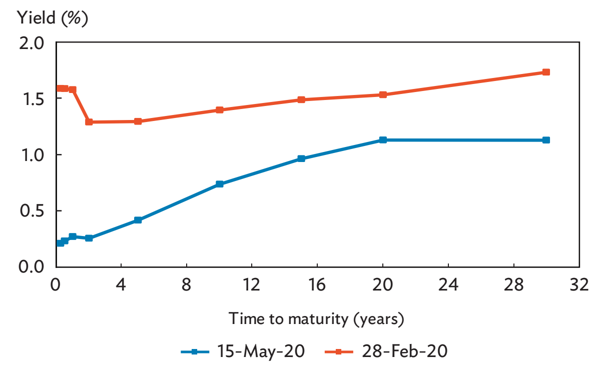
Singapore

Yield Movements

Between 28 February and 15 May, Singapore's local currency (LCY) government bond yields declined for all tenors (**Figure 1**). The shorter-end of the yield curve (from 3 months to 1 year) declined an average of 134 basis points (bps). Yields of longer-term tenors (from 2 years to 30 years) recorded smaller declines, decreasing an average of 68 bps. The yield spread between 2-year and 10-year government bonds expanded from 11 bps to 48 bps during the review period.

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



Source: Based on data from Bloomberg LP.

The yield curve for Singapore's LCY government bonds shifted downward during the review period amid policy easing by the Monetary Authority of Singapore (MAS) on 30 March, which followed easing measures taken in October 2019. At the end of March, MAS adopted a 0.0% per annum rate of appreciation for the policy band to support the domestic economy amid disruptions caused by the coronavirus disease (COVID-19) pandemic.

In October 2019, MAS reduced slightly the appreciation rate of the Singapore dollar nominal effective exchange rate policy band. In March 2020, this rate was reduced further to 0.0%. Singapore's inflation and economic growth rates have been low since 2019, with recession fears worrying investors. The monetary policy easing supports the economy and ensures price stability over the medium-term. It also complements the Resilience Budget announced in late March.[16]

Singapore's consumer price inflation in March was 0.0% year-on-year (y-o-y) as increases in prices of food and transport were offset by declines in the cost of housing and utilities, and recreation and culture. This came after recording consumer price inflation of 0.8% y-o-y and 0.3% y-o-y in January and February, respectively. In January, MAS inflation projection for full-year 2020 was 0.5%–1.5% y-o-y. In March, the forecast was revised downward to between –1.0% and 0.0%.

Singapore's economy contracted 0.7% y-o-y in the first quarter (Q1) of 2020 after expanding 0.7% y-o-y and 1.0% y-o-y in the third quarter and fourth quarter (Q4) of 2019, respectively. In February, Singapore's Ministry of Trade and Industry downgraded its full-year 2020 economic growth to between –1.5% and –0.5% from a November 2019 forecast of between 0.5% and 2.5% as the COVID-19 pandemic was expected to affect the growth prospects of the People's Republic of China and other regional economies, leading to a decline in tourist arrivals and a contraction in domestic consumption. In March, it reduced its growth forecast to between –4.0% and –1.0% amid the escalated COVID-19 outbreak and significantly deteriorating economic activities worldwide. And in May, the forecast was revised downward further to between –7.0% and –4.0%. At the start of April, Singapore started implementing its circuit breaker, limiting movements inside the city-state to prevent the spread of COVID-19.[17]

Size and Composition

Singapore's LCY bond market expanded 2.2% quarter-on-quarter (q-o-q) in Q1 2020 to reach SGD467.2 billion (USD328.5 billion) at the end of March from SGD457.1 billion at the end of December (**Table 1**). On an annual basis, growth was up 12.5% y-o-y. The expansion in the LCY bond market was supported by growth in government and corporate bonds, which

[14] The Resilience Budget is a supplementary budget which aims to address the COVID-19 situation and its impact on the economy and society of Singapore.
[15] Circuit breaker is a set of measures implemented by the Singapore government to prevent the spread of COVID-19.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q1 2019		Q4 2019		Q1 2020		Q1 2019		Q1 2020	
	SGD	USD	SGD	USD	SGD	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	**415**	**306**	**457**	**340**	**467**	**329**	**3.1**	**8.3**	**2.2**	**12.5**
Government	256	188	286	212	293	206	4.5	11.1	2.5	14.6
SGS Bills and Bonds	130	96	183	136	188	132	3.8	7.2	2.7	44.8
MAS Bills	126	93	103	77	105	74	5.4	15.4	2.0	(16.5)
Corporate	160	118	171	127	174	123	0.9	4.0	1.7	9.2

( ) = negative, MAS = Monetary Authority of Singapore, q-o-q = quarter-on-quarter, Q1 = first quarter, Q4 = fourth 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 SGS held by the Singapore Central Provident Fund.
3. Bloomberg LP end-of-period local currency–USD rates are used.
4. Growth rates are calculated from local currency base and do not include currency effects.
Sources: Bloomberg LP, Monetary Authority of Singapore, and Singapore Government Securities.

accounted for 62.7% and 37.3%, respectively, of total LCY bonds outstanding at the end of Q1 2020.

Issuance of LCY bonds in Q1 2020 increased 1.3% q-o-q to SGD177.8 billion from SGD175.6 billion in Q4 2019, driven by both rising government and corporate bond issuance.

Government bonds. The LCY government bond market grew 2.5% q-o-q to SGD292.8 billion in Q1 2020 from SGD285.7 billion in the previous quarter. The growth was due to increases in Singapore Government Securities (SGS) bills and bonds, and MAS bills. Outstanding SGS bills and bonds, which comprised 64.1% of total outstanding LCY government bonds, jumped 2.7% q-o-q as 6-month SGS bills gradually replaced 24-week MAS bills starting July 2019. By the end of March, outstanding MAS bills had dropped 16.5% on an annual basis.

LCY government bond issuance in Q1 2020 marginally rose 0.6% q-o-q as lower issuance of SGS bills and bonds was offset by slightly higher MAS bills issuance.

Corporate bonds. LCY corporate bonds outstanding increased 1.7% q-o-q to SGD174.4 billion in Q1 2020 from SGD171.4 billion in Q4 2019, buoyed by the increase in outstanding corporate bonds in the real estate industry.

The top 30 LCY corporate bond issuers in Singapore accounted for combined outstanding bonds of SGD83.1 billion, or 47.7% of total LCY corporate bonds outstanding at the end of Q1 2020 (**Table 2**). Government institutions such as the Housing & Development Board and the Land Transport Authority remained the largest issuers with outstanding LCY corporate bonds amounting to SGD24.4 billion (14.0% of total LCY corporate bonds outstanding) and SGD10.4 billion (6.0% of total LCY corporate bonds outstanding), respectively. By industry type, real estate companies continued to comprise the largest share (43.9%) among the top 30 issuers of LCY corporate bonds with SGD36.5 billion of LCY corporate bonds outstanding at the end of Q1 2020. Although its share slightly dropped compared with the previous quarter, the transport industry still had the second-largest share of total LCY corporate bonds outstanding at 18.7% (SGD15.6 billion).

Issuance of LCY corporate bonds soared 44.9% q-o-q in Q1 2020 after tepid issuance during the last quarter of 2019.

The Housing & Development Board issued the single-largest LCY corporate bond in Q1 2020, issuing a SGD700.0 million 7-year bond with a coupon rate of 1.76% under its Multicurrency Medium-Term Note Programme (**Table 3**). Proceeds from the issuance will be used to finance the real estate company's development programs and working capital needs, and to refinance existing obligations. PSA Treasury and Singapore Press Holdings both issued SGD500.0 million 10-year bonds, the longest tenor issued during the quarter. PSA Treasury will use the proceeds to support general corporate activities and to refinance existing borrowing, while Singapore Press Holdings plans on utilizing issuance

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	24.4	17.2	Yes	No	Real Estate
2.	Land Transport Authority	10.4	7.3	Yes	No	Transportation
3.	Singapore Airlines	4.4	3.1	Yes	Yes	Transportation
4.	Frasers Property	4.0	2.8	No	Yes	Real Estate
5.	United Overseas Bank	3.3	2.3	No	Yes	Banking
6.	Mapletree Treasury Services	2.7	1.9	No	No	Finance
7.	Capitaland Treasury	2.7	1.9	No	No	Finance
8.	Temasek Financial	2.6	1.8	Yes	No	Finance
9.	DBS Group Holdings	2.5	1.8	No	Yes	Banking
10.	Keppel Corporation	2.4	1.7	No	Yes	Diversified
11.	Sembcorp Financial Services	2.4	1.7	No	No	Engineering
12.	Capitaland	1.8	1.3	Yes	Yes	Real Estate
13.	City Developments Limited	1.7	1.2	No	Yes	Real Estate
14.	Oversea-Chinese Banking Corporation	1.5	1.1	No	Yes	Banking
15.	CMT MTN	1.4	1.0	No	No	Finance
16.	Shangri-La Hotel	1.4	1.0	No	Yes	Real Estate
17.	GLL IHT	1.3	0.9	No	No	Real Estate
18.	SP Powerassets	1.3	0.9	No	No	Utilities
19.	Public Utilities Board	1.3	0.9	Yes	No	Utilities
20.	Singtel Group Treasury	1.2	0.8	No	No	Finance
21.	Mapletree Commercial Trust	1.1	0.7	No	Yes	Real Estate
22.	Singapore Press Holdings	1.0	0.7	No	Yes	Communications
23.	Hyflux	0.9	0.6	No	Yes	Utilities
24.	Ascendas	0.9	0.6	No	Yes	Finance
25.	Olam International	0.8	0.6	No	Yes	Consumer Goods
26.	Suntec REIT	0.8	0.6	No	Yes	Real Estate
27.	DBS Bank	0.8	0.6	No	Yes	Banking
28.	SMRT Capital	0.8	0.6	No	No	Transportation
29.	Sembcorp Industries	0.8	0.6	No	Yes	Shipbuilding
30.	Singapore Technologies Telemedia	0.8	0.6	Yes	No	Utilities
Total Top 30 LCY Corporate Issuers		**83.1**	**58.4**			
Total LCY Corporate Bonds		**174.4**	**122.6**			
Top 30 as % of Total LCY Corporate Bonds		**47.7%**	**47.7%**			

LCY = local currency, MTN = medium-term note, REIT = real estate investment trust, SGD = Singapore dollar, USD = United States dollar.
Notes:
1. Data as of 31 March 2020.
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 First Quarter of 2020

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
Housing & Development Board		
7-year bond	1.76	700.0
PSA Treasury		
10-year bond	1.63	500.0
Singapore Press Holdings		
10-year bond	3.20	500.0
Oxley Holdings		
3-year bond	6.50	75.0
Aspial Corporation		
3-year bond	6.50	50.0

SGD = Singapore dollar.
Source: Bloomberg LP.

proceeds for working capital, capital expenditure, and debt refinancing. The highest coupon rate in Q1 2020 was offered by Oxley Holdings and Aspial Corporation, which both issued 3-year bonds. Oxley Holdings' issuance was drawn from its Euro Medium-Term Note Programme. Aspial Corporation will use the proceeds from the issuance to fund general corporate use and to refinance debt obligations.

Policy, Institutional, and Regulatory Developments

Monetary Authority of Singapore and Federal Reserve Establish Swap Facility

On 19 March, MAS and the United States Federal Reserve established a USD60.0 billion swap facility to address liquidity concerns amid the COVID-19 pandemic. In place for at least 6 months, the swap facility provides stable liquidity conditions in the US dollar funding market in Singapore. It also complements MAS' management of the Singapore dollar market. Together, these measures reinforce the robustness and efficiency of Singapore's financial market.

Monetary Authority of Singapore Adjusts Regulations to Support Financial Institutions

On 7 April, MAS adjusted regulatory and supervisory measures to support financial institutions as they deal with the impacts of the COVID-19 pandemic. To help financial institutions sustain their lending activities, MAS adjusted downward the net stable funding ratio requirement to 25% from 50%. It will also allow financial institutions to factor in the government's fiscal assistance and banks' relief measures in accounting loan loss allowances. As businesses focus on managing the impact of COVID-19, the implementation of Basel III reforms for Singaporean banks has been deferred for 1 year. MAS will coordinate with financial institutions for revised timelines for the submission of regulatory reports. Regular on-site inspections and supervisory visits will be suspended indefinitely; MAS assessments will focus instead on how financial institutions handle the impacts of COVID-19 on their businesses.