OCBC Group Research

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Interest Rates Focus

15Y SGS Auction Preview

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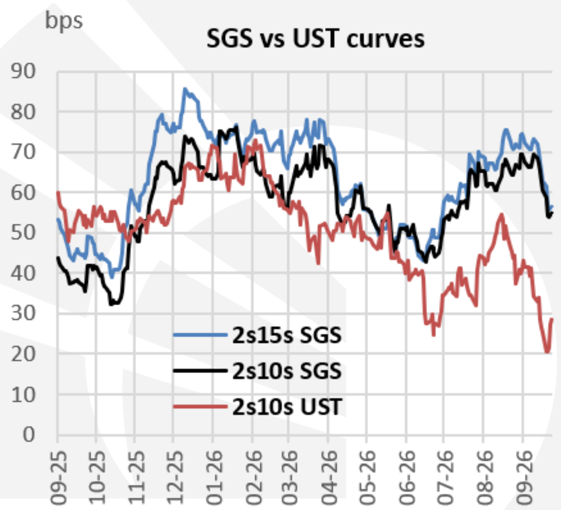
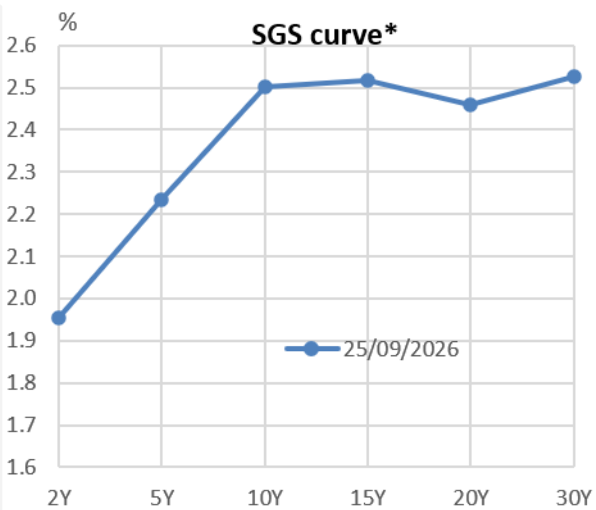
- **Auction size.** The size of the 15Y SGS (reopened) (01 Jul 2040) auction on 28 September is SGD1.3bn, mildly bigger than our expectation of around SGD1.0bn. This is an SGS (Infra), with outstanding amount at SGD1.6bn and remaining tenor is approximately 13 years and 9 months.

- We expect demand at the auction to be fair. Bond/swap spread has risen while the tenor may not be the most favoured. On the other hand, there is some relative value given the flat 10-30Y segment on the SGS curve while the auction may also benefit from the outright yield level. A bond/swap spread (OIS - yield) at 15bps or below is likely seen as supportive.

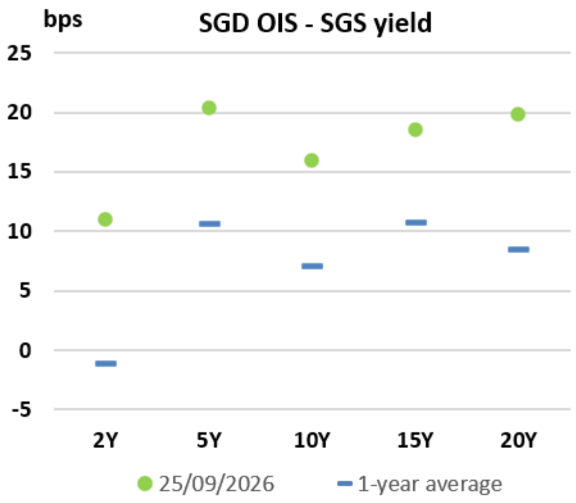
- **SGS curve.** The 10-15Y segment appears to provide some relative value on the curve. First, although the SGS curve has flattened over recent weeks taking cue from the UST curve, the SGS curve remains steeper than the UST curve. Second, on the SGS curve itself, the 10Y to 30Y segment has remained virtually flat, rendering the shorter end of this segment relatively more appealing compared to the longer end. One caveat is that the tenor itself may not be the most favoured – may be considered long for bank books, and probably not long enough for lifers/pensions. Comparing the individual bonds, the 2040 bond was last quoted at a similar bid yield level as the 2042 bond (non-benchmark), but at a slightly lower bid yield compared to the 2039 bond (non-benchmark).





Source: Bloomberg, OCBC Group Research
*25 September Asia morning

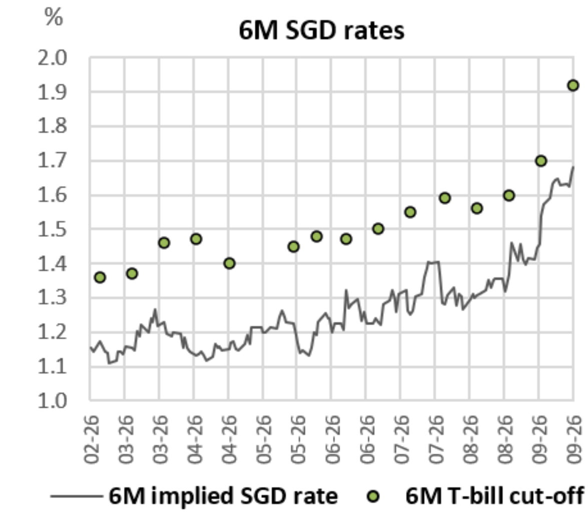
- **Bond/swap spread**. Bond/swap spreads (SGD OIS – SGS yields) have gone up across tenors over the past month, as SGS outperformed swaps in the latest leg of upward move in rates and yields. Bond/swap spreads have gone up further into positive territory, all some way above 1-year averages. Still, the auction may benefit from the outright yield level.

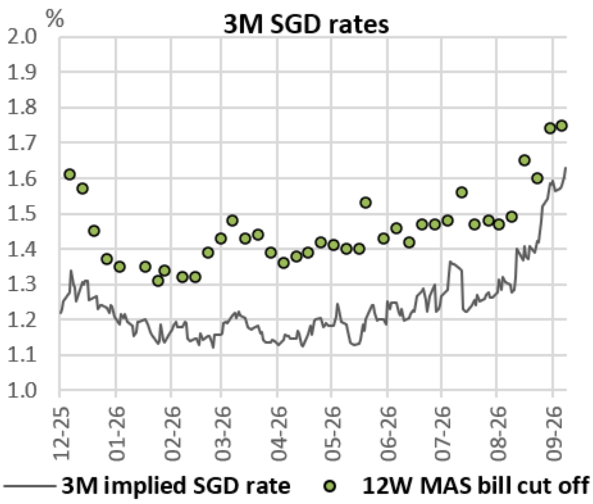


Source: Bloomberg, OCBC Group Research

- **Supply**. This auction will bring year-to-date gross issuance amount to SGD26.8bn. If the October mini auction does not go ahead, and assuming a size of around SGD2bn for the remaining scheduled auction of the year – the 5Y SGS (MD) sales in October, then annual gross issuance amount will be at SGD28.8bn which represents an around 4% growth in outstanding, higher than that of 2025 or 2024. We therefore see the likelihood that the October mini auction does not go ahead.

- **Recent bills auctions**. Implied SGD rates have been rising steadily over the past weeks, driving T-bill and MAS bill yields higher alongside. Thursday's 6M T-bill cut off at 1.92%, 22bps higher than the last cut-off of 1.70%. The spread between the latest 6M T-bill cut-off and the 6M implied SGD rate widened mildly from that at the 10 September auction. Earlier in the week, the 12W MAS bill cut off at 1.75% vs 1.74% prior, while the 4W MAS bill cut-off was lower at 1.67% vs 1.73% prior. Bill cut-offs depend a lot on prevailing market levels and liquidity conditions on the auction dates and hence we normally provide estimated ranges only nearer the auction date. Still, based on our 3M SGD rate forecast and assuming a spread of 20-30bps, we expect 3M MAS bill cut-off to edge up towards 1.85-1.95% by mid-2027.





Source: MAS, Bloomberg, OCBC Group Research