

## Interest Rates Focus

25 June 2025

### SGS auction preview – 15Y SGS (Infra)

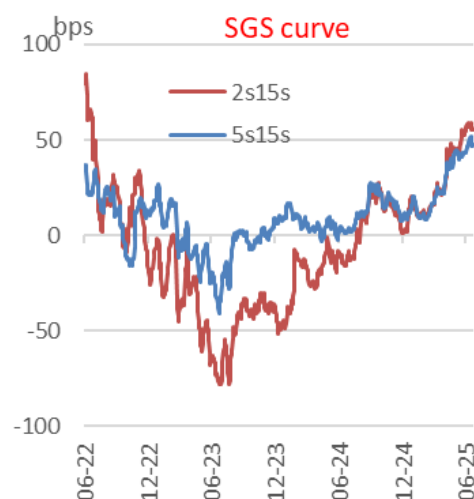
- 15Y SGS auction.** The size of the 15Y SGS (Infra) (01 Jul 2040) auction on 26 June has been announced at SGD1.6bn, within expected range. MAS does not participate in SGS (Infra) auctions. This bond will become the new 15Y benchmark once issued. We expect demand to be fair. Full-year SGS gross issuances are on track with our estimate of SGD26-27bn.
- Steepness of the SGS curve.** The SGS curve has steepened further since the start of the year alongside the UST curve, in the absence of fiscal concerns domestically. The 2s10s, 2s15s and 5s15s segments were last at around 1.4 standard deviations wider than 6-month averages. Long-tenor bonds exhibit some relative value on the curve. Downside for this upcoming auction is that the 15Y tenor may not be the most sought-after tenor compared to the 10Y or the 20Y. Nevertheless, this is a new benchmark and on balance, the auction size has already catered for the potentially less overwhelming demand. As a comparison, the last 15Y SGS (MD) auction on 29 Jul 2024, which was a reopening, had a net size of SGD1.5bn (auction size of SGD1.7bn with MAS taking SGD200mn).
- Bond/swap spreads and asset-swap.** After the increases during May, bond/swap spreads (SGD OIS – SGS yield) have been relatively stable this month. 15Y bond/swap spread was last at around -21bps, which was similar to the 10Y bond/swap spread. Asset swap pick-up was last at around SOFR+58bps (before bid/offer spreads), not as wide as early May/April levels before the bond/swap moves. Still, asset swap trade remains a viable investment option especially if foreign investors look to diversify their portfolios. On balance, the 15Y SGS (Infra) is likely to be readily absorbed; a bond/swap spread at around -23bps (or below) appears comfortable.
- SGS as safe havens.** SGS are AAA-rated. The Singapore Government operates a balanced budget policy and most of the government's borrowings are not used to fund its expenditure, which allows flexibility in the calibration of auction sizes in reaction to prevailing market conditions. As such, the supply outlook is always neutral to mildly supportive. SGS stand to benefit from safe haven flows or flows diverted from USD assets.

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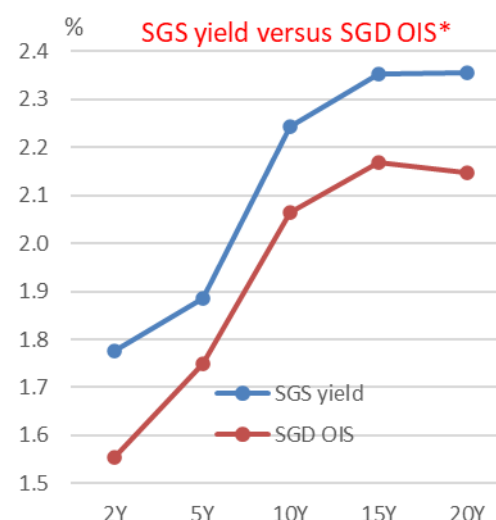
FX and Rates Strategy

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Global Markets Research and Strategy



Source: Bloomberg, OCBC Research



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\*24 June 2025 close



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