

# Singapore

## Yield Movements

Singapore’s local currency (LCY) government bond yields increased for most tenors between 1 June and 31 August, largely tracking the movement in the yield curve of United States (US) Treasury yields (Figure 1).

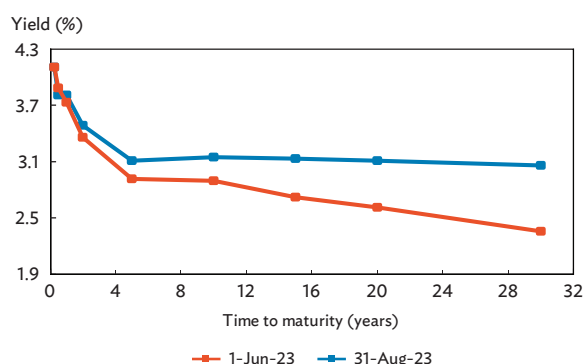
Only the 6-month tenor posted a decline during the review period as investors opted for short-term securities amid uncertainties in the financial market. The Singapore dollar nominal effective exchange rate has been broadly stable since the Monetary Authority of Singapore (MAS)

kept its monetary policy unchanged at its last meeting on 14 April (Figure 2). However, US Treasury yields jumped as the US Federal Reserve raised interest rates in its July meeting to keep consumer price inflation under control while maintaining a high employment rate.

## Local Currency Bond Market Size and Issuance

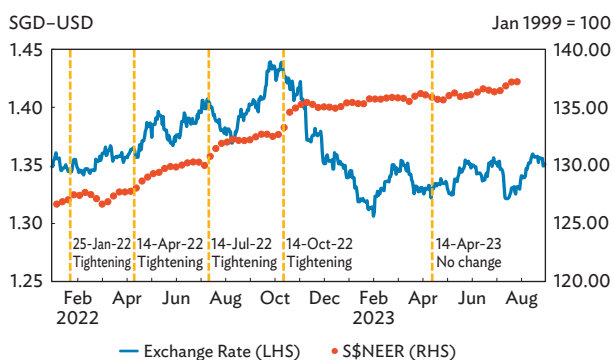
In the second quarter (Q2) of 2023, the LCY bond market of Singapore grew 1.7% quarter-on-quarter (q-o-q) to SGD681.9 billion. This growth was supported by higher outstanding government securities. An expansion of 3.1% q-o-q was recorded for central bank securities, extending the 4.2% q-o-q growth recorded in the first quarter of 2023. Singapore’s LCY bond market was dominated by securities issued by the MAS during the review period (Figure 3). Growth in Singapore Government Securities bills and bonds recovered in Q2 2023, rebounding 4.4% q-o-q from a decline of 0.4% q-o-q in the prior quarter. The LCY bond market’s growth, however, was dampened by the 3.8% q-o-q contraction in outstanding LCY corporate bonds due to tepid issuance during Q2 2023. Among all issuers, government-owned Housing & Development Board had the most outstanding LCY bonds, totaling SGD28.2 billion at the end of June.

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



Source: Based on data from Bloomberg LP.

**Figure 2: Exchange Rate and Monetary Policy Rates in Singapore**

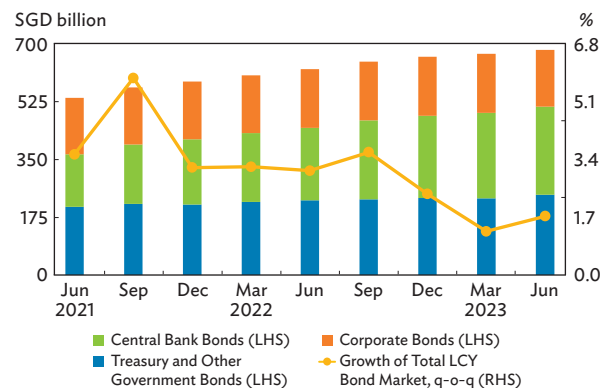


LHS = left-hand side, RHS = right-hand side, S\$NEER = Singapore dollar nominal effective exchange rate, SGD = Singapore dollar, USD = United States dollar.

Note: Data for S\$NEER are as of 28 July 2023.

Source: Monetary Authority of Singapore.

**Figure 3: Composition of Local Currency Bonds Outstanding in Singapore**



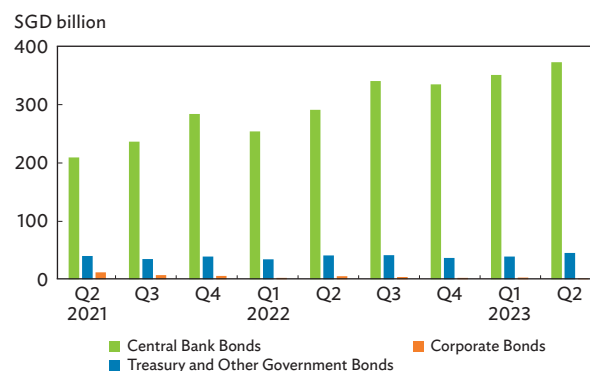
LCY = local currency, LHS = left-hand side, q-o-q = quarter-on-quarter, RHS = right-hand side, SGD = Singapore dollar.

Note: Corporate bonds are based on AsianBondsOnline estimates.

Sources: Monetary Authority of Singapore and Bloomberg LP.

**Total issuance of LCY bonds in Singapore accelerated 6.9% q-o-q in Q2 2023 due to growth in issuances of LCY government securities (Figure 4).** As in the preceding quarter, the majority of LCY bond issuances were from the central bank since MAS securities are regularly auctioned to manage liquidity in Singapore's financial market. A decrease of 43.9% q-o-q was recorded for LCY corporate bond issuance in Q2 2023 due to the high interest rate environment. City Developments Limited, a real estate company, raised SGD470.0 million from a 5-year bond issuance in April. The issuance was the largest corporate issue during the quarter, with the fixed-income security offering a 4.139% coupon rate. Proceeds from the issuance will be used as the company's general working capital.

**Figure 4: Composition of Local Currency Bond Issuance in Singapore**



Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, SGD = Singapore dollar.

Note: Corporate bonds are based on *AsianBondsOnline* estimates.

Sources: Monetary Authority of Singapore and Bloomberg LP.