Interest Rates Focus

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5Y and 10Y SGS auctions preview

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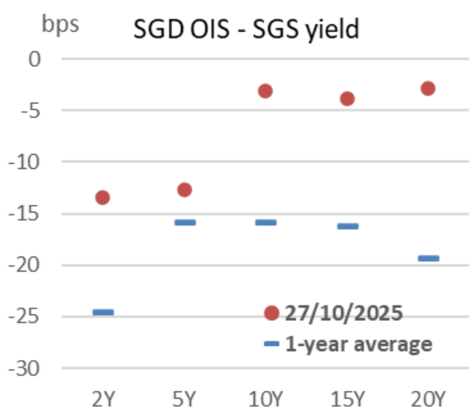
- **SGS auctions**. The size of the 10Y SGS (reopened) (01 August 2036) auction has been announced at SGD2.5bn, with MAS intending to take SGD300mn. The size of the 5Y SGS (reopened) (01 April 2030) mini auction is at SGD1.4bn. We noted earlier that year-to-date gross SGS issuance amount was low. Adding in these two last auctions of the year, 2025 gross issuances will amount to SGD26.1bn, within our expected range of SGD26-27bn. This will result in a 3.5% growth in terms of outstanding SGS which is also in line with MAS guidance that "in 2025, outstanding SGS bonds is expected to grow at a slightly faster pace than in 2024". We expect demand at these two auctions to be fair, with the 5Y bond appears relatively more appealing than the 10Y bond from bond/swap perspective.

- **Bond/swap spreads.** The 10Y bond/swap spread (SGD OIS – SGS yield) has been on an uptrend since May, and was last at -3bps, versus its one-year average of -16bps. Meanwhile, the 5Y bond/swap spread has retraced lower recently after the previous upward move and was last at -13bps versus its one-year average of -16bps. The 5Y SGS appears relatively more appealing from bond/swap perspective. The 01 April 2030 bond will remain as non-benchmark, while the 01 August 2036 bond will become the 10Y benchmark.

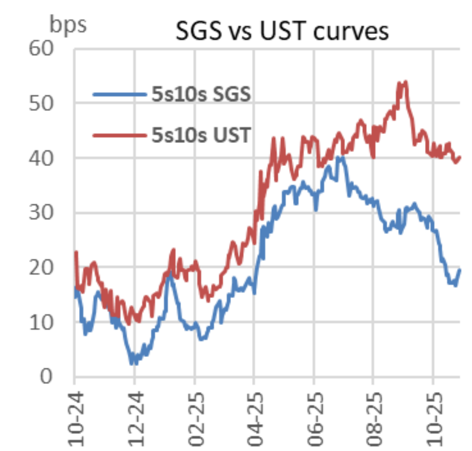
- **SGS curve**. We earlier noted the SGS curve had steepened alongside the UST curve over the past months, in the absence of domestic fiscal concerns, and hence we saw some relative value at long end SGS on the curve. The 5s10s segment of the SGS curve has since flattened back more than the UST curve did. This has reduced the relative value of the 10Y SGS.

- **November maturity.** There is an upcoming SGD8.4bn maturity of the 1 November 2025 bond. Although the redemption may not be in time for the upcoming auctions where the bonds are auctioned on 29 October and issued on 3 November, investors with liquidity may pre-deploy part of the expected funds.

- On balance, some concessions going into the auctions cannot be ruled out. 5Y bond/swap spread of -15bps is seen as comfortable, while 10Y bond/swap spread of -5bps to -10bps may be required.



Source: Bloomberg, OCBC Research



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