

November 2017

Your monthly guide on trend and outlook for Singapore government securities

Fundamental Highlights

Geopolitical noise escalates with Catalonia and Trump's choice for Fed chair replacement.

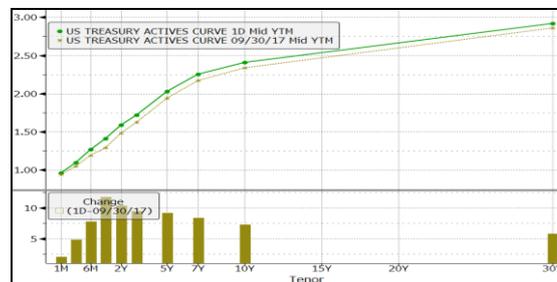
With Catalonia declaring independence whilst Spanish PM Rajoy dissolved the Catalan government to impose direct rule in favour of snap elections on 21 December, further noise is likely but systemic contagion may be limited. Ditto for the US grand jury's approval of first charges from special counsel Mueller's probe into Russian meddling in the 2016 election and possible involvement in Trump's campaign. Market speculation is also heightening that US president Trump will appoint Powell as Fed chair to replace Yellen before his 3 Nov deadline. Still, with US economic data generally remaining healthy, the probability pricing for a December FOMC rate hike has risen to above 80% probability. Looking ahead, global risk appetite remains healthy, but year-end may bring some profit-taking and activity winding down. Looking ahead, markets are anticipating that the FOMC will keep monetary policy unchanged on 2 Nov, but pave the way for a Dec rate hike, whereas BOE is could potentially hike to 0.5% for the bank rate (possibly one-hike-and-done scenario). In Asia, most central banks are currently on hold amid the lack of inflation conviction, but BOK could possibly be the first to break ranks. In addition, the recent uptick in crude oil prices may re-stoke inflation concerns going into 2018.

SGS Review and Outlook

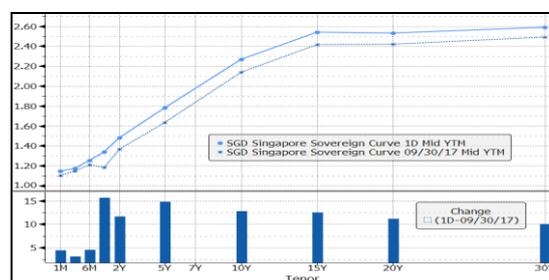
2018 SGS bond issuance calendar is not as challenging as the headline number of issues suggest.

The 2018 SGS bond issuance calendar comprises of 9 scheduled issues (up from 7 this year) and 2 optional mini-auctions (similar to this year's 20-year re-opening in May and the 5-year re-opening in Oct 2017). There will be 2 new issues (namely a 5-year in Feb and a 10-year in May) and 7 re-openings in 2018. Given that there are two upcoming maturities comprising of \$6.7b 5-year bonds in Apr and \$6.8b 15-year bonds in Sep 2018, it is not so surprising that there will be more frequent SGS bond issues scheduled for 2018. Actually, the 9 scheduled SGS bond issues are similar to the 2016 bond issuance calendar. The longer-dated tenors are also quite well spread out, comprising the 30-year re-opening in Mar, the 10-year new issue in May, the 20-year re-opening in Jul, and the 15-year re-opening in Oct, so there should not be too much market indigestion – in fact, there has been strong demand for longer duration assets for the year-to-date in 2017 and this may go some way to meeting that demand. That said, the rising global interest rate environment may pose some potential headwinds to the domestic bond market. Meanwhile, S'pore's financial sector ITM (Industry Transformation Map) tips 4.3% annual growth (faster than real GDP growth of 2-3%) through 2020 and aims to create 4k net new jobs in financial services and financial technology. The three key elements of the ITM are: a) Leading international wealth management hub, b) Asian hub for asset management, and c) Global foreign exchange price discovery and liquidity center in the Asian time zone.

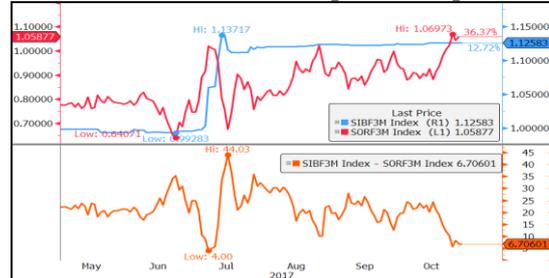
UST curve bear-flattened in October as FOMC rate hike expectations harden for December.



Similar story for the SGS yield curve in October.



The 3-month SOR-SIBOR spread compressed.



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Announcement	Auction Date	Issuance Date	Tenor	New/re-opening	Issue Code/ISIN Code	Maturity
Mon, 22 Jan	Mon, 29 Jan	Thu, 01 Feb	5-yr	New	N518100E/ TBA	01 Feb 2023
Mon, 19 Feb	Mon, 26 Feb	Thu, 01 Mar	30-yr	Reopen	NA16100H/ SG31A7000004	01 Mar 2046
Tue, 20 Mar	Tue, 27 Mar	Mon, 02 Apr	2-yr	Reopen	N515100S/ SG31A1000000	01 Jul 2020
Thu, 19 Apr	Thu, 26 Apr	Wed, 02 May	10-yr	New	NX18100A/ TBA	01 May 2028
Mon, 21 May	Mon, 28 May	Fri, 01 Jun	5-yr	Reopen	NX13100H/ SG3260987684	01 Jul 2023
Wed, 20 Jun	Wed, 27 Jun	Mon, 02 Jul	20-yr	Reopen	NZ16100X/ SG31A9000002	01 Aug 2036
Fri, 20 Jul	Fri, 27 Jul	Wed, 01 Aug	7-yr	Reopen**	NX16100F/ SG31A8000003	01 Jun 2026
Tue, 21 Aug	Wed, 29 Aug	Mon, 03 Sep	2-yr	Reopen	NY05100N/ SG7928920854	01 Sep 2020
Wed, 19 Sep	Wed, 26 Sep	Mon, 01 Oct	15-yr	Reopen		

Mini-auctions (optional): (a) Bond announcement (1 Mar), size announcement (20 Mar), auction (27 Mar) and Issuance (2 Apr)
 (b) Bond announcement (1 Oct), size announcement (22 Oct), auction (29 Oct) and Issuance (1 Nov)

Source: MAS

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