

## Singapore

### Yield Movements

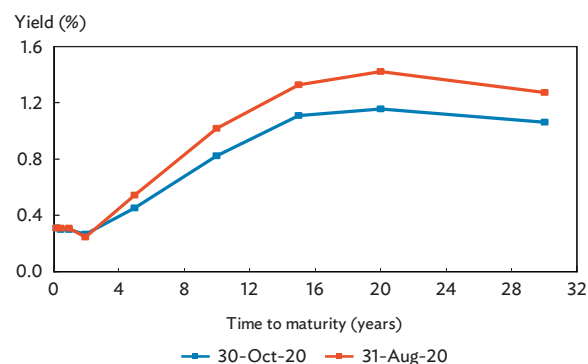
Between 31 August and 30 October, Singapore's local currency (LCY) government bond yields declined for most tenors (**Figure 1**). The shorter-end of the yield curve (from 3 months to 1 year) declined an average of 1 basis point (bp). Yields of longer-term tenors (from 5 years to 30 years) recorded larger declines, decreasing an average of 20 bps. The yield spread between 2-year and 10-year government bonds contracted from 77 bps to 56 bps during the review period.

The yield curve for Singapore's LCY government bonds shifted downward during the review period because of the impact of the monetary policy of Monetary Authority of Singapore (MAS). At the end of March, MAS decided to reduce the slope of its exchange rate policy and lower the midpoint of its policy band. These measures weakened the exchange rate and arrested deflation, supporting Singapore's export-oriented economy amid the coronavirus disease (COVID-19) pandemic. Singapore's nonoil domestic exports have been expanding monthly since June, with August exports recording 7.7% year-on-year (y-o-y) growth.

In October, MAS kept its monetary policy unchanged. The appreciation rate of the Singapore dollar nominal effective exchange rate remained at zero, and the center of the policy band was left unchanged. MAS expects the economy to continue improving in the last quarter of 2020, albeit at a weak pace. The sluggish growth is expected to continue until 2021 amid limited improvements in domestic services and cross-border travel. The central bank also factored in receding deflation risks in its monetary policy decision. The decision was in line with most analysts' expectations and the view that economic recovery would also be supported by more fiscal stimulus.

Based on advance estimates, Singapore's economy contracted 7.0% y-o-y in the third quarter (Q3) of 2020, moderating from the contraction of 13.3% y-o-y in the second quarter (Q2) of 2020. On a quarter-on-quarter (q-o-q) seasonally adjusted basis, Singapore's gross domestic product expanded 7.9% y-o-y as output in manufacturing, construction, and services picked up from

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



Source: Based on data from Bloomberg LP.

the preceding quarter due to the phased reopening of the economy that allowed domestic economic activities to resume. Policy stimulus also started taking effect, contributing to the rebound. The Ministry of Trade and Industry forecasts Singapore's economic growth to fall between -7.0% y-o-y and -5.0% y-o-y for full-year 2020. In June, Singapore exited from Circuit Breaker measures—measures limiting the population's movement inside the city-state to prevent the spread of COVID-19—and transitioned to a planned reopening of the economy in three phases. Singapore is currently in Phase 2 in which more activities are permitted if infection rates remain stable and manageable. As cases remain low and testing and tracing scale up, Singapore may see a transition to Phase 3 by the end of 2020.

Consumer price inflation in Singapore was flat in September after falling 0.4% y-o-y in both August and July. The overall steady prices of basic goods and services was driven by smaller price declines for services, electricity, and gas, and private transport. Core inflation, which excludes the cost of accommodations and private transport, was -0.1% y-o-y, compared with -0.3% y-o-y recorded in August. Domestically, inflationary pressures are expected to remain subdued. MAS projects inflation for full-year 2020 to fall between -0.5% and 0.0%.

As the COVID-19 pandemic continues to affect the world economy, authorities in Singapore are ensuring continued support to employees and businesses by extending

the duration of various relief measures. Expected to save hundreds of thousands of jobs, the government's wage subsidy was extended to May 2021. Subsidies for employee trainings in various sectors were extended to June 2021. The government's program ensuring that businesses have access to loans has been extended to September 2021. The extension of relief measures prevented Singapore's economic growth from dipping further.

## Size and Composition

Singapore's LCY bond market expanded 1.8% q-o-q in Q3 2020 to reach SGD489.5 billion (USD358.5 billion) at the end of September, up from SGD480.6 billion at the end of June (**Table 1**). On an annual basis, growth slowed to 9.8% y-o-y in Q3 2020 from 11.9% y-o-y a year earlier. The expansion in the LCY bond market was supported by growth in both government and corporate bonds, which accounted for 63.7% and 36.3%, respectively, of total LCY bonds outstanding at the end of Q3 2020.

Issuance of LCY bonds in Q3 2020 increased 6.8% q-o-q to SGD201.7 billion from SGD188.8 billion in Q2 2020, driven by rising government bond issuance. This was slightly offset by a drop in the issuance of corporate bonds.

**Government bonds.** The LCY government bond market grew 2.0% q-o-q to SGD311.7 billion in Q3 2020 from SGD305.7 billion in the previous quarter, spurred by the new MAS floating-rate notes. On an annual basis, outstanding Singapore Government Securities (SGS) bills

and bonds, which comprised 61.4% of total outstanding LCY government bonds at the end of September, jumped 17.7% y-o-y. Since July 2019, 6-month SGS bills have gradually replaced 24-week MAS bills in order to meet the demand for short-term SGD-denominated securities as SGS bills are more accessible to a wider range of investors.

LCY government bond issuance in Q3 2020 rose 7.5% q-o-q. The growth was due to an increase in MAS bills spurred by issuances of 6-month floating-rate notes meant to promote the use of the Singapore Overnight Rate Average as a benchmark in Singapore's financial market.

**Corporate bonds.** LCY corporate bonds outstanding increased 1.6% q-o-q in Q3 2020 to reach SGD177.8 billion at the end of September, up from SGD174.9 billion at the end of June, buoyed by the increase in outstanding corporate bonds in the real estate and finance industries.

The top 30 LCY corporate bond issuers in Singapore accounted for combined outstanding bonds of SGD88.0 billion, or 49.5% of the total LCY corporate bond market, at the end of Q3 2020 (**Table 2**). The government-owned Housing & Development Board continued to be the largest issuer with outstanding LCY corporate bonds amounting to SGD26.0 billion (14.6% of total LCY corporate bonds outstanding). By industry type, real estate companies continued to comprise the largest share (43.4%) among the top 30 issuers of LCY corporate bonds with SGD38.2 billion of aggregate LCY corporate bonds outstanding at the end of Q3 2020.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2019		Q2 2020		Q3 2020		Q3 2019		Q3 2020	
	SGD	USD	SGD	USD	SGD	USD	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	<b>446</b>	<b>322</b>	<b>481</b>	<b>345</b>	<b>489</b>	<b>358</b>	<b>4.9</b>	<b>11.9</b>	<b>1.8</b>	<b>9.8</b>
Government	277	200	306	219	312	228	5.6	15.0	2.0	12.5
SGS Bills and Bonds	163	118	195	140	191	140	25.8	33.0	(1.7)	17.7
MAS Bills	114	83	111	80	120	88	(14.0)	(3.5)	8.4	5.2
Corporate	169	122	175	126	178	130	3.8	7.2	1.6	5.4

(-) = negative, MAS = Monetary Authority of Singapore, q-o-q = quarter-on-quarter, Q2 = second quarter, Q3 = third quarter, SGD = Singapore dollar, SGS = Singapore Government Securities, USD = United States dollar, y-o-y = year-on-year.

Notes:

- Government bonds are calculated using data from national sources. Corporate bonds are based on *AsianBondsOnline* estimates.
- SGS bills and bonds do not include the special issue of SGS held by the Singapore Central Provident Fund.
- Bloomberg LP end-of-period local currency-USD rates are used.
- 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.

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	26.0	19.0	Yes	No	Real Estate
2.	Land Transport Authority	9.5	6.9	Yes	No	Transportation
3.	Singapore Airlines	7.4	5.4	Yes	Yes	Transportation
4.	Frasers Property	4.0	3.0	No	Yes	Real Estate
5.	United Overseas Bank	3.3	2.4	No	Yes	Banking
6.	Capitaland Treasury	3.1	2.3	No	No	Finance
7.	Mapletree Treasury Services	2.7	2.0	No	No	Finance
8.	Keppel Corporation	2.7	1.9	No	Yes	Diversified
9.	Temasek Financial	2.6	1.9	Yes	No	Finance
10.	DBS Group Holdings	2.5	1.9	No	Yes	Banking
11.	Sembcorp Financial Services	2.1	1.5	No	No	Engineering
12.	City Developments Limited	1.7	1.3	No	Yes	Real Estate
13.	Oversea-Chinese Banking Corporation	1.7	1.2	No	Yes	Banking
14.	Ascendas REIT	1.6	1.2	No	Yes	Finance
15.	NTUC Income	1.4	1.0	No	No	Finance
16.	CMT MTN	1.4	1.0	No	No	Finance
17.	Shangri-La Hotel	1.4	1.0	No	Yes	Real Estate
18.	Olam International	1.3	1.0	No	Yes	Consumer Goods
19.	Public Utilities Board	1.3	1.0	Yes	No	Utilities
20.	GLL IHT	1.2	0.9	No	No	Real Estate
21.	Capitaland	1.2	0.9	Yes	Yes	Real Estate
22.	Singapore Technologies Telemedia	1.2	0.9	Yes	No	Utilities
23.	Suntec REIT	1.0	0.8	No	Yes	Real Estate
24.	Singapore Press Holdings	1.0	0.7	No	Yes	Communications
25.	Hyflux	0.9	0.7	No	Yes	Utilities
26.	Mapletree Commercial Trust	0.9	0.7	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.	Wing Tai Holdings	0.8	0.6	No	Yes	Real Estate
<b>Total Top 30 LCY Corporate Issuers</b>		<b>88.0</b>	<b>64.5</b>			
<b>Total LCY Corporate Bonds</b>		<b>177.8</b>	<b>130.2</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>		<b>49.5%</b>	<b>49.5%</b>			

LCY = local currency, MTN = medium-term note, REIT = real estate investment trust, SGD = Singapore dollar, USD = United States dollar.

Notes:

1. Data as of 30 September 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.

In Q3 2020, issuance of LCY corporate bonds declined to SGD5.1 billion, a contraction of 16.1% q-o-q from SGD6.0 billion in the previous quarter, due to a large base effect. The high level of issuance in Q2 2020 compensated for the limited issuance in the first quarter of 2020 as companies were affected by the COVID-19 pandemic. Q3 2020 issuance was in line with typical issuance levels seen in 2019.

Insurance cooperative NTUC Income issued the single-largest LCY corporate bond in Q3 2020, an SGD800.0 million 30-year callable bond with coupon rate of 3.10% (Table 3). Several companies issued callable perpetual bonds during the quarter, three of which were real estate investment trust (REIT) companies. Most

**Table 3: Notable Local Currency Corporate Bond Issuances in the Third Quarter of 2020**

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
NTUC Income		
30-year bond	3.10	800.0
Singapore Technologies Telemedia		
Perpetual bond	4.10	375.0
Keppel Real Estate Investment Trust		
Perpetual bond	3.15	300.0
Ascendas Real Estate Investment Trust		
Perpetual bond	3.00	300.0
Oversea-Chinese Banking Corporation		
Perpetual bond	3.00	200.0
AIMS APAC Real Estate Investment Trust		
Perpetual bond	5.65	125.0
Banyan Tree Holdings		
2-year bond	7.50	50.4

SGD = Singapore dollar.  
Source: Bloomberg LP.

notable among the perpetual bonds was Ascendas REIT, as it became the first nonfinancial green perpetual bond. At 3.00%, it also achieved the lowest yield for a perpetual bond issued by a corporation outside the banking sector. On the other hand, the effect of the COVID-19 pandemic on credit spreads was felt by AIMS APAC, REIT as it had to price its perpetual bond at a high rate of 5.65% in August. The 2-year convertible bond issued by Banyan Tree Holdings had the highest coupon rate during the review period at 7.50%.

## Policy, Institutional, and Regulatory Developments

### Monetary Authority of Singapore Expands Access to Liquidity Facilities

On 3 September, MAS announced various measures to enhance financial institutions' access to Singapore dollar and United States (US) dollar funding. On 28 September, a Singapore Dollar Term Facility was launched to provide financial institutions flexible options in terms of SGD-denominated borrowing at longer tenors. The facility, which complements the overnight MAS Standing Facility, offers SGD-denominated funds with 1-month and 3-month tenors. The new facility makes available more options for collateral composed of cash and other marketable securities in various currencies. For domestic systemically important banks, residential property loans may be pledged as collateral with the Singapore Dollar Term Facility. MAS also enhanced the US Dollar Facility, established in March, which allows banks to borrow US dollars by pledging SGD-denominated collateral. Similar to the Singapore Dollar Term Facility guidelines, options for collateral for the US Dollar Facility were also expanded.