

Singapore

Yield Movements

Between 31 August and 15 October, the local currency (LCY) government bond yield curve of Singapore shifted upward with yields rising across all tenors (**Figure 1**). Short-term tenors (from 3 months to 1 year) jumped an average of 6 basis points (bps), while bonds with tenors of 2 years to 30 years soared an average of 27 bps. The smallest gain for the review period was recorded for the 3-month and 6-month yields, which rose 4 bps each. On the other hand, the highest jump was registered for the 15-year yield, which surged 34 bps. The yield spread between 2-year and 10-year government bonds slightly contracted from 105 bps to 104 bps during the review period.

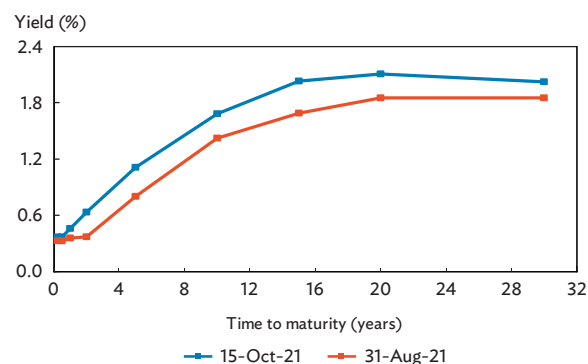
The higher yields for Singapore government bonds was due to the decision by Monetary Authority of Singapore (MAS) to tighten its monetary policy to rein in the economy's consumer price inflation. Despite encouraging signs from the stock market, investors decided to remain cautiously optimistic as the economy recovers slowly from the coronavirus disease (COVID-19) pandemic.

On 14 October, MAS decided to slightly raise from zero the slope of its Singapore dollar nominal effective exchange rate policy band. The tightening of the monetary policy aims to ensure consumer price stability amid the accumulation of inflation pressures. The central bank expects Singapore's trade-dependent economy to continue its path to recovery as global and domestic economies gradually reopen.

During the review period, the Singapore dollar slightly weakened by 0.3% against the United States (US) dollar, closing at SGD1.3483 per USD1.0 dollar on 15 October, the day after MAS's monetary policy statement was released. On the other hand, the equity market, represented by the Straits Times Index, jumped 3.9% from 31 August, reaching a level of 3,173.9 on 15 October amid optimistic growth prospects for the Singapore economy.

Singapore's economy grew 7.1% year-on-year (y-o-y) in the third quarter (Q3) of 2021, extending the 15.2% y-o-y growth recorded in the second quarter (Q2). The slower expansion was due to restrained growth in the

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



Source: Based on data from Bloomberg LP.

performance of all sectors as businesses were affected by tightened restrictions aimed at slowing the spread of COVID-19 during the quarter. On a quarter-on-quarter (q-o-q) basis, Singapore's economy expanded 1.3% in Q3 2021, a reversal of the contraction of 1.4% q-o-q recorded in the previous quarter. On an annual basis, MAS expects Singapore's economic growth to be around 7.0% for full-year 2021.

Consumer price inflation in Singapore increased 2.5% y-o-y in September, the same level as in July after dipping a little to 2.4% y-o-y in August. In its September report, MAS noted that the supply-demand gap in some commodities and goods is expected to persist in the short term. Singapore's sluggish labor market is also expected to recover, leading to increased wages. Year-to-date, consumer price inflation in Singapore averaged 1.8% y-o-y. MAS expects the full-year 2021 inflation to be around 2.0% y-o-y due to rising imported and labor costs brought about by the normalization of domestic activities. Strengthening global demand and tight supply also contribute to the accumulation of inflationary pressures.

Singapore was placed under the less restrictive Preparatory Stage of Phase 2 (Safe Transition) starting 19 August after being under Phase 2 (Heightened Alert) in July. However, due to the rising number of cases straining Singapore's health-care system toward the end of August, tightened measures, such as limited social gatherings and stricter vaccination and testing requirements for

entering establishments, were announced in September. The measures took effect from 27 September through 24 October to curb the community transmission of the virus. Under the city-state's national vaccination program, 84% of Singapore's population had been fully vaccinated as of 17 October.

Size and Composition

Singapore's LCY bond market grew 6.3% q-o-q in Q3 2021, increasing to a size of SGD590.0 billion (USD434.6 billion) at the end of September from SGD555.0 billion at the end of June 2021 (**Table 1**). This rate of expansion was the same as in the previous quarter. On a y-o-y basis, the LCY bond market expanded 21.9% y-o-y in Q3 2021, accelerating from the 17.1% y-o-y growth logged in Q2 2021. The growth of Singapore's LCY bond market was due to the growth in both LCY government and corporate bonds, which accounted for 67.0% and 33.0%, respectively, of total outstanding LCY bonds at the end of September.

Issuance of LCY bonds in Q3 2021 increased 6.7% q-o-q to SGD278.9 billion from SGD261.4 billion in the previous quarter due to the expansion of government bond issuances. The growth in issuance of government bonds was dampened by the decline in corporate bond issuance. The Q3 2021 growth was slower than the expansion of 15.3% q-o-q recorded in the previous quarter.

Government bonds. During the review period, LCY government bonds outstanding expanded 8.0% q-o-q to SGD395.3 billion from SGD365.9 billion in Q2 2021.

The bond growth in Q3 2021 was an acceleration from the growth of 4.8% q-o-q posted in the prior quarter. Outstanding Singapore Government Securities (SGS) bills and bonds, which comprised 54.5% of total LCY government bonds outstanding at the end of Q3 2021, jumped 4.3% q-o-q. MAS bills, which comprised 45.5% of all LCY government bonds outstanding, increased 12.9% q-o-q.

LCY government bond issuance expanded 8.9% q-o-q in Q3 2021. Central bank bills jumped 13.2% q-o-q due to higher issuance amounts granted to meet investor demand. In contrast, issuances of SGS bills and bonds declined 12.9% q-o-q due to low issuance in September, as MAS scaled down the issuance amount of 20-year SGS bonds to pave the way for the issuance of its first 30-year infrastructure bond in October.

Corporate bonds. LCY corporate bonds outstanding expanded 3.0% q-o-q to SGD194.7 billion in Q3 2021 from SGD189.1 billion in the prior quarter. The growth was an extension of the 9.3% q-o-q gain in Q2 2021, albeit smaller, as investors took advantage of the low-interest-rate environment.

The top 30 issuers of LCY corporate bonds in Singapore had total outstanding bonds of SGD104.0 billion, or 53.4% of the total LCY corporate bond market, at the end of Q3 2021 (**Table 2**). Government institution Housing & Development Board was the largest issuer during the quarter with outstanding LCY corporate bonds totaling SGD24.9 billion. Among the top 30 LCY corporate bonds issuers, the largest sectoral share came from

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2020		Q2 2021		Q3 2021		Q3 2020		Q3 2021	
	SGD	USD	SGD	USD	SGD	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	484	355	555	412	590	435	2.1	10.2	6.3	21.9
Government	313	229	366	272	395	291	2.4	13.0	8.0	26.3
SGS Bills and Bonds	191	140	207	154	216	159	(1.7)	17.7	4.3	12.7
MAS Bills	122	89	159	118	180	132	9.5	6.4	12.9	47.7
Corporate	171	125	189	141	195	143	1.6	5.5	3.0	13.8

(-) = 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	24.9	18.3	Yes	No	Real Estate
2.	Singapore Airlines	14.7	10.8	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.	Temasek Financial	4.6	3.4	Yes	No	Finance
6.	Frasers Property	4.0	3.0	No	Yes	Real Estate
7.	United Overseas Bank	4.0	2.9	No	Yes	Banking
8.	Mapletree Treasury Services	3.3	2.4	No	No	Finance
9.	Sembcorp Industries	3.3	2.4	No	Yes	Diversified
10.	DBS Bank	2.9	2.1	No	Yes	Banking
11.	Keppel Corporation	2.6	1.9	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.	National Environment Agency	1.7	1.2	Yes	No	Environmental Services
17.	Shangri-La Hotel	1.5	1.1	No	Yes	Real Estate
18.	Ascendas Real Estate Investment Trust	1.5	1.1	No	Yes	Finance
19.	NTUC Income	1.4	1.0	No	No	Finance
20.	Singtel Group Treasury	1.3	0.9	No	No	Finance
21.	Suntec Real Estate Investment Trust	1.2	0.9	No	Yes	Real Estate
22.	Singapore Technologies Telemedia	1.2	0.9	Yes	No	Utilities
23.	GuocoLand Limited IHT	1.1	0.8	No	No	Real Estate
24.	Public Utilities Board	1.0	0.7	Yes	No	Utilities
25.	Ascott Residence	1.0	0.7	No	Yes	Real Estate
26.	Singapore Press Holdings	1.0	0.7	No	Yes	Communications
27.	Keppel Real Estate Investment Trust	0.9	0.7	No	No	Real Estate
28.	StarHub	0.9	0.7	No	Yes	Diversified
29.	Keppel Land International	0.9	0.7	No	No	Real Estate
30.	Hyflux	0.9	0.7	No	Yes	Utilities
Total Top 30 LCY Corporate Issuers		104.0	76.6			
Total LCY Corporate Bonds		194.7	143.4			
Top 30 as % of Total LCY Corporate Bonds		53.4%	53.4%			

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

Notes:

1. Data as of 30 September 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.

real estate companies (41.4%) with SGD43.1 billion of aggregate outstanding LCY corporate bonds at the end of September.

During the review period, LCY corporate bond issuance fell to SGD7.2 billion, a contraction of 39.8% q-o-q from SGD12.0 billion in the previous quarter. The decline in LCY corporate bond issuances was due to a high base after a huge issuance by flagship carrier Singapore Airlines in June. Without Singapore Airlines' issuance in the previous quarter, LCY corporate bond issuance would have recorded an expansion of 24.5% q-o-q in Q3 2021.

Singapore's National Environment Agency issued a dual-tranche green bond totaling SGD1.65 billion in September (**Table 3**). The bond had a 10-year and a 30-year tranche, and was the first green bond and the largest first issuance by a public agency in Singapore. Proceeds from the issuance will be used for projects under the agency's green bond framework. Temasek Financial issued a SGD1.5 billion 50-year bond in August. The bond had the longest tenor among nonperpetual bonds issued during the quarter. The 50-year tenor was the first such issuance from Temasek Financial, which aims to provide the company with funding flexibility and an expanded investor base. Proceeds from the issuance will be used for the ordinary course of business. Mapletree Treasury Services raised SGD600.0 million in August from Singapore's first subordinated fixed-for-life perpetual noncallable bond. The issuance was drawn from the company's Medium-Term Note Programme. In September, Keppel Corporation issued a SGD400.0 million perpetual bond with a coupon of 2.9%, the lowest coupon for a Singaporean corporate issuer outside the financial sector. Property developer Oxley Holdings raised SGD155.0 million in July from the reopening of its 3-year bond to fund its buyback of a part of its SGD150.0 million 5.7% notes due in 2022. The issuances also had the highest coupon during the review period.

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

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
National Environment Agency		
10-year bond	1.670	350.0
30-year bond	2.500	1,300.0
Temasek Financial		
50-year bond	2.800	1,500.0
Mapletree Treasury Services		
Perpetual bond	3.700	600.0
Keppel Corporation		
Perpetual bond	2.900	400.0
AIMS APAC Real Estate Investment Trust		
Perpetual bond	5.375	250.0
Oxley Holdings		
3-year bond	6.900	155.0
Aspial Treasury		
1-year bond	6.000	70.0

SGD = Singapore dollar.
Source: Bloomberg LP.

Policy, Institutional, and Regulatory Developments

Monetary Authority of Singapore Issues Cash Management Treasury Bills

On 3 November, MAS issued a 7-day Cash Management Treasury Bill (CMTB) under the Local Treasury Bills Act to test the operational preparedness of the issuance. CMTBs are MAS's new financial instruments that are SGS bills with tenors of less than 6 months. CMTBs will be issued as a cash management instrument to allow the government to manage its short-term cashflows. MAS will not adhere to a schedule for the issuance of CMTBs, which will be issued on an ad hoc basis.