

Singapore

Yield Movements

Singapore's local currency (LCY) government bond yield curve increased for all tenors between 28 February and 15 May (Figure 1). An average jump of 96 basis points (bps) was recorded for tenors from 6 months to 2 years, while an average increase of 84 bps was reported for longer-term tenors (from 5 years to 20 years). During the review period, the 30-year yield recorded the smallest gain, increasing 60 bps. Meanwhile, the 6-month yield surged the most at 97 bps. A contraction from 69 bps to 61 bps was observed in the yield spread between 2-year and 10-year government bonds during the review period.

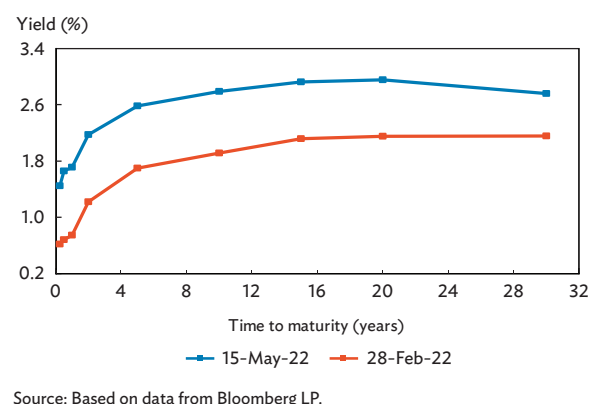
The yield curve's rise was mainly due to Monetary Authority of Singapore (MAS) tightening its monetary policy in April, following a global trend that saw economies around the world raise interest rates to combat inflationary pressures.

On 14 April, MAS decided to increase the slope and move the center of its Singapore dollar nominal effective exchange rate policy band. The tightening measure was meant to temper inflationary pressure as the Russian invasion of Ukraine and the ongoing pandemic led to supply chain disruptions and increased commodity prices.

Prices of basic goods and services in Singapore jumped 5.4% year-on-year (y-o-y) in April, the same level as in March, continuing the trend of elevated consumer price inflation that started in October 2021. Singapore's inflation rate averaged 4.8% year-to-date through the end of April. MAS expects full-year 2022 inflation to fall between 4.5% and 5.5%, higher than the central bank's previous forecast of between 2.5% and 3.5%.

Singapore's economy grew 3.7% y-o-y in the first quarter (Q1) of 2022, moderating from the 6.1% y-o-y growth recorded in the fourth quarter (Q4) of 2021. The slower expansion was due to slower growth in the performance of the manufacturing, construction, and services industries. In Q1 2022, Singapore's economy expanded 0.7% on a quarter-on-quarter (q-o-q) basis, following 2.3% q-o-q growth logged in the prior quarter. For full-year 2022, MAS expects Singapore's annual economic growth to be in the 3.0%–5.0% range.

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



Size and Composition

The LCY bond market of Singapore expanded 3.1% q-o-q in Q1 2022, growing to a size of SGD625.0 billion (USD461.5 billion) from SGD606.3 billion in Q4 2021 (Table 1). The bond market's growth decelerated from 3.8% q-o-q in the prior quarter. The LCY bond market expanded 20.9% y-o-y in Q1 2022, slower than the 21.9% y-o-y growth recorded at the end of December 2021. Singapore's LCY bond market growth was spurred by growth in its LCY government bonds outstanding, which accounted for 68.8% of total outstanding LCY bonds at the end of the review period.

LCY bond issuance in Q1 2022 declined 11.7% q-o-q to SGD290.6 billion from SGD329.1 billion in the prior quarter due to contractions in both government and corporate bond issuances. The decline in issuance was a reversal of the expansion of 18.0% q-o-q logged in Q4 2021.

Government bonds. Outstanding LCY government bonds grew 4.5% q-o-q during the review period to SGD430.2 billion from SGD411.5 billion in the previous quarter. This growth was an acceleration from the 4.1% q-o-q expansion recorded in Q4 2021. Singapore Government Securities bills and bonds outstanding, which comprised 51.6% of total outstanding LCY government bonds at the end of the review period, jumped 3.5% q-o-q. The other 48.4%, which consisted entirely of MAS bills, grew 5.6% q-o-q.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q1 2021		Q4 2021		Q1 2022		Q1 2021		Q1 2022	
	SGD	USD	SGD	USD	SGD	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	517	384	606	449	625	461	3.9	12.7	3.1	20.9
Government	349	260	412	305	430	318	6.0	19.3	4.5	23.2
SGS Bills and Bonds	203	151	214	159	222	164	3.5	8.3	3.5	9.2
MAS Bills	146	109	197	146	208	154	9.6	38.9	5.6	42.7
Corporate	168	125	195	144	195	144	(0.3)	1.1	(0.003)	16.3

() = 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. 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.

Issuance of LCY government bonds declined 10.8% q-o-q in Q1 2022. Central bank bills issued during the quarter decreased 10.6% q-o-q due to reduced issuance of MAS bills and MAS floating-rate notes. Similarly, issuance of Treasury securities declined 12.3% q-o-q on less issuance of Singapore Government Securities bills and bonds.

Corporate bonds. Outstanding LCY corporate bonds marginally declined to SGD194.8 billion in Q1 2022, essentially unchanged from the prior quarter. The slight decline was a reversal of the 3.3% q-o-q gain logged in the previous quarter.

At the end of Q1 2022, Singapore's top 30 LCY corporate bond issuers had combined outstanding bonds totaling SGD106.0 billion, or 54.4% of the LCY corporate bond market (**Table 2**). The largest issuer during the review period was the government's Housing & Development Board with LCY corporate bonds outstanding amounting to SGD26.9 billion. The largest sectoral share among the top issuers of LCY corporate bonds belonged to real estate companies (41.5%) with SGD43.9 billion of total LCY corporate bonds outstanding at the end of Q1 2022.

LCY corporate bond issuance fell during Q1 2022 to SGD2.4 billion, contracting 58.5% q-o-q from SGD5.9 billion in the prior quarter, due to lower volumes of fundraising activities in each month of the quarter compared to previous months. LCY corporate bond issuances have been declining since the third quarter of 2021.

Singapore's Housing & Development Board issued a total of SGD2.0 billion in Q1 2022 (**Table 3**). The state-owned company raised SGD1.0 billion and SGD950.0 million from a 5-year green bond and 7-year bond, respectively. Proceeds from the green bond will be used for projects that fall under the company's Green Finance Framework. Port and harbor operator PSA Treasury issued a SGD150.0 million 15-year bond in March, the longest tenor issued during the quarter. In January, Maxi-Cash Financial Services issued a 3-year bond worth SGD60.0 million, drawn from its multi-currency medium-term note program. The proceeds will be used for general corporate purposes. The issuance had the highest coupon during the quarter with a periodic distribution rate of 6.05%.

Policy, Institutional, and Regulatory Developments

Singapore and Australia to Jointly Develop Financial Technology

On 13 April, MAS and Australia Treasury signed an agreement committing both parties to strengthening their economies' financial technology network. Under the FinTech Bridge Agreement, the two governments agreed to improve multilateral cooperation on financial technology, expand business opportunities in each other's markets, work together with experts in both economies to generate new financial technology opportunities for Singaporeans and Australians, and share information on issues and market trends in financial technology.

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	26.9	19.9	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.	Temasek Financial	5.1	3.8	Yes	No	Finance
6.	United Overseas Bank	4.0	3.0	No	Yes	Banking
7.	Frasers Property	3.8	2.8	No	Yes	Real Estate
8.	Sembcorp Industries	3.8	2.8	No	Yes	Diversified
9.	Mapletree Treasury Services	3.3	2.4	No	No	Finance
10.	DBS Bank	2.9	2.1	No	Yes	Banking
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.	Oversea-Chinese Banking Corporation	1.7	1.3	No	Yes	Banking
15.	Singapore Technologies Telemedia	1.7	1.2	Yes	No	Utilities
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.	NTUC Income	1.4	1.0	No	No	Finance
19.	Ascendas Real Estate Investment Trust	1.3	0.9	No	Yes	Finance
20.	Singtel Group Treasury	1.3	0.9	No	No	Finance
21.	Suntec Real Estate Investment Trust	1.1	0.8	No	Yes	Real Estate
22.	Olam International	1.1	0.8	No	Yes	Consumer Goods
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.	StarHub	0.9	0.7	No	Yes	Diversified
28.	Keppel Land International	0.9	0.7	No	No	Real Estate
29.	Olam Group	0.9	0.7	No	Yes	Consumer Goods
30.	Hyflux	0.9	0.7	No	Yes	Utilities
Total Top 30 LCY Corporate Issuers		106.0	78.2			
Total LCY Corporate Bonds		194.8	143.8			
Top 30 as % of Total LCY Corporate Bonds		54.4%	54.4%			

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

Notes:

1. Data as of 31 March 2022.

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 Issuances in the First Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
Housing & Development Board		
5-year bond	1.845	1,000.0
7-year bond	1.971	950.0
PSA Treasury		
15-year bond	2.675	150.0
Maxi-Cash Financial Services		
3-year bond	6.050	60.0
Standard Chartered		
3-year bond	1.000	2.0

SGD = Singapore dollar.
Source: Bloomberg LP.