2)	2.0

( ) = 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.

and 9.4% y-o-y. New issuance of MAS bills totaled SGD82.3 billion in 3Q15, a decline of 7.1% q-o-q and 14.8% y-o-y.

Corporate Bonds. The outstanding stock of LCY corporate bonds stood at SGD131 billion at end-September, according to *AsianBondsOnline* estimates, which was down 2.2% q-o-q but up 2.0% y-o-y.

At end-September, the 30 largest LCY corporate bond issuers had combined outstanding bonds valued at SGD66.5 billion, representing 50.9% of the total corporate bond stock **(Table 2)**. State agency Housing Development Board topped the list with outstanding bonds valued at SGD20.0 billion. The second spot was taken by United Overseas Bank with bonds worth SGD4.1 billion. Another state-owned firm, Land Transport Authority, took the third spot, up from 12th at end-June, with total bonds outstanding of SGD4.0 billion.

The top 30 corporate issuers in Singapore comprise a diverse set of industries including banking, finance, real estate, transportation, and utilities. Only three state-owned firms were on the list of the top 30 issuers in Singapore, although all three were among the top 10.

In 3Q15, new issuance of LCY corporate debt totaled SGD3.7 billion, lower on both a q-o-q and y-o-y basis. Ten firms raised funds from the corporate bond market and issued a total of 13 new bond series. Of these new bond series, nine carried maturities of less than 10 years, and there was one bond series each of 10-year, 12-year, 15-year, and perpetual bonds.

The largest corporate debt issuance during the quarter was Land Transport Authority's four-tranche bond issue totaling SGD2.5 billion. It was followed by Oversea-Chinese Banking Corporation with a perpetual bond issue worth SGD500 million. All other new corporate bonds issues had a size of SGD150 million or less. The largest corporate bond issues in 3Q15 are shown in **Table 3**.

Policy, Institutional, and Regulatory Developments

Singapore Sells its First Singapore Saving Bonds

In September, MAS accepted a total of SGD413 million in applications for its first offering of Singapore Savings Bonds. However, the issue was met with weak demand that fell short of the SGD1.2 billion target. The savings bond program is aimed at providing individual investors with a long-term savings alternative with safe returns. The Singapore Savings Bonds carry a maturity of 10 years and are fully backed by the government. The bonds will be issued monthly for at least 5 years. Up to SGD4 billion worth of Singapore Savings Bonds could be issued in 2015, depending on demand.

MAS and the PRC to Promote Cross-Border Renminbi Transactions

On 13 October, Singapore and the People's Republic of China (PRC) agreed to undertake new initiatives to promote renminbi transactions in Singapore. The existing cross-border renminbi transactions covering Suzhou Industrial Park and the Singapore–Sino Tianjin Eco City

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	20.04	14.1	Yes	No	Real Estate
2.	United Overseas Bank	4.05	2.8	No	Yes	Banking
3.	Land Transport Authority	3.98	2.8	Yes	No	Transportation
4.	Temasek Financial I	3.60	2.5	No	No	Finance
5.	DBS Bank	3.30	2.3	No	Yes	Banking
6.	Capitaland	2.97	2.1	No	Yes	Real Estate
7.	FCL Treasury	2.13	1.5	No	No	Real Estate
8.	SP PowerAssets	1.88	1.3	No	No	Utilities
9.	Public Utilities Board	1.75	1.2	Yes	No	Utilities
10.	Olam International	1.72	1.2	No	Yes	Consumer Goods
11.	Keppel Corp	1.50	1.1	No	Yes	Diversified
12.	Oversea-Chinese Banking	1.50	1.1	No	Yes	Banking
13.	GLL IHT	1.47	1.0	No	No	Finance
14.	Hyflux	1.30	0.9	No	Yes	Utilities
15.	Neptune Orient Lines	1.28	0.9	No	Yes	Logistics
16.	City Developments	1.24	0.9	No	Yes	Real Estate
17.	Capitaland Treasury	1.15	0.8	No	No	Finance
18.	Singtel Group Treasury	1.15	0.8	No	Yes	Telecommunications
19.	Keppel Land	1.03	0.7	No	Yes	Real Estate
20.	CapitaMalls Asia Treasury	1.00	0.7	No	No	Finance
21.	Singapore Airlines	1.00	0.7	No	No	Transportation
22.	Sembcorp Financial Services	0.95	0.7	No	No	Finance
23.	Mapletree Treasury Service	0.94	0.7	No	No	Finance
24.	National University of Singapore	0.90	0.6	No	Yes	Education
25.	DBS Group	0.81	0.6	No	Yes	Banking
26.	CMT MTN	0.80	0.6	No	No	Finance
27.	Overseas Union Enterprise	0.80	0.6	No	Yes	Real Estate
28.	Sembcorp Industries	0.80	0.6	No	Yes	Shipbuilding
29.	Global Logistic Properties	0.75	0.5	No	Yes	Real Estate
30.	SMRT Capital	0.75	0.5	No	No	Transportation
Total Top 30 LCY Corporate Issuers		**66.51**	**46.8**			
Total LCY Corporate Bonds		**130.6**	**91.8**			
Top 30 as % of Total LCY Corporate Bonds		**50.9%**	**50.9%**			

LCY = local currency.
Notes:
1. Data as of end-September 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 3Q15

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
Land Transport Authority		
5-year bond	2.73	650
7-year bond	2.57	600
12-year bond	3.09	600
15-year bond	3.51	650
Oversea-Chinese Banking		
Perpetual bond	3.80	500
Aspial Treasury		
5-year bond	5.25	150
Ezion Holdings		
5-year bond	3.65	120
Ascendas REIT		
5-year bond	2.95	100
CCT MTN		
6-year bond	2.96	100

LCY = local currency.
Source: Bloomberg LP.

will be expanded to cover the cities of Suzhou and Tianjin. The new initiatives will allow banking institutions in Singapore to provide renminbi lending to corporates in Suzhou and Tianjin. Corporates in Suzhou and Tianjin will also be allowed to issue renminbi bonds in Singapore.