

10-YEAR SGS BOND AUCTION THOUGHTS

Wednesday, February 22, 2017

How to position for the 10-year SGS bond re-opening

There is an upcoming \$2.3b (with MAS taking \$100m) 10-year SGS bond re-opening on 1 March. The auction closes at noon on 24 February. Given that the current 10-year SGS benchmark bond maturing in Jun 2026 is currently trading around 2.25% (swap-40bps), after rallying some 30bps from where it started the year at, we see value emerging for the March 2027 above the 2.3% handle within the 2.3-2.4% range. There is \$7.5b of the 7-year SGS bonds maturing on 1 April, so demand should remain healthy. The previous four 10-year SGS bond issue sizes were usually between \$2-2.6b and fetched cut-off yields of around 2.15-2.55% with bid-cover ratios of 1.5-2.1x. It is likely that the bid-cover ratio for this auction be capped at 2x given potential uncertainty about the March FOMC meeting being "live".

Treasury Advisory

Corporate FX &

Structured Products

Tel: 6349-1888 / 1881

Interest Rate

Derivatives

Tel: 6349-1899

Investments &

Structured Products

Tel: 6349-1886

GT Institutional Sales

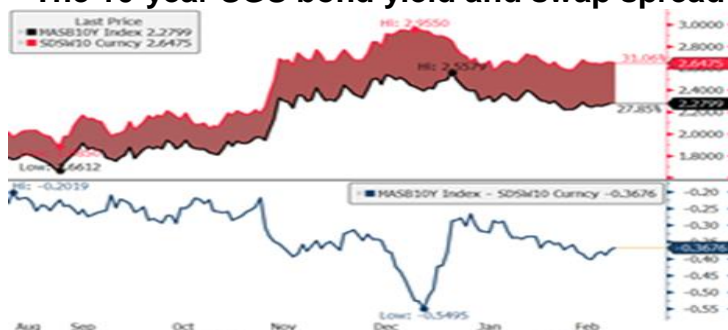
Tel: 6349-1810

Past auctions of 10-year SGS bonds

AMOUNT (\$M)	ISSUE DATE	AMOUNT APPLIED (\$M)	COUPON RATE (%)	BID-TO-COVER RATIO	CUT-OFF YIELD (%)	MEDIAN YIELD (%)	AVERAGE YIELD (%)
1,800	01/06/2010	3,665.6	3.250	2.04	2.75	2.72	2.64
2,700	01/06/2011	5,729.2	2.250	2.12	2.34	2.32	2.23
2,000	02/07/2012	4,617.1	3.125	2.31	1.60	1.59	1.55
1,800	01/07/2013	4,029.3	2.750	2.24	2.85	2.75	2.72
2,000	03/03/2014	4,257.1	2.750	2.13	2.55	2.50	2.47
2,300	01/08/2014	3,635.0	3.000	1.58	2.42	2.40	2.35
2,600	02/06/2015	4,080.2	2.375	1.57	2.42	2.35	2.30
2,500	01/06/2016	4,266.3	2.125	1.71	2.15	2.10	2.09

Source: MAS

The 10-year SGS bond yield and swap spread



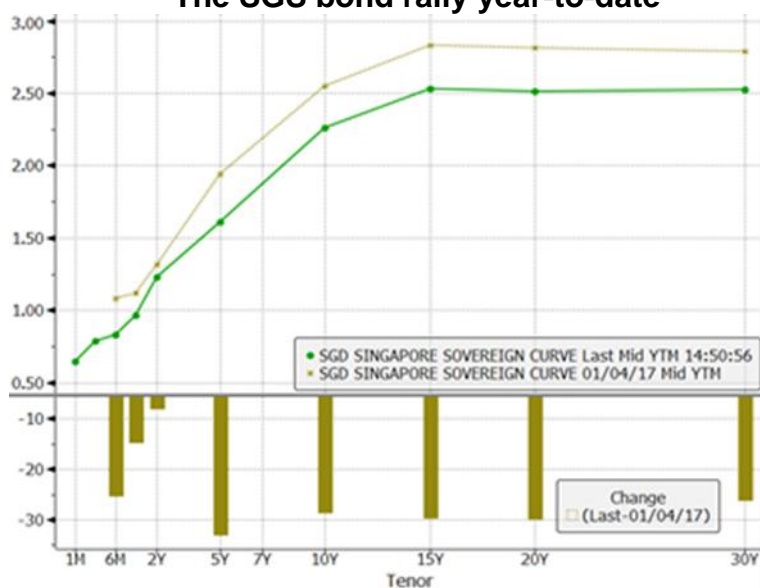
Source: Bloomberg, MAS

Selena Ling

+65 6530-4887

LingSSSelena@ocbc.com

The SGS bond rally year-to-date



Source: Bloomberg, MAS

Upcoming SGS bond issuance

Announcement Date	Auction Date	Issuance Date	Tenor	New/Re-Opening	Maturity Date
22 Mar 2017	Mar 2017	3 Apr 2017	5-yr	New Issue	01 Apr 2022
22 May 2017	29 May 2017	1 Jun 2017	30-yr	Reopen	01 Mar 2046
20 Jul 2017	27 Jul 2017	1 Aug 2017	7-yr	Reopen**	01 Jun 2025
22 Aug 2017	29 Aug 2017	4 Sep 2017	15-yr	Reopen	01 Sep 2033
20 Sep 2017	27 Sep 2017	2 Oct 2017	2-yr	Reopen	

Source: MAS

This publication is solely for information purposes only and may not be published, circulate distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W