

Singapore

Yield Movements

Between 31 August and 14 October, Singapore's local currency (LCY) government bond yield curve rose for all tenors (**Figure 1**). Government securities with short-term tenors (from 3 months to 1 year) soared 76 basis points (bps) on average. The belly of the curve (2 years to 15 years) increased 50 bps, while longer-term tenors (20 years and 30 years) jumped 18 bps. The yield spread between 10-year and 2-year government bonds marginally increased from 19.8 bps to 20.0 bps during the review period.

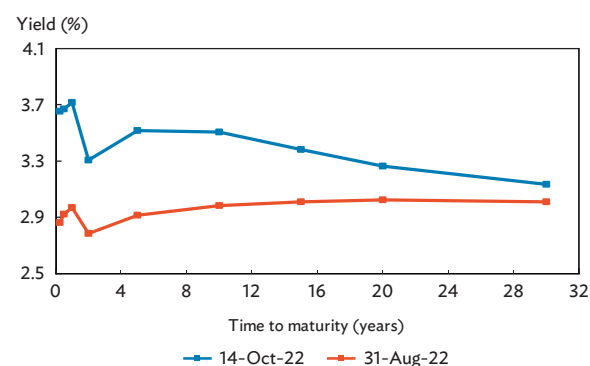
Yields increased as the Monetary Authority of Singapore (MAS) tightened its monetary policy in October to combat persistent inflationary pressure. The movement of the curve largely tracked the yield curve movements of United States (US) Treasuries, which rose for all tenors amid continued rate hikes by the US Federal Reserve.

On 14 October, the MAS decided to tighten its monetary policy for the fifth straight time since October 2021, moving the center of the Singapore dollar nominal effective exchange rate policy band to its prevailing level as the Singapore dollar had appreciated against the US dollar since July. The slope and width of the central bank's policy rate band was kept unchanged. This was the third time the center of the policy band was recentered following similar actions taken in April and July. The measure seeks to temper the impact of inflationary pressure in succeeding quarters.

Elevated prices for basic goods and services in Singapore were recorded in the third quarter (Q3) of 2022. Consumer price inflation in July was 7.0% year-on-year (y-o-y) before accelerating to 7.5% y-o-y in both August and September. In the first 9 months of 2022, the average inflation rate was 5.9% y-o-y, falling within the MAS full-year 2022 inflation forecast of around 6.0%.

Advance estimates showed that Singapore's gross domestic product jumped 4.4% y-o-y in Q3 2022, decelerating from the 4.5% y-o-y increase recorded in the previous quarter. The slower expansion was due to the lower growth logged in the manufacturing sector. Average economic growth in the first 3 quarters of 2022

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



Source: Based on data from Bloomberg LP.

was 4.2% y-o-y, which was above the Ministry of Trade and Industry's projection of 3.0%–4.0% for Singapore's 2022 annual economic growth. However, the MAS also projected the economy would grow at a slower pace in 2023.

Size and Composition

The LCY bond market of Singapore expanded 3.5% quarter-on-quarter (q-o-q) in Q3 2022, totaling SGD666.4 billion (USD464.3 billion) at the end of Q3 2022 and slightly accelerating from the 3.0% q-o-q gain in the second quarter (Q2) of 2022 (**Table 1**). On an annual basis, Singapore's bonds outstanding rose 14.1% y-o-y at the end of September, decelerating from the 17.3% y-o-y surge logged in the previous quarter. Singapore's bond market expansion was driven by growth in the government bond segment, which comprised 70.4% of total outstanding LCY bonds at the end of Q3 2022.

LCY bonds issued in Q3 2022 climbed 14.4% q-o-q, spurred by increased issuance of government bonds and extending the 16.1% q-o-q uptick logged in Q2 2022.

Government bonds. Outstanding LCY government bonds grew 5.1% q-o-q in Q3 2022, accelerating from the 3.8% q-o-q growth registered in the prior quarter. Outstanding Treasury fixed-income securities, which comprised 48.9% of Singapore's total outstanding

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

	Outstanding Amount (billion)						Growth Rate (%)			
	Q3 2021		Q2 2022		Q3 2022		Q3 2021		Q3 2022	
	SGD	USD	SGD	USD	SGD	USD	q-o-q	y-o-y	q-o-q	y-o-y
Total	584	430	644	463	666	464	6.4	21.6	3.5	14.1
Government	395	291	446	321	469	327	8.0	26.3	5.1	18.6
SGS Bills and Bonds	216	159	226	163	230	160	4.3	12.7	1.4	6.5
MAS Bills	180	132	220	158	240	167	12.9	47.7	8.8	33.2
Corporate	189	139	198	142	197	138	3.0	12.8	(0.03)	4.7

() = 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:

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.

government bonds at the end of the quarter, rose 1.4% q-o-q. Central bank bills, which comprised the other 51.1%, expanded 8.8% q-o-q.

Issuance of LCY government bonds expanded 15.0% q-o-q during Q3 2022, slower than the 15.2% q-o-q expansion registered in Q2 2022. The amount of MAS securities and Singapore Government Securities issued during the quarter grew 17.1% q-o-q and 0.5% q-o-q, respectively. In August, Singapore's first sovereign green bond worth SGD2.4 billion was issued. With a tenor of 50 years, the issuance also extended the LCY government bond yield curve of Singapore.

Corporate bonds. Outstanding LCY corporate bonds showed a marginal decline of 0.03% q-o-q at the end of September. This was a reversal from the expansion of 1.4% q-o-q logged at the end of June.

The 30 largest issuers of LCY corporate bonds in Singapore had aggregate outstanding bonds worth SGD107.4 billion, or 54.4% of the total LCY corporate bond market, at the end of September (**Table 2**). The Housing & Development Board, a state-owned corporation, continued to be the biggest issuer in Q3 2022 with SGD28.0 billion of corporate bonds outstanding. By sector, real estate companies (40.3%) had the largest share with SGD43.2 billion of the total at the end of the review period.

LCY corporate bonds issued in Q3 2022 dropped 25.2% q-o-q, a reversal from the 113.0% q-o-q expansion logged in the previous quarter. Many companies chose not to raise funds through a bond issuance due to the high-interest-rate environment brought about by the monetary policy tightening of Singapore's central bank, which was meant to combat inflationary pressure in the economy.

In Q3 2022, the state-owned Housing & Development Board raised a total of SGD2.1 billion from the issuance of 5-year and 7-year bonds with coupon rates of 2.940% and 3.437%, respectively (**Table 3**). The 5-year tenor was the largest LCY corporate issuance in Singapore in Q3 2022. It was also a green bond with proceeds to be used to fund the statutory board's green building projects. The state-owned Public Utilities Board issued a green bond with the longest nonperpetual tenor in Singapore: a 30-year bond worth SGD800.0 million. Proceeds from the bond will be used to finance projects under the company's Green Financing Framework. United Overseas Bank raised SGD400.0 million through a floating-rate perpetual bond. Funds raised will be considered as tier 1 capital of the bank, as required by the MAS. Toward the end of August, real estate company Perennial Holdings sold a 2-year bond worth SGD44.3 million and with a periodic distribution rate of 6.5%. This was the highest coupon rate of any LCY corporate bond issuance in Singapore during Q3 2022.

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	28.0	19.5	Yes	No	Real Estate
2.	Singapore Airlines	14.7	10.3	Yes	Yes	Transportation
3.	Land Transport Authority	8.9	6.2	Yes	No	Transportation
4.	Temasek Financial	5.1	3.6	Yes	No	Finance
5.	CapitaLand	4.6	3.2	Yes	Yes	Real Estate
6.	United Overseas Bank	4.4	3.1	No	Yes	Banking
7.	Sembcorp Industries	4.1	2.9	No	Yes	Diversified
8.	Frasers Property	3.8	2.7	No	Yes	Real Estate
9.	Mapletree Treasury Services	3.3	2.3	No	No	Finance
10.	DBS Bank	2.9	2.0	No	Yes	Banking
11.	Oversea-Chinese Banking Corporation	2.2	1.5	No	Yes	Banking
12.	Keppel Corporation	2.2	1.5	No	Yes	Diversified
13.	CapitaLand Mall Trust	2.0	1.4	No	No	Finance
14.	City Developments Limited	2.0	1.4	No	Yes	Real Estate
15.	Singapore Technologies Telemedia	1.7	1.2	Yes	No	Utilities
16.	National Environment Agency	1.7	1.1	Yes	No	Environmental Services
17.	Shangri-La Hotel	1.5	1.0	No	Yes	Real Estate
18.	Public Utilities Board	1.4	1.0	Yes	No	Utilities
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	0.7	No	No	Real Estate
26.	Keppel Infrastructure Trust	1.1	0.7	No	No	Diversified
27.	Olam Group	1.0	0.7	No	Yes	Consumer Goods
28.	Singapore Press Holdings	1.0	0.7	No	Yes	Communications
29.	Singapore Post	1.0	0.7	No	Yes	Transportation
30.	Hyflux	0.9	0.6	No	Yes	Utilities
Total Top 30 LCY Corporate Issuers		107.4	74.8			
Total LCY Corporate Bonds		197.4	137.6			
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 30 September 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 Third Quarter of 2022

Corporate Issuers	Coupon Rate (%)	Issued Amount (SGD million)
Housing & Development Board		
5-year bond	2.940	1,100.0
7-year bond	3.437	1,000.0
Public Utilities Board		
30-year bond	3.433	800.0
United Overseas Bank		
Perpetual bond	Floating	400.0
Perennial Holdings		
2-year bond	6.500	44.3

SGD = Singapore dollar.
Source: Bloomberg LP.

Policy, Institutional, and Regulatory Developments

Monetary Authority of Singapore Lays Out Vision for 2025

On 15 September, the MAS launched its Financial Services Industry Transformation Map 2025, which details Singapore's plans to be the chief financial center in the region. Under its key strategy of digitalizing financial infrastructure, the MAS aims to develop its bond market infrastructure by making the processes for listing, issuance, and settlement more efficient. This will allow investors to choose Singapore as their preferred destination for bond listing and issuance.