

Singapore

Yield Movements

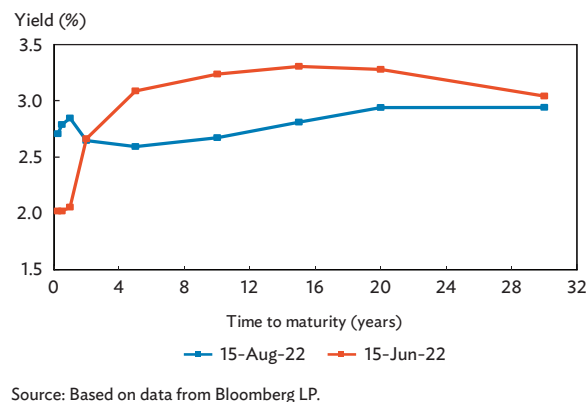
The local currency (LCY) government bond yield curve of Singapore flattened between 15 June and 15 August (Figure 1). On average, tenors from 3 months to 1 year jumped 75 basis points (bps), while longer-term tenors (from 5 years to 20 years) declined an average of 47 bps. During the review period, the yield spread between 10-year and 2-year government bonds contracted from 57 bps to 2 bps.

The increased short-term yields was due to Monetary Authority of Singapore (MAS) tightening its monetary policy in July as a preventive measure against inflationary pressure. The flight to safety amid continued uncertainties in the trajectory of the domestic and global economy attracted investors to longer-term tenors. The curve's rising short-term yields and falling longer-term yields largely tracked the yield curve movements of United States Treasuries, which were impacted by increased market expectations of less aggressive monetary tightening by the United States Federal Reserve.

In a surprise off-cycle move on 14 July, MAS decided to tighten its monetary policy again after increasing the slope and moving the center of its Singapore dollar nominal effective exchange rate policy band in April. In July, the central bank kept the slope unchanged but recentered the midpoint of the policy band to its prevailing level. This was the fourth consecutive tightening since October 2021, with the measure meant to temper inflationary pressure from increased commodity prices following the lifting of movement restrictions brought about by the coronavirus disease (COVID-19) pandemic. Global commodity and labor market constraints also contributed to inflationary pressure in Singapore.

Singapore's consumer price inflation has been on an uptrend since September 2021. In April, prices of basic goods and services increased 5.4% year-on-year (y-o-y), before accelerating to 5.6% y-o-y and 6.7% y-o-y in May and June, respectively. Consumer price inflation in July further surged to 7.0% y-o-y. During the first 7 months of 2022, the average inflation rate was 5.5% y-o-y, which fell within MAS's full-year 2022 inflation forecast of 5.0%–6.0%.

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



The gross domestic product of Singapore increased 4.4% y-o-y in the second quarter (Q2) of 2022, accelerating from a 3.8% y-o-y expansion in the first quarter (Q1) of 2022. The growth was spurred by faster growth in the output of the manufacturing, construction, and services industries. On a quarter-on-quarter (q-o-q) basis, the economy of Singapore shrunk 0.2% in Q2 2022, reversing the jump of 0.8% q-o-q in the previous quarter. In August, the Ministry of Trade and Industry adjusted its projection of Singapore's 2022 annual economic growth to the 3.0%–4.0% range, narrower than its previous forecast of 3.0%–5.0%, as it expected weakening global economic developments to affect Singapore's economic performance.

Size and Composition

Singapore's LCY bond market grew 3.0% q-o-q in Q2 2022, reaching a size of SGD643.9 billion (USD463.1 billion) at the end of June and slightly decelerating from the 3.1% q-o-q growth in Q1 2022 (Table 1). On an annual basis, the LCY bond market expanded 17.3% y-o-y during Q2 2022, which was slower than the 20.9% y-o-y growth registered in the prior quarter. The growth in Singapore's LCY bond market was driven by growth in both the government and corporate bond segments, which accounted for 69.3% and 30.7%, respectively, of total LCY bonds outstanding at the end of June.

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q2 2021		Q1 2022		Q2 2022		Q2 2021		Q2 2022	
	SGD	USD	SGD	USD	SGD	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	549	408	625	461	644	463	6.2	16.3	3.0	17.3
Government	366	272	430	318	446	321	4.8	19.7	3.8	22.0
SGS Bills and Bonds	207	154	222	164	226	163	1.7	6.2	2.0	9.5
MAS Bills	159	118	208	154	220	158	9.0	43.3	5.7	38.3
Corporate	183	136	195	144	198	142	9.3	10.0	1.4	7.9

() = 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. 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 bonds in Q2 2022 jumped 16.1% q-o-q to SGD337.3 billion as issuances of both government and corporate bonds increased, reversing the contraction of 11.7% q-o-q recorded in Q1 2022.

Government bonds. LCY government bonds outstanding expanded 3.8% q-o-q in Q2 2022 to reach SGD446.4 billion at the end of June, slowing from the 4.5% q-o-q expansion logged in the previous quarter. Outstanding Singapore Government Securities bills and bonds, which comprised 50.7% of total LCY government bonds outstanding at the end of June, increased 2.0% q-o-q. MAS bills, which comprised the other 49.3%, jumped 5.7% q-o-q.

LCY government bond issuance increased 15.2% q-o-q in Q2 2022. Central bank bills issued during the quarter grew 14.6% q-o-q. The amount of Treasury securities issued during the quarter increased 20.1% q-o-q.

Corporate bonds. LCY corporate bonds outstanding increased 1.4% q-o-q in Q2 2022 to reach SGD197.5 billion at the end of June. This followed a marginal contraction registered in Q1 2022.

At the end of June, the top 30 issuers of LCY corporate bonds in Singapore had total bonds outstanding of SGD106.2 billion, or 53.8% of the LCY corporate bond market (**Table 2**). Government-owned Housing & Development Board was the largest

issuer in Q2 2022 with outstanding LCY corporate bonds totaling SGD27.0 billion. By sector, the largest share comprised real estate companies (39.4%) with SGD41.8 billion of total outstanding LCY corporate bonds at the end of June.

The issuance of LCY corporate bonds more than doubled in Q2 2022 to SGD5.2 billion from SGD2.4 billion in Q1 2022 as companies rushed to the debt market due to expectations of more interest rate hikes in the short term. The jump in issuance of LCY corporate bonds halted the trend of declining issuances that began in the third quarter of 2021.

In Q2 2022, state-owned Housing & Development Board raised SGD900.0 million worth of 3-year bonds with a coupon rate of 2.627% (**Table 3**). It was the largest LCY corporate issuance in Singapore in Q2 2022, the proceeds of which will be used for the company's development programs and general corporate purposes. Four companies in Singapore issued perpetual bonds drawn from their respective debt issuance programs during the quarter. The callable and floating-rate perpetual bond issuances ranged from SGD150.0 million to SGD500.0 million. Toward the end of April, real estate company Perennial Holdings sold a 2-year bond worth USD33.5 million and with a periodic distribution rate of 5.6%. This was the highest coupon rate of any LCY corporate bond issuance in Singapore during the review period.

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	27.0	19.4	Yes	No	Real Estate
2.	Singapore Airlines	14.7	10.6	Yes	Yes	Transportation
3.	Land Transport Authority	9.5	6.8	Yes	No	Transportation
4.	Temasek Financial	5.1	3.7	Yes	No	Finance
5.	CapitaLand	4.6	3.3	Yes	Yes	Real Estate
6.	Sembcorp Industries	4.1	3.0	No	Yes	Diversified
7.	United Overseas Bank	4.0	2.9	No	Yes	Banking
8.	Frasers Property	3.3	2.4	No	Yes	Real Estate
9.	Mapletree Treasury Services	3.3	2.4	No	No	Finance
10.	DBS Bank	2.9	2.1	No	Yes	Banking
11.	Oversea-Chinese Banking Corporation	2.2	1.6	No	Yes	Banking
12.	Keppel Corporation	2.2	1.5	No	Yes	Diversified
13.	City Developments Limited	2.1	1.5	No	Yes	Real Estate
14.	CapitaLand Mall Trust	2.0	1.4	No	No	Finance
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.	PSA Treasury	1.3	0.9	Yes	No	Transportation
21.	Singtel Group Treasury	1.3	0.9	No	No	Finance
22.	Ascott Residence	1.2	0.8	No	Yes	Real Estate
23.	Suntec Real Estate Investment Trust	1.1	0.8	No	Yes	Real Estate
24.	Olam International	1.1	0.8	No	Yes	Consumer Goods
25.	GuocoLand Limited IHT	1.1	0.8	No	No	Real Estate
26.	Keppel Infrastructure Trust	1.1	0.8	No	No	Diversified
27.	Public Utilities Board	1.0	0.7	Yes	No	Utilities
28.	Singapore Post	1.0	0.7	No	Yes	Transportation
29.	Singapore Press Holdings	1.0	0.7	No	Yes	Communications
30.	StarHub	0.9	0.7	No	Yes	Diversified
Total Top 30 LCY Corporate Issuers		106.2	76.4			
Total LCY Corporate Bonds		197.5	142.0			
Top 30 as % of Total LCY Corporate Bonds		53.8%	53.8%			

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

Notes:

1. Data as of 30 June 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 Second Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
Housing & Development Board		
3-year bond	2.627	900.0
Oversea-Chinese Banking Corporation		
Perpetual bond	3.900	500.0
Singapore Post		
Perpetual bond	4.350	250.0
Lendlease Global Commercial REIT		
Perpetual bond	5.250	200.0
ESR-LOGOS REIT		
Perpetual bond	5.500	150.0
Perennial Holdings		
2-year bond	5.600	33.5

REIT = real estate investment trust, SGD = Singapore dollar.
Source: Bloomberg LP.

Policy, Institutional, and Regulatory Developments

Singapore Green Bond Framework Launched

On 9 June, the Government of Singapore published its Singapore Green Bond Framework, which provides guidelines for issuances of sovereign green bonds under the government's Significant Infrastructure Government Loan Act. The framework adheres to international best practices, outlining recognized market standards, strict oversight of the selection of projects and allocation of proceeds, and evaluation of green projects. The framework also stipulates that proceeds from green bonds issued by government agencies will be used to finance green projects under the Singapore Green Plan 2030, which facilitates the economy's transition to a low-carbon economy and advances the United Nation's Sustainable Development Goals.

Singapore Prices First Sovereign Green Bond

On 4 August, MAS priced its first sovereign green bond, known as the Green Singapore Government Securities Bond. The issuance was a 50-year bond worth SGD2.4 billion with a coupon rate of 3.0%. The 50-year tenor is the longest-dated green bond ever issued by the Government of Singapore. The bond also supports Singapore's goal of being a low-carbon economy and a green finance hub. Extending Singapore's bond yield curve also helps the development of the Singapore dollar bond market.