

## Singapore

### Yield Movements

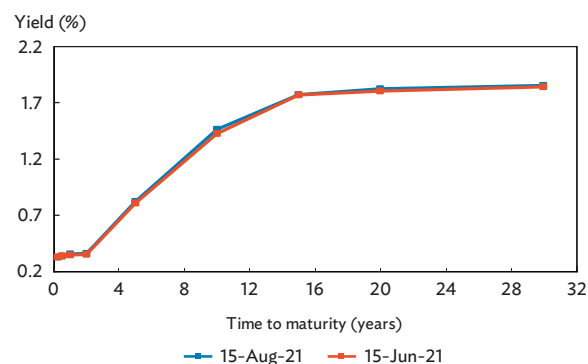
Singapore's local currency (LCY) government bond yields increased for all tenors between 15 June and 15 August except for the 3-month and 6-month tenors, which were unchanged (**Figure 1**). The 15-year yield also barely moved, increasing only 0.2 basis points (bps). The 10-year yield registered the highest increase during the review period with a jump of 4 bps. The remaining tenors increased an average of 1 bp. During the review period, the yield spread between 2-year and 10-year government bonds expanded from 107 bps to 110 bps.

The tepid demand for Singapore government bonds may be attributed to investors staying on the sideline and being cautiously optimistic as the increasing number of cases of COVID-19 and the spread of its delta variant remained a threat to global and local economic progress. Investor optimism was restrained even as the government increased its economic growth forecast for full-year 2021.

The risk-off sentiment caused by the pandemic also took its toll on the Singapore dollar as the currency weakened 2.0% during the review period against the United States (US) dollar, reaching SGD1.355 per USD1.0 on 15 August. Fitch Solutions, a subsidiary of rating agency Fitch Ratings, announced toward the end of July that it expects the Singapore dollar to trade between SGD1.35 and SGD1.38 per USD1.0 for the remainder of 2021 due to a resurgence of COVID-19 cases across the region.

Singapore's economy grew 14.7% year-on-year (y-o-y) in the second quarter (Q2) of 2021, extending the 1.5% y-o-y growth recorded in the first quarter (Q1). The growth was due to improvements in the performance of all sectors contributing to Singapore's gross domestic product (GDP). At the same time, the rapid pace of y-o-y expansion was due to a low base effect from Q2 2020 when Singapore's GDP growth plunged 13.3% y-o-y due to Circuit Breaker measures that were implemented in April to arrest the spread of COVID-19. On a quarter-on-quarter (q-o-q) basis, Singapore's economy contracted 1.8% in Q2 2021. The value of Singapore's GDP in Q2 2021 was still lower compared

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



Source: Based on data from Bloomberg LP.

to its value pre-pandemic in Q2 2019. In August, the Ministry of Trade and Industry upgraded its economic growth forecast to 6.0%–7.0% for full-year 2021 from 4.0%–6.0% as announced in May. The upgrade was due to Singapore's stronger-than-expected growth and improvements in the global economy (albeit with continued exposure to downside risks).

Prices of basic goods and services in Singapore increased 2.1% y-o-y in April, while consumer price inflation was at 2.4% y-o-y in both May and June. In July, Monetary Authority of Singapore (MAS) revised its full-year 2021 inflation forecast to 1.0%–2.0% from the 0.5%–1.5% forecast announced in the prior month. The higher forecast can be attributed to the effects of increased inflation among Singapore's trading partners. On the domestic front, tightened measures under Phase 2 (Heightened Alert) COVID-19 restrictions might also affect consumer sentiments.

Singapore was placed under Phase 2 (Heightened Alert) from 22 July to 18 August. The city-state experienced an elevated number of new cases in July. Under Phase 2, the number of people allowed to gather and the operating capacity of various businesses were reduced, and the removal of masks during allowed events is prohibited. Under the national vaccination program, 63% of Singapore's population has been fully vaccinated as of 2 August.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q2 2020		Q1 2021		Q2 2021		Q2 2020		Q2 2021	
	SGD	USD	SGD	USD	SGD	USD	q-o-q	y-o-y	q-o-q	y-o-y
<b>Total</b>	<b>474</b>	<b>340</b>	<b>522</b>	<b>388</b>	<b>555</b>	<b>412</b>	<b>2.9</b>	<b>12.4</b>	<b>6.3</b>	<b>17.1</b>
Government	306	219	349	260	366	272	4.4	16.5	4.8	19.7
SGS Bills and Bonds	195	140	203	151	207	154	3.7	50.5	1.7	6.2
MAS Bills	111	80	146	109	159	118	5.7	(16.5)	9.0	43.3
Corporate	168	121	173	129	189	141	0.3	5.7	9.3	12.3

( ) = negative, 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 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.

## Size and Composition

The LCY bond market of Singapore expanded 6.3% q-o-q in Q2 2021, increasing to a size of SGD555.0 billion (USD412.5 billion) at the end of June from SGD522.2 billion at the end of March 2021 (**Table 1**). The rate of expansion in Q2 2021 was an acceleration from growth of 3.8% q-o-q in the previous quarter. On an annual basis, the LCY bond market grew 17.1% y-o-y in Q2 2021, up from the 13.4% y-o-y growth recorded in Q1 2021. The expansion was attributed to the growth in both LCY government and corporate bonds, which accounted for 65.9% and 34.1%, respectively, of total outstanding LCY bonds at the end of the review period.

LCY bond issuance in Q2 2021 jumped 15.3% q-o-q to SGD261.4 billion in Q2 2021 from SGD226.7 billion in Q1 2021 due to increased government and corporate bond issuances. Q2 2021 growth was notably faster than the expansion of 4.7% q-o-q posted in the prior quarter.

**Government bonds.** In Q2 2021, LCY government bonds outstanding increased 4.8% q-o-q to SGD365.9 billion from SGD349.2 billion in Q1 2021. However, growth in Q2 2021 was slower than the increase of 6.0% q-o-q logged in the previous quarter. Singapore Government Securities bills and bonds, which comprised 56.5% of total LCY government bonds outstanding at the end of June, grew 1.7% q-o-q. MAS bills, which comprised 43.5% of all LCY government bonds outstanding, jumped 9.0% q-o-q on growth in the stock of MAS floating-rate notes.

Issuance of LCY government bonds increased 11.8% q-o-q in Q2 2021. Issuances of Treasury bills and bonds increased 25.2% q-o-q due to the reopening of more tenors of Treasury bonds. Central bank bills jumped 9.6% q-o-q as MAS started issuing 2-year floating-rate notes in June to promote use of the Singapore Overnight Rate Average as Singapore's new interest rate benchmark.

**Corporate bonds.** In Q2 2021, LCY corporate bonds outstanding increased 9.3% q-o-q to SGD189.1 billion from SGD173.0 billion in the previous quarter. The growth was a reversal from the decline of 0.3% q-o-q in Q1 2021 and can be attributed partly to many companies issuing perpetual bonds to lock in low interest rates amid concerns over rising benchmark interest rates.

The top 30 LCY corporate bond issuers in Singapore had combined bonds outstanding of SGD102.3 billion, or 54.1% of the total LCY corporate bond market, at the end of June (**Table 2**). Government-owned Housing & Development Board remained the largest issuer with outstanding LCY corporate bonds amounting to SGD26.1 billion. Real estate companies comprised the largest sectoral share (43.4%) among the top 30 issuers of LCY corporate bonds with SGD44.4 billion of aggregate LCY corporate bonds outstanding at the end of the review period.

In Q2 2021, issuance of LCY corporate bonds surged to SGD12.0 billion, an expansion of 228.3% q-o-q from SGD3.7 billion in the previous quarter. The growth reversed 3 consecutive quarters of decline in corporate bond issuance. The jump in LCY corporate bond

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	26.1	19.4	Yes	No	Real Estate
2.	Singapore Airlines	14.7	10.9	Yes	Yes	Transportation
3.	Land Transport Authority	9.5	7.0	Yes	No	Transportation
4.	CapitaLand	5.6	4.1	Yes	Yes	Real Estate
5.	Frasers Property	4.0	3.0	No	Yes	Real Estate
6.	United Overseas Bank	4.0	3.0	No	Yes	Banking
7.	Sembcorp Industries	3.3	2.4	No	Yes	Diversified
8.	Temasek Financial	3.1	2.3	Yes	No	Finance
9.	DBS Bank	2.9	2.1	No	Yes	Banking
10.	Mapletree Treasury Services	2.7	2.0	No	No	Finance
11.	Keppel Corporation	2.2	1.6	No	Yes	Diversified
12.	City Developments Limited	2.1	1.5	No	Yes	Real Estate
13.	CapitaLand Mall Trust	2.0	1.5	No	No	Finance
14.	Olam International	1.8	1.4	No	Yes	Consumer Goods
15.	Oversea-Chinese Banking Corporation	1.7	1.3	No	Yes	Banking
16.	Shangri-La Hotel	1.5	1.1	No	Yes	Real Estate
17.	Suntec Real Estate Investment Trust	1.5	1.1	No	Yes	Real Estate
18.	Ascendas Real Estate Investment Trust	1.5	1.1	No	Yes	Finance
19.	Singtel Group Treasury	1.4	1.0	No	No	Finance
20.	NTUC Income	1.4	1.0	No	No	Finance
21.	Singapore Technologies Telemedia	1.2	0.9	Yes	No	Utilities
22.	GuocoLand Limited IHT	1.1	0.8	No	No	Real Estate
23.	Public Utilities Board	1.0	0.7	Yes	No	Utilities
24.	Ascott Residence	1.0	0.7	No	Yes	Real Estate
25.	National University of Singapore	1.0	0.7	No	No	Education
26.	Singapore Press Holdings	1.0	0.7	No	Yes	Communications
27.	StarHub	0.9	0.7	No	Yes	Diversified
28.	Keppel Land International	0.9	0.7	No	No	Real Estate
29.	Hyflux	0.9	0.7	No	Yes	Utilities
30.	Mapletree Commercial Trust	0.8	0.6	No	Yes	Real Estate
<b>Total Top 30 LCY Corporate Issuers</b>		<b>102.3</b>	<b>76.1</b>			
<b>Total LCY Corporate Bonds</b>		<b>189.1</b>	<b>140.5</b>			
<b>Top 30 as % of Total LCY Corporate Bonds</b>		<b>54.1%</b>	<b>54.1%</b>			

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

Notes:

1. Data as of 30 June 2021.

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.

issuances was due to a huge issuance by flagship carrier Singapore Airlines, which in June issued a zero-coupon, 9-year mandatory convertible bond worth SGD6.2 billion (Table 3). Singapore Airlines will use the additional liquidity to manage its capital structure to address challenges to the airline industry brought about by the COVID-19 pandemic.

**Table 3: Notable Local Currency Corporate Bond Issuances in the Second Quarter of 2021**

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
Singapore Airlines		
9-year bond	zero	6,196.8
Singtel Group Treasury		
Perpetual bond	3.300	1,000.0
United Overseas Bank		
Perpetual bond	2.550	600.0
Mapletree Industrial Trust		
Perpetual bond	3.150	300.0
Keppel Infrastructure Trust		
Perpetual bond	4.300	300.0
Mapletree North Asia Commercial Trust		
Perpetual bond	3.500	250.0
Lendlease Global Commercial REIT		
Perpetual bond	4.200	200.0
Suntec REIT		
Perpetual bond	4.250	150.0

REIT = Real Estate Investment Trust, SGD = Singapore dollar.  
Source: Bloomberg LP.

Multiple companies issued perpetual bonds in Q2 2021 with coupon rates ranging from 2.55% to 4.30%. In April, Singtel Group Treasury, a subsidiary of telecommunications conglomerate Singapore Telecommunications, issued the largest perpetual bond during the quarter at SGD1.0 billion. With a coupon rate of 3.3%, proceeds from the perpetual security will be used to fund ordinary business expenses. In June, the perpetual bond issuance with the highest coupon rate during the review period came from Keppel Infrastructure Trust. Proceeds from its SGD300.0 million issuance with a 4.3% coupon will be used to refinance the company's borrowings and to fund general corporate purposes.

## Policy, Institutional, and Regulatory Developments

### Monetary Authority of Singapore to Issue Infrastructure Bonds in October

MAS announced on 3 August that it would issue infrastructure bonds called Singapore Government Securities (Infrastructure) beginning 1 October. The first issuance of this kind will be a 30-year benchmark bond and the maiden issuance under the Significant Infrastructure Government Loan Act, which was passed by Singapore's Parliament on 10 May to fund major long-term infrastructure projects.