

Singapore—Update

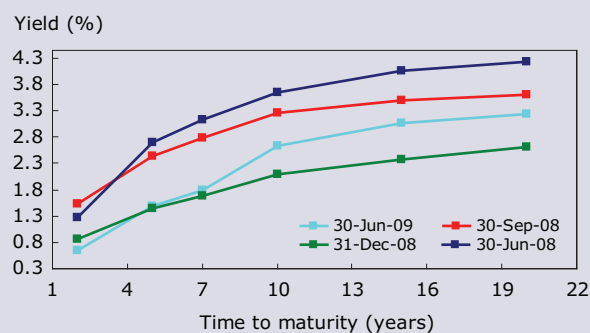
Yield Movements

On 27 May, a new 10-year Singapore Government Security (SGS) was auctioned, which pushed yields of 10-years and longer above levels attained in December 2008, and steepened the government's yield curve, especially at the long end of the curve (**Figure 1**). The SGS bond market continues to be anchored by relatively conducive short-term interest rates as the 3-month Singapore interbank offered rate (SIBOR) is near record lows amid sufficient money market liquidity (**Figure 2**).

The economy contracted 3.5% year-on-year (y-o-y) during 2Q09, a significant improvement over the -9.6% y-o-y decline in 1Q09, as all major sectors experienced a decline except for construction and business services. The economy contracted by 6.5% in the first half of the year. The Ministry of Trade and Industry (MTI) is expecting Singapore's economy to contract by 4% - 6% in 2009, an upward revision from the contraction of 6% - 9% that it had forecast in April. Business expectations for companies have also improved. In April, the Monetary Authority of Singapore (MAS) announced that the Singapore dollar's nominal effective exchange rate (SGD NEER) was appropriate for maintaining domestic price stability over the medium term. MAS re-centered the exchange rate policy band to the prevailing level of the SGD NEER and retained the zero percent appreciation path.

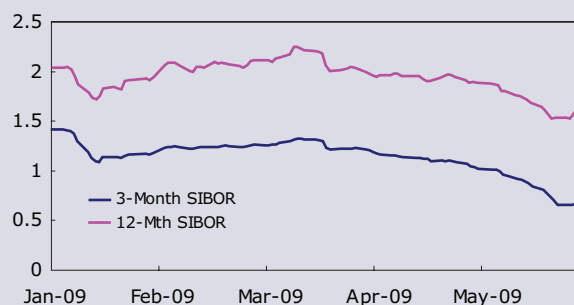
The consumer price index (CPI) reached negative territory in April, May, and June at -0.7% y-o-y, -0.3%, and -0.5%, respectively, following positive, yet slowing, CPI rates recorded during each of the first 3 months of 2009. The CPI for the first 6 months of 2009 was 0.8% higher compared with the same period in 2008. The slowdown in inflation falls within MTI's expectations, given the downward correction of global commodity prices from levels attained in 2008. Domestic cost pressures have also eased in line with Singapore's recession. MTI

Figure 1: Benchmark Yield Curve—Local Currency Government Bonds



Source: Bloomberg LP.

Figure 2: SIBOR Rates



SIBOR = Singapore interbank offered rate.

Source: Bloomberg LP.

forecasts that inflation will be between -1% and zero for the whole of 2009.

Size and Composition

As of June 2009, the value of total local currency (LCY) bonds was SGD192 billion, which represented an increase of 1.9% y-o-y and 5.0% quarter-on-quarter (q-o-q). Outstanding government bonds were SGD116 billion in June, which rose by 6.9% q-o-q after rising by 3.4% in March. Government bond issuance rose 7.9% q-o-q in 1Q09. However, the majority of SGS issues were 91-day Treasury bills, while SGS bond issues were relatively small, such as the 20-year SGS (SGD700 million) issued in February

Table 1: Size and Composition of Local Currency Bond Markets

	Amount (billion)						Growth Rate (%)									
	Mar-09		Apr-09		May-09		Jun-09		Mar-09		Apr-09		May-09		Jun-09	
	SGD	USD	SGD	USD	SGD	USD	SGD	USD	q-o-q	m-o-m	q-o-q	m-o-m	q-o-q	m-o-m	q-o-q	m-o-m
Total	183	120	188	127	190	132	192	133	-0.4	-1.0	2.8	2.9	1.1	1.9	5.0	0.9
Government	108	71	112	76	113	78	116	80	4.6	3.4	3.0	3.2	1.2	7.1	6.9	2.4
Treasury Bonds	108	71	112	76	113	78	116	80	4.6	3.4	3.0	3.2	1.2	7.1	6.9	2.4
Central Bank Bonds																
Corporate	75	49	77	52	77.47	53.58	76.50	52.92	-6.9	-6.9	2.4	2.3	1.1	-5.2	2.2	-1.2

Y-o-y = year-on-year, q-o-q = quarter-on-quarter, m-o-m = month-on-month.

Note:

1. Government Bonds are calculated using data from national sources. Corporate bond are based on *AsianBondOnline* estimates.
2. Bloomberg end-of-period LCY-USD rate is used.
3. Growth rates are calculated from LCY base and do not include currency effects.

Source: Monetary Authority of Singapore and Bloomberg LP.

and the 5-year SGS (SGD800 million) issued in March. Government bond issuance rose significantly to 19.2% q-o-q during 2Q09. One notable long-term bond issue during 2Q09 was the 10-year SGS (SGD2 billion) issued on 1 June. There is no SGS bond issuance scheduled further until 1 September, when a new 15-year benchmark will become available.

At the end of March, outstanding corporate bonds amounted to SGD75 billion, falling 6.9% on both a y-o-y and q-o-q basis. Corporate bond issuance in 1Q09 fell 65% compared to 4Q08. The government implemented a special risk-sharing initiative to stimulate bank lending and ensure that a broader segment of companies have access to credit, which may have prompted companies to approach banks and apply for loans to sustain their operations rather than issue corporate bonds. At end-June, corporate bonds outstanding amounted to SGD76.5 billion, rising 2.2% q-o-q. The government's fiscal 2009 budget initiatives appear to have provided relief to corporations and households.

Bloomberg data shows that at the end of June the top 20 corporate bond issuers—comprising 42% of total corporate bonds outstanding—came from the utilities industry and the real estate sector (**Table 2**).

Turnover

Monthly data shows that government bond trading volume rose significantly in January to SGD42 billion from SGD25 billion in December. The turnover ratio also rose in January to 0.41 from 0.24 in December. For the succeeding 2 months, trading volume fell to SGD32 billion in February and SGD22 billion in March, with corresponding declines in turnover ratios to 0.31 in February and 0.21 in March. Trading volume was slightly higher in April and May at SGD24 billion and SGD23 billion, respectively. The turnover ratio remained mostly steady in April and May at 0.22 and 0.21, respectively. In June, the trading volume rose to SGD28 billion, its highest level over a 4-month period, and the turnover ratio increased to 0.25.

Table 2: Bonds Outstanding of Top Corporate Issuers
(SGD billion)

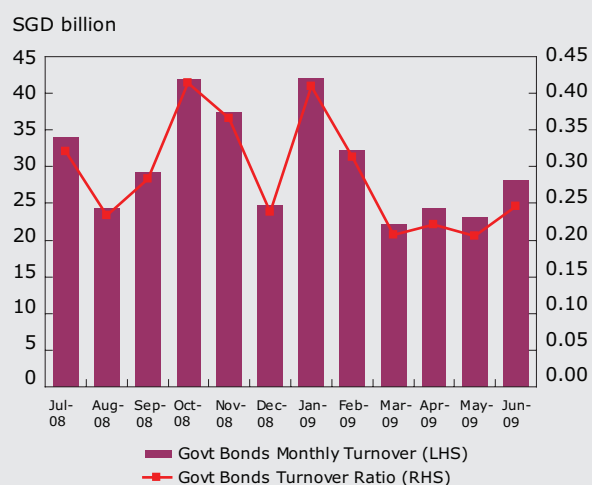
Issuer	Amount Outstanding
1. Housing & Development BRD (Public Housing Auth.)	5.4
2. United Overseas Bank Ltd. (Banking)	3.9
3. Capital Land Ltd. (Real Estate)	2.7
4. Oversea-Chinese Banking (Banking)	2.7
5. SP Power Assets Ltd. (Electricity Transmission and Distribution)	2.4
6. Land Transport Authority (Building and Construction)	2.1
7. Public Utilities Board (National Water Authority)	1.9
8. F&N Treasury PTE Ltd. (Food Service, Property, and Pub & Printing)	1.4
9. PSA Corp. Ltd. (Container Transshipment Hub)	1.2
10. DBS Bank Ltd. (Banking)	1.1
11. ST Treasury Services Ltd. (Finance)	0.9
12. Singapore Airlines (Airlines)	0.9
13. Clover Holdings Ltd. (Special Purpose Entity)	0.9
14. Winmall Ltd. (Financial)	0.8
15. Capitaland Treasury Ltd.(Real Estate Operations)	0.8
17. Guocoland Ltd. (Property Development and Investment)	0.8
18. HK Land Treasury SG (Property Investment Management)	0.7
19. Yanlord Land Group (Real-estate Developer PRC-based)	0.7
20. CapitaMall Trust (REITS-Shopping Centers)	0.7
Total	31.8
% of total corporate outstanding	41.5%

Source: Bloomberg LP.

Policy, Institutional, and Regulatory Developments

Monetary Authority of Singapore Issues Guidelines on the Application of Banking Regulations to Islamic Banking

On 7 May 2009, MAS issued a set of Guidelines on the Application of Banking Regulations to Islamic Banking. The guidelines consolidated the previous regulations and clarifications issued by MAS, and offered specific information on the regulatory treatment of various Islamic structures. The

Figure 3: Government Bond Trading Volume and Turnover Ratio

Source: Monetary Authority of Singapore.

guidelines will provide greater clarity and certainty for financial institutions offering Islamic banking products in Singapore.

Monetary Authority of Singapore Joins Implementation of the ASEAN and Plus Standards Scheme

On 12 June, MAS announced the implementation of the Association of Southeast Asian Nations (ASEAN) and Plus Standards Scheme for multi-jurisdiction offerings of securities in ASEAN. The scheme will be implemented in Singapore via the Securities and Futures (Offers of Investments) (Shares and Debentures) (Amendment) Regulations 2009, which came into effect on 19 June 2009. Under the scheme, issuers making an "ASEAN offering" of plain equity or debt securities are required to comply with a set of common disclosure requirements, known as the ASEAN Standards, and limited additional requirements, known as the Plus Standards, as prescribed by the respective jurisdiction. In Singapore, issuers will be required to comply with the ASEAN Standards and the Singapore Plus Standards. The scheme seeks to bring about efficiency and cost savings to ASEAN and non-ASEAN issuers, while offering securities in multiple jurisdictions within ASEAN. By doing so, the

scheme aims to facilitate one world activities within ASEAN and enhance the visibility of ASEAN capital markets as an attractive investment destination for global investors.

Monetary Authority of Singapore Extends Swap Facility with US Federal Reserve

On 26 June, the temporary reciprocal currency arrangements, or swap lines, with the United States (US) Federal Reserve, which amount to USD30 billion, were extended until February 2010.

Jobs Payment Scheme Makes Payment to Employers in March and June

More than 100,000 employers employing a total of about 1.4 million local workers received SGD900 million from the second payment of the Jobs Credit Payment Scheme on 30 June. The scheme is part of the SGD20.5 billion Resilience Package announced in the government's 2009 budget in January. The first tranche of the payment scheme worth SGD920 million was paid out on 31 March. The remaining two payments will be made in September and December.