

## Singapore

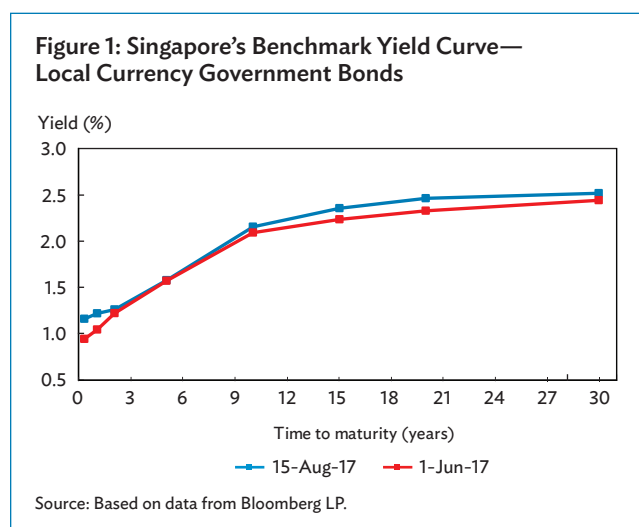
Singapore's local currency (LCY) government bond yields rose for all tenors between 1 June and 15 August. Singapore Government Securities (SGS) bills with tenors of 1 year and below rose an average of 19 basis points (bps), while bonds with maturities of 2 years to 5 years rose an average of 2 bps. Long-term SGS bonds with maturities of 10 years to 30 years rose an average of 10 bps. The 2-year and 10-year yield spread widened to 89 bps on 15 August from 87 bps on 1 June.

The rise in bond market yields in Singapore mostly followed the rise in United States (US) bond yields. As Singapore is considered a safe haven, the positive global growth outlook combined with the improved performance of Singapore's economy may have led to the uptick in bond yields.

Since its last meeting on 13 April, Monetary Authority of Singapore (MAS) maintained a neutral policy stance by keeping the rate of appreciation of the Singapore dollar nominal effective exchange rate policy band at zero, while also leaving the range of the policy band width and the level at which it is centered unchanged. This is deemed appropriate to provide continued support to Singapore's reviving economy. As of 15 August, the Singapore dollar had appreciated 5.8% year-to-date against the US dollar.

Singapore's gross domestic product (GDP) in the second quarter (Q2) of 2017 rose 2.9% year-on-year (y-o-y) after growing 2.5% y-o-y in the first quarter (Q1) of 2017. The strong performance of the manufacturing sector in the first half of 2017 provided a tailwind as evidenced by 8.1% y-o-y growth in Q2 2017 and a gain of 8.5% y-o-y in Q1 2017. The services-producing industries also added support, expanding 2.4% y-o-y in Q2 2017, up from 1.4% y-o-y growth in Q1 2017. With stronger-than-expected GDP growth in Q2 2017, Singapore's Ministry of Trade and Industry revised its 2017 GDP growth forecast upward to a range of 2%–3% from 1%–3%.

Singapore's domestic inflation remained modest in July, rising 0.6% y-o-y after increasing 0.5% y-o-y in June. The small increase in Singapore's inflation is more a result of rising energy-related and administrative costs rather than demand-driven price pressures. For the first 7 months of 2017, inflation averaged 0.7% y-o-y and is projected to



hover between 0.5% and 1.5% in full-year 2017, reversing the deflation of 0.5% recorded in 2016. MAS core inflation measure, which excludes private transportation and accommodation costs, is expected to average around 1%–2% compared with last year's core inflation of 0.9%.

## Size and Composition

Singapore's LCY bonds outstanding rose to SGD347 billion (USD252 billion) at the end of June on an increase of 0.4% quarter-on-quarter (q-o-q) and 6.7% y-o-y (**Table 1**). The increase mainly came from a rise in the outstanding stock of LCY government bonds, particularly central bank bills.

**Government bonds.** In Q2 2017, the outstanding stock of LCY government bonds rose 0.8% q-o-q and 13.7% y-o-y to reach SGD207 billion at the end of June. The gains came from the increase in MAS bills, which rose 7.2% q-o-q and 30.2% y-o-y, while SGS bills and bonds shed 3.9% q-o-q but rose 2.7% y-o-y

A total of SGD7.4 billion was raised from SGS bills and bonds issued in Q2 2017, while SGD12.0 billion was redeemed, resulting in a net decrease of SGD4.6 billion at the end of Q2 2017. Meanwhile, new issuance of MAS bills rose 7.3% q-o-q and 38.6% y-o-y to SGD96.6 billion in Q2 2017, likely a result from the monetary operations of MAS to mop up excess liquidity.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q2 2016		Q1 2017		Q2 2017		Q2 2016		Q2 2017	
	SGD	USD	SGD	USD	SGD	USD	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	<b>325</b>	<b>241</b>	<b>345</b>	<b>247</b>	<b>347</b>	<b>252</b>	<b>0.3</b>	<b>(2.1)</b>	<b>0.4</b>	<b>6.7</b>
Government	182	135	205	147	207	150	(1.1)	(8.0)	0.8	13.7
SGS Bills and Bonds	109	81	117	84	112	82	(0.5)	3.7	(3.9)	2.7
MAS Bills	73	54	88	63	94	69	(1.9)	(21.3)	7.2	30.2
Corporate	143	106	140	100	140	102	2.0	6.5	(0.1)	(2.2)

(-) = negative, LCY = local currency, MAS = Monetary Authority of Singapore, q-o-q = quarter-on-quarter, Q1 = first quarter, Q2 = second quarter, SGD = Singapore dollar, SGS = Singapore Government Securities, USD = United States dollar, 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 Singapore Government Securities held by the Singapore Central Provident Fund.
3. Bloomberg LP end-of-period LCY-USD rates are used.
4. Growth rates are calculated from an LCY base and do not include currency effects.

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

**Corporate bonds.** Based on *AsianBondsOnline* estimates, total outstanding LCY corporate bonds declined 0.1% q-o-q and 2.2% y-o-y in Q2 2017 to fall to SGD140 billion at the end of June.

About half of Singapore's outstanding LCY corporate bonds originated from the 30 largest LCY corporate bond issuers, who had a combined LCY bond stock of SGD70.5 billion at the end of June (**Table 2**). Singapore's Housing and Development Board led the top 30 list again with total bonds outstanding worth SGD23.0 billion, followed by United Overseas Bank with SGD4.6 billion and Temasek Financial I with SGD3.6 billion.

Of the top 30 largest LCY corporate bond issuers in Singapore, six were state-owned agencies and half were listed companies. The corporate entities are made up of a diverse group with business stakes in the banking, consumer goods, diversified holdings, education, finance, marine services, real estate, transport, telecommunications, and utilities sectors.

In Q2 2017, an estimated amount of SGD4.7 billion worth of bonds was issued by 25 firms, led by the sale of a SGD700 billion perpetual bond priced at par to yield 3.95% by Mapletree Treasury Services and another SGD700 billion bond with an 8-year tenor and a 3.04% coupon rate sold by Singapore Airlines (**Table 3**). The amount of newly issued bonds in Q2 2017 reflected growth of 12.3% q-o-q and 2.3% y-o-y.

## Policy, Institutional, and Regulatory Developments

### Monetary Authority of Singapore Offers Grant to Encourage Rated Bond Issuance

On 30 June, MAS launched a Singapore dollar credit rating grant to promote the issuance of rated bonds in the LCY bond market. MAS noted that only about half of the current outstanding corporate SGD-denominated bonds are rated. The SGD400,000 grant per issuer will be available to qualified foreign and domestic issuers for a 5-year period and will be used to cover all expenses related to obtaining credit ratings from an international credit rating agency.

### Monetary Authority of Singapore and Bank of Thailand Sign Agreement for FinTech Cooperation

On 11 July, MAS and the Bank of Thailand signed a FinTech Cooperation Agreement to develop deeper financial cooperation between the two economies. The agreement will enable the sharing of information on trends and regulatory experience, and the referral of FinTech companies to each side. Along with the agreement signing, the existing Memorandum of Understanding on banking supervision between the two parties was also updated.

Table 2: Top 30 Issuers of Local Currency Corporate Bonds in Singapore

	Issuers	Outstanding Amount		State-Owned	Listed Company	Type of Industry
		LCY Bonds (SGD billion)	LCY Bonds (USD billion)			
1.	Housing & Development Board	23.0	16.7	Yes	No	Real Estate
2.	United Overseas Bank	4.6	3.3	No	Yes	Banking
3.	Temasek Financial I	3.6	2.6	Yes	No	Finance
4.	Land Transport Authority	3.5	2.5	Yes	No	Transportation
5.	FCL Treasury	2.9	2.1	No	No	Finance
6.	Capitaland	2.8	2.0	No	Yes	Real Estate
7.	Mapletree Treasury Services	2.5	1.8	No	No	Finance
8.	Singapore Airlines	2.1	1.5	No	Yes	Transportation
9.	SP Powerassets	1.9	1.4	No	No	Utilities
10.	Olam International	1.7	1.3	No	Yes	Consumer Goods
11.	Keppel Corporation	1.7	1.2	No	Yes	Diversified
12.	DBS Group Holdings	1.5	1.1	No	Yes	Banking
13.	Oversea-Chinese Banking Corporation	1.5	1.1	No	Yes	Banking
14.	Public Utilities Board	1.4	1.0	Yes	No	Utilities
15.	DBS Bank	1.3	1.0	No	Yes	Banking
16.	National University of Singapore	1.3	0.9	No	No	Education
17.	GLL IHT	1.2	0.9	No	No	Real Estate
18.	City Developments Limited	1.2	0.9	No	Yes	Real Estate
19.	Hyflux	1.2	0.8	No	Yes	Utilities
20.	Capitaland Treasury	1.1	0.8	No	No	Finance
21.	CMT MTN	1.1	0.8	No	No	Finance
22.	Sembcorp Industries	1.0	0.7	No	Yes	Shipbuilding
23.	Ascendas REIT	1.0	0.7	No	Yes	Finance
24.	Sembcorp Financial Services	1.0	0.7	No	No	Engineering
25.	Singtel Group Treasury	0.9	0.7	No	No	Finance
26.	Neptune Orient Lines	0.9	0.6	No	Yes	Transportation
27.	SMRT Capital	0.8	0.5	No	No	Transportation
28.	Starhub	0.7	0.5	Yes	Yes	Telecommunications
29.	PSA Corporation	0.7	0.5	Yes	No	Marine Services
30.	Ezion Holdings	0.7	0.5	No	Yes	Marine Services
<b>Total Top 30 LCY Corporate Issuers</b>		<b>70.5</b>	<b>51.2</b>			
<b>Total LCY Corporate Bonds</b>		<b>140.0</b>	<b>101.8</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>		<b>50.3%</b>	<b>50.3%</b>			

LCY = local currency, SGD = Singapore dollar, USD = United States dollar.

Notes:

1. Data as of end-June 2017.

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 LP data.

**Table 3: Notable Local Currency Corporate Bond Issuance in the Second Quarter of 2017**

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
Mapletree Treasury Services		
Perpetual bond	3.95	700
Singapore Airlines		
8-year bond	3.04	700
Housing and Development Board		
10-year bond	2.35	500
RCS Trust		
6-year bond	2.60	300
National University of Singapore		
5-year bond	1.86	250

SGD = Singapore dollar.  
Source: Bloomberg LP.