

Interest Rates Focus

24 April 2025

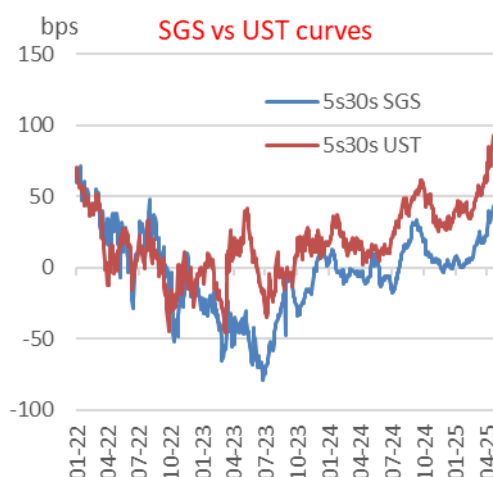
30Y Green SGS (Infra) auction preview

- 30Y SGS auction.** The size of the 30Y Green SGS (Infra) (reopened) auction on 28 April has been announced at SGD1.8bn, with MAS not intending to take any. The size is within expected range. Our full-year gross issuances expectation remains at SGD26-27bn. The Green SGS (Infra) (Jun-54) is the benchmark for 30Y, and we expect the bond sales to garner decent demand, as the steep SGS curve exhibits some relative value at long-end bonds, while current bond/swap spreads and assets swap pick-up (taking reference from other tenors) are supportive of SGS.
- The SGS curve is steep.** The SGS curve has steepened over past quarters, mostly following the UST curve. The steepening momentum picked up further recently, upon the sell-off in long-end USTs on concerns over US fiscal positions and risks of more rapid re-allocation away from USD assets. These concerns are absent in the SGD market. Instead, some SGD assets may benefit from safe-haven flows. The SGS curve is steep across various segments. 5s30s spread was last at 41bps, which was 2.4 standard deviations above 6-month average and 1.7 standard deviations away from 3-month average. 10s30s spread was last at 12bps, which was 1.8 and 1.3 standard deviations above 6-month and 3-month averages, respectively. A spread of 37-40bps for the 5s30s segment may be seen as supportive of the 30Y bond; this corresponded to a bid level of 2.62-2.65% as per today's 5Y level. The 30Y Green bond was last quoted at 2.66/2.63%.
- Bond/swap spreads and asset swap pick-up.** Bond/swap spreads (SGD OIS – SGS yield) fell during the early part of the month taking cue from the UST/USD rates markets, before rebounding somewhat in recent days. We consider current bond/swap spreads as being supportive of SGS. 2Y bond/swap spread was last at -34bps versus 2-year median of -17bps; 5Y bond/swap spread was last at -28bps versus 2-year median of -8bps; 10Y bond/swap spread was last at -27bps versus 2-year median of -11bps. Supported by bond/swap spreads and the inverted SGD basis curve, asset swap pick-up was fair to decent, last at around SOFR+50bps (before bid/offer spreads) at 5Y SGS, around SOFR+60bps at 10Y SGS and around SOFR+70bps at 20Y SGS (using 10Y hedge).

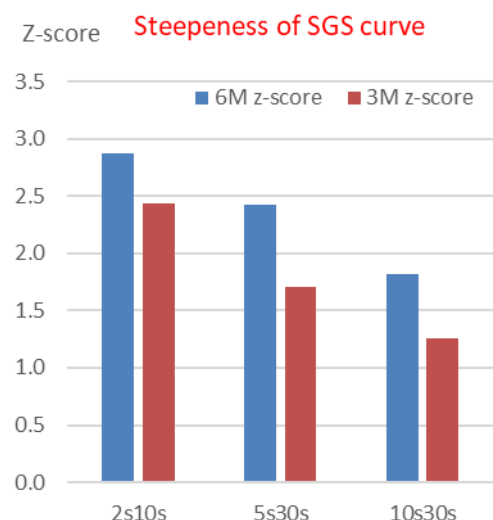
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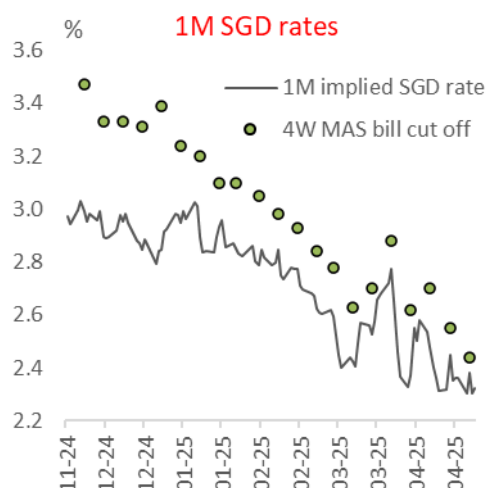


Source: Bloomberg, OCBC Research



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- Recent MAS bills and T-bills auctions.** Cut-offs at T-bills auctions have largely been on a downtrend so far this year, following market SGD interest rates. At the 15 April auctions, days following the massive UST sell-off, 4W and 12W MAS bills cut off at 2.55% and 2.45% respectively, below expectations. The spreads between cut-offs and implied SGD rates narrowed within 10bps, which might have represented some safe-haven flows into the SGD market. Thereafter, at the auctions on 22 April, the spread between 12W MAS bill cut-off and 3M implied SGD rate widened back mildly but was still narrow; spread between 4W MAS bill cut-off and 1M implied SGD rate remained narrow. Today's (24 April) 6M T-bills cut off at 2.38% versus 2.50% at the 10 April auction, in line with the movement in market interest rates during the period.



Source: MAS, Bloomberg, OCBC Research

- Singapore Sovereign Green Bonds.** Singapore sovereign green bonds, also known as Green Singapore Government Securities (SGS) (Infra), are used to finance major, long-term green infrastructure in Singapore that qualify under the Singapore Green Bond Framework. Green SGS (Infra) is a sub-category of SGS (Infra) which rank *pari passu* with SGS (MD). Singapore Government borrows prudently and adheres to stringent safeguards: 1/ In order to qualify for financing via Green SGS (Infrastructure), infrastructure projects will need to meet the high bar to qualify as nationally significant under SINGA (Significant Infrastructure Government Loan Act), and the green eligibility criteria stated in the Framework; 2/ The issuance of such green bonds is subject to the overall legislative gross borrowing limit and the annual effective interest cost limit under SINGA. The 30Y Green SGS (Infra) (Jun-54) was first issued in June 2024 as part of the pipeline of up to SGD35bn of sovereign and public sector green bonds that will be issued by 2030.



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