Interest Rates Focus

21 November 2023

2024 SGS supply

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- MAS has published the 2024 SGS issuance calendar. Outstanding SGS bonds are expected to grow at a similar pace as 2023 – which was around 4%, as MAS sees market volatility is likely to persist. A 4% growth in outstanding SGS is on the low side. We believe there is room for MAS to issue bonds leading to a growth in outstanding SGS higher than 4%, premised on our expected Fed easing cycle resulting in a more favourable bond environment in the latter part of 2024. That said, there may be a lack of incentives to issue more. On balance, we put our **estimates of gross SGS issuances in 2024 at SGD28-30bn** which correspond to growth rates in outstanding SGS at 4-5%. We note that MAS has the flexibility to manage SGS issuances to calibrate supply to market demand over the course of the year depending on prevailing market conditions.

- In terms of individual auctions, there will be two 2Y SGS(MD) auctions the same as in 2023; three 5Y SGS(MD) auctions the same as in 2023; one 10Y SGS(MD) auction compared to two in 2023; one 15Y SGS(MD) auction the same as in 2023; one 20Y SGS(MD) auction compared to a mini auction of 20Y in 2023; there will be no 30Y SGS(infra) auction versus one in 2023. MAS plans to issue a new 30Y Green SGS(Infra) bond via syndication around mid-2024, subject to market conditions. If this issuance goes ahead, then it can be seen as making up for the 30Y supply. There will also be the reopening of the 50Y Green SGS (Infra) via auction in 2024 versus via syndication this year. Overall, the distribution of tenors is similar to that in 2023.

Table 1. 2024 SGS Issuance Calendar

Auction date	Tenor	New/Reopen	SGS type
29/01/2024	2-year	Reopen	MD
27/02/2024	20-year	Reopen	MD
26/03/2024	5-year	New	MD
26/04/2024	10-year	New	MD
29/05/2024	2-year	Reopen	MD
26/06/2024	5-year	Reopen	MD
29/07/2024	15-year	Reopen	MD
28/08/2024	5-year	Reopen	MD
26/09/2024	50-year	Reopen	Green Infra
around mid-2024	30-year*	New (via Syn)	Green Infra
Mini auctions (optional)			
27/02/2024	TBA		
26/06/2024	TBA		
28/08/2024	TBA		

Source: MAS, OCBC Research
* subject to market conditions, MAS plans to issue a new 30Y Green SGS (infra) via syndication around mid-2024

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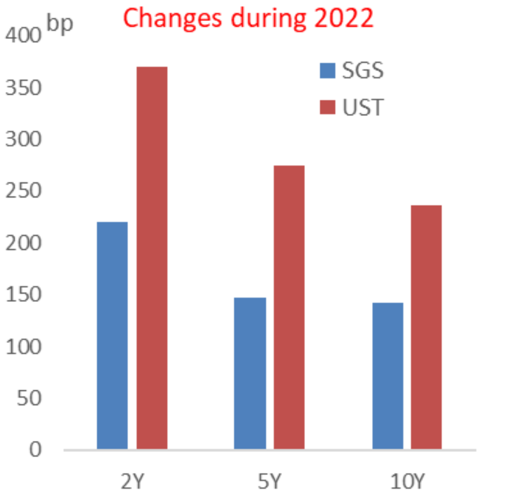
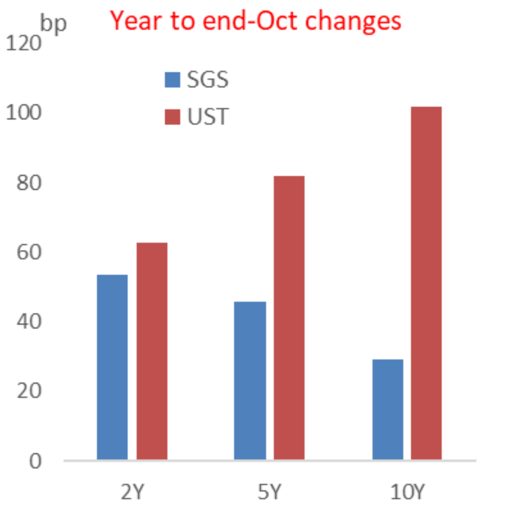
- **Mini auctions.** There will be three optional mini auctions in 2024 versus the usual two. Mini auctions provide flexibility, allowing MAS to better gauge investor demand for specific tenors, which helps calibration in total issuance amounts as well. These auctions remain optional – if MAS decides not to conduct a mini-auction, it will make the announcement one month in advance. In 2023, only one mini auction (20Y) was conducted, versus a potential of two.

- **Announcement dates.** MAS has made an enhancement regarding the announcement dates of individual auction sizes. Auctions in 2024 will take place four business days after the size announcement date, instead of five business days. A shorter time-period allows MAS to have a better gauge of the demand for SGS around the time of auctions. Although market conditions can still change, the risk of significant changes will be lower with the shorter time-period.

- **SGS view.** The supply outlook is supportive of SGS as usual, as MAS has the flexibility to calibrate supply with limited reliance on the proceeds (only those from SGS (Infra)). SGS have mostly further outperformed USTs in November during the downward move in rates and yields, partly because of seasonality – SGS enjoy an absence of supply in Q4. Over the medium term, despite the sanguine supply outlook, SGS may lag USTs in a downward move in yields, reflecting the relatively low volatility in SGS. During the upward moves in USD rates in 2022 and this year up to October, the pass-through onto SGD rates was partial – or low at some tenors, as USD rates were driven by idiosyncratic factors in the US – namely, higher-for-longer triggered by Fed policy, and the higher term premium reflecting heightened uncertainty to the inflation and rates outlook, and UST supply concerns. SGD rates did not move up as much as USD rates did. Similarly, SGD rates may lag on a downward move if past patten is any guide. We have a downward trajectory for UST yields over the course of 2024; we would expect SGS yields to fall but lag the moves in UST yields, thereby widening SGD-USD rates differentials (as in becoming less negative) as a normalization process.



Source: Bloomberg, OCBC Research



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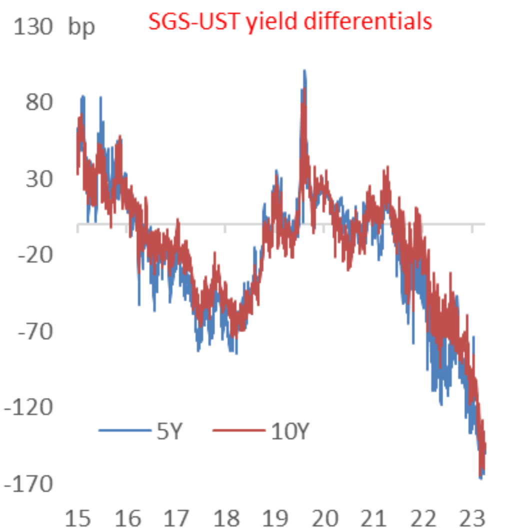

Source: Bloomberg, OCBC Research

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