



Strategists

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SG Rates Strategy (5 October 2020)

Key Levels

Rates	1W chg	YTD chg	Level
3M SOR	1	-136	0.18
3M SIBOR	0	-137	0.41
2Y SGS	-1	-135	0.18
10Y SGS	-1	-88	0.86
2Y IRS	1	-116	0.25
5Y IRS	3	-100	0.49

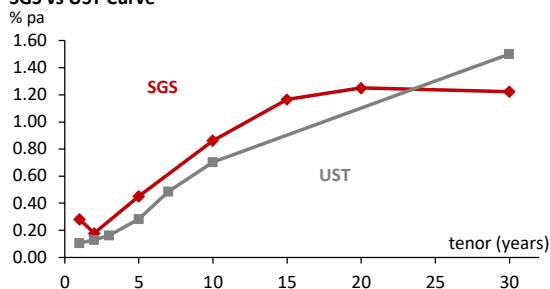
FX	1W chg	YTD chg	Level
USDSGD	-0.0109	0.0162	1.3621
Fwd Pts			
- 1M	0.01	2.47	-0.25
- 3M	-0.05	10.15	-1.93
- 6M	-0.13	21.19	-5.81

Commentary

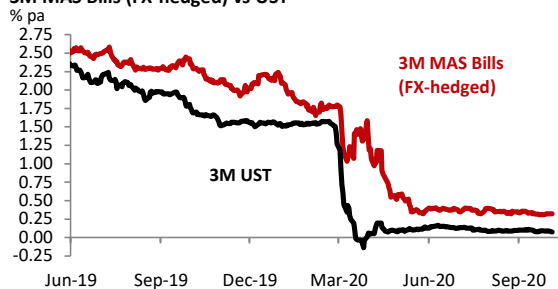
With the 20Y auction behind us, there are no longer any long tenor SGS auctions left for the year. There is only a 5Y auction to be scheduled for 21 October. Accordingly, we think that the setup for SGS outperformance over UST in the 10Y to 15Y segment appears compelling. While the US faces considerable issuance pressures, Singapore does not as the budget is not tied to issuances. Accordingly, we think that the SGS curve (2Y-10Y) is too steep relative to the UST curve. In any case, the 10Y and 15Y tenors look cheap relative to the 5Y and 30Y tenors. For USD-based investors looking to hedge out fx risks, 10Y SGS look compelling (providing a decent pickup over UST) as well.

Bills/Bonds

SGS vs UST Curve

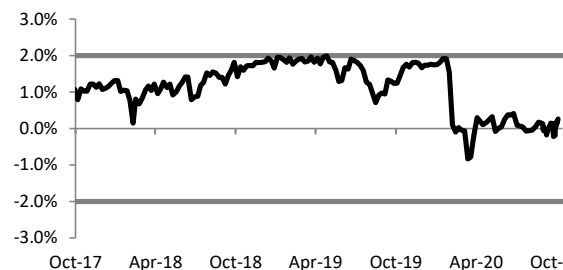


3M MAS Bills (FX-hedged) vs UST

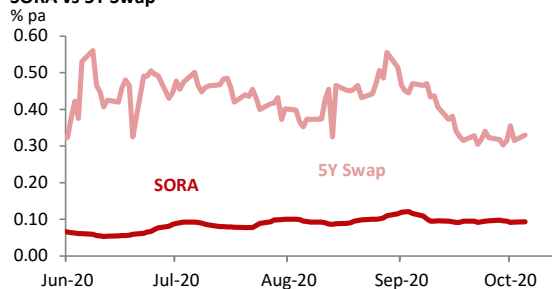


SGD NEER

SGD NEER - Distance to Mid

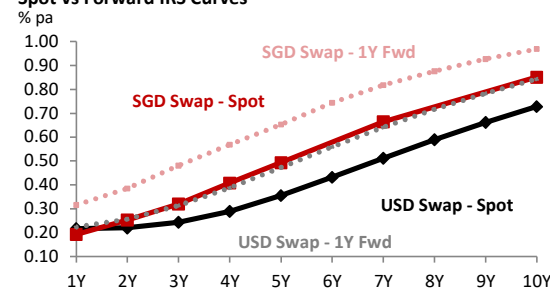


SORA vs 5Y Swap

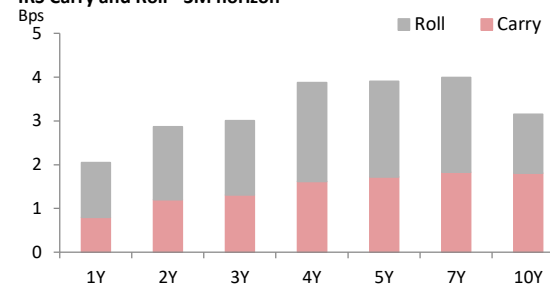


Swaps

Spot vs Forward IRS Curves



IRS Carry and Roll - 3M horizon





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SGD IRS - Carry/Roll

SGD IRS		3M horizon				
Tenors	Spot (%)	Fwd (%)	Carry (bps)	Roll (bps)	Total (bps)	6M Z-score
<u>Spot</u>						
1Y	0.19	0.20	0.8	1.3	2.0	0.7
2Y	0.25	0.27	1.2	1.7	2.9	1.0
3Y	0.32	0.33	1.3	1.7	3.0	0.6
4Y	0.41	0.42	1.6	2.3	3.9	0.6
5Y	0.49	0.51	1.7	2.2	3.9	0.9
7Y	0.66	0.68	1.8	2.2	4.0	0.9
10Y	0.85	0.87	1.8	1.3	3.2	1.1
<u>Curve Spread</u>						
2Y-5Y	0.24	0.25	0.5	0.5	1.0	-0.9
5Y-10Y	0.35	0.35	0.1	-0.8	-0.7	-0.2
<u>Butterfly Spread</u>						
2Y-5Y-10Y	-0.11	-0.11	0.4	1.3	1.8	-0.9

SGS - Bond and Asset Swap

Singapore Govt Securities		Mid Yield			
Security	Maturity	Spot (%)	6M Z-score	BSS	ASW
SIGB 3.125 09/01/22	1.91	0.21	-0.8	-6	0
SIGB 2.375 06/01/25	4.65	0.45	-0.8	-3	14
SIGB 2.875 09/01/30	9.91	0.87	-0.7	0	31
SIGB 1.875 03/01/50	29.40	1.19	-0.6	11	45

Sources: Bloomberg, DBS Group Research, MAS

Recent and Upcoming Economic Data

Date	Data/Event	Survey Median
14-Oct	Singapore GDP (3Q Advance)	-7.2% YoY
16-Oct	Singapore Non-oil Domestic Exports (Sep)	
16-Oct	Singapore Electronics Exports (Sep)	
23-Oct	Singapore CPI (Sep)	
26-Oct	Singapore Industrial Production (Sep)	

Bond Auction Results

Tenor	Amt (SGD mn)	Auction Date	Maturity Date	Bid-to-cover ratio	Cutoff Yield	New/Re-Opening
20 yr	1,900	26 Jun 2019	01 Jul 2039	1.96	2.41	New
5 yr	2,300	29 Jul 2019	01 Sep 2024	2.20	1.74	Reopen
10 yr	2,900	28 Aug 2019	01 Jul 2029	1.89	1.69	Reopen
15 yr	800	26 Sep 2019	01 Aug 2036	1.83	1.88	Reopen
2 yr	3,000	26 Sep 2019	01 Oct 2021	2.01	1.66	Reopen
7 yr	1,400	29 Oct 2019	01 Jun 2026	1.86	1.73	Reopen**
10 yr	2,500	29 Jan 2020	01 Jul 2029	1.92	1.64	Reopen
30 yr	2,300	26 Feb 2020	01 Mar 2050	2.36	1.90	New
2 yr	2,200	27 Mar 2020	01 Apr 2022	1.81	0.84	Reopen
2 yr	2,300	28 Apr 2020	01 Feb 2023	2.19	0.54	Reopen
15 yr	2,000	27 May 2020	01 Aug 2036	1.46	1.20	Reopen
30 yr	800	26 Jun 2020	01 Mar 2050	2.85	1.28	New
5 yr	2,500	26 Jun 2020	01 Jun 2025	2.04	0.58	Reopen
10 yr	2,700	28 Jul 2020	01 Sep 2030	1.72	0.93	Reopen
2 yr	2,900	27 Aug 2020	01 Sep 2022	1.98	0.32	Reopen
30 yr	1,000	27 Aug 2020	01 Mar 2050	2.08	1.15	Reopen
20 yr	1,800	28 Sep 2020	01 Jul 2039	1.71	1.27	Reopen

Notes: **The reopened bond will not be a benchmark bond.

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