



Strategists

Eugene Leow

Duncan Tan

+65 68782842

+65 68782140

eugeneleow@dbs.com

duncantan@dbs.com

SG Rates Strategy (20 January 2020)

Key Levels

Rates	1W chg	YTD chg	Level
3M SOR	5	1	1.55
3M SIBOR	-3	-3	1.74
2Y SGS	0	-7	1.46
10Y SGS	-1	-1	1.74
2Y IRS	1	-1	1.40
5Y IRS	-2	-2	1.47

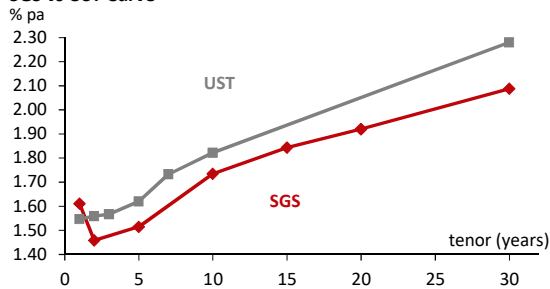
FX	1W chg	YTD chg	Level
USDSGD	0.0005	0.0012	1.3471
Fwd Pts			
- 1M	0.85	0.49	-2.23
- 3M	2.43	2.88	-9.20
- 6M	2.49	3.79	-23.21

Commentary

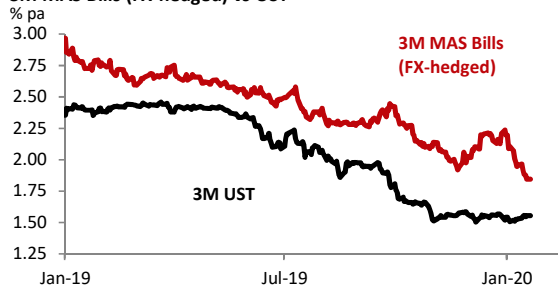
Short-term USD funding looks flush and suspect that the Fed could taper bill buying in 2Q. Bill buying (QE-lite) from the Fed has increased the amount of excess reserves in the system (to USD 1.5tn, from the low of USD 1.26tn in September when the repo tremors were felt) and the reduction of the foreign repo pool has made more USD available to the financial system. Ongoing repo auctions from the Fed also helped. Notably, GC repo rates, Fed funds effective rate and 3M CP rates no longer look elevated relative to the Fed's policy rate. In fact, we would argue that reserves are firmly in excess (beyond regulatory needs) with the Fed funds effective rate dipping below the interest on excess reserves (IOER). The Fed has already begun tweaking policies, reducing the amount of term repos it offers. Further gradual reductions are likely in the coming months.

Bills/Bonds

SGS vs UST Curve

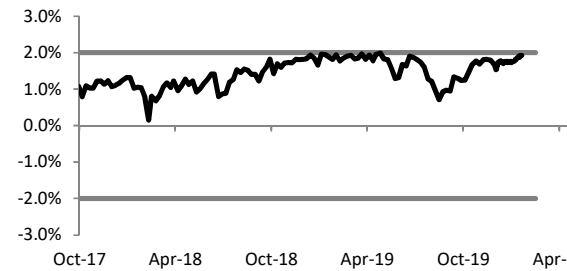


3M MAS Bills (FX-hedged) vs UST

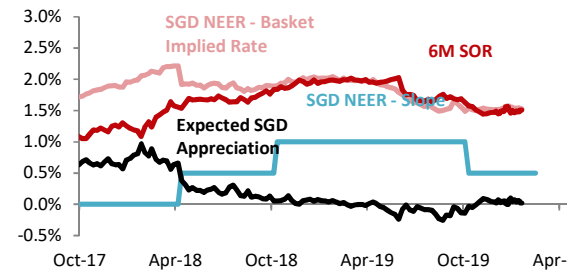


SGD NEER

SGD NEER - Distance to Mid

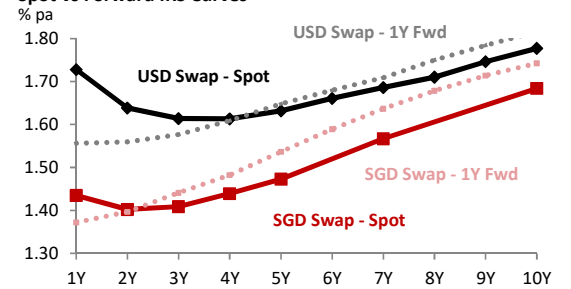


SGD NEER Basket-Implied Rate vs SOR

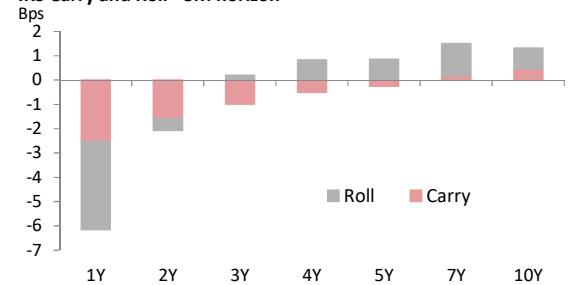


Swaps

Spot vs Forward IRS Curves



IRS Carry and Roll - 3M horizon





Strategists

Eugene Leow

Duncan Tan

+65 68782842

+65 68782140

eugeneleow@dbs.com duncantan@dbs.com

SGD IRS - Carry/Roll

SGD IRS		3M horizon				
Tenors	Spot (%)	Fwd (%)	Carry (bps)	Roll (bps)	Total (bps)	6M Z-score
<u>Spot</u>						
1Y	1.44	1.41	-2.5	-3.6	-6.2	-0.6
2Y	1.40	1.39	-1.6	-0.5	-2.1	-0.2
3Y	1.41	1.40	-1.0	0.2	-0.8	0.3
4Y	1.44	1.44	-0.5	0.8	0.3	0.5
5Y	1.47	1.47	-0.2	0.8	0.6	0.4
7Y	1.57	1.57	0.2	1.3	1.5	0.6
10Y	1.69	1.69	0.5	0.8	1.3	0.5
<u>Curve Spread</u>						
2Y-5Y	0.07	0.08	1.4	1.3	2.7	1.2
5Y-10Y	0.21	0.22	0.7	0.0	0.7	-0.2
<u>Butterfly Spread</u>						
2Y-5Y-10Y	-0.14	-0.13	0.7	1.3	2.0	0.8

SGS - Bond and Asset Swap

Singapore Govt Securities		Mid Yield			
Security	Maturity	Spot (%)	6M Z-score	BSS	ASW
SIGB 3.250 09/01/20	0.62	1.48	-1.4	-5	-7
SIGB 2.750 07/01/23	3.44	1.47	-2.1	2	9
SIGB 2.625 05/01/28	8.28	1.67	-0.8	3	22
SIGB 3.375 09/01/33	13.62	1.83	-0.3	3	28

Sources: Bloomberg, DBS Group Research, MAS

Recent and Upcoming Economic Data

Date	Data/Event	Survey Median
23-Jan	Singapore CPI Core (Dec)	0.5% YoY
23-Jan	US Initial Jobless Claims (Jan 18)	214k
24-Jan	Singapore Industrial Production (Dec)	-0.8% YoY
27-Jan	US New Home Sales (Dec)	725k
30-Jan	Singapore Unemployment rate (4Q)	

Bond Auction Results

Tenor	Amt (SGD mn)	Auction Date	Maturity Date	Bid-to-cover ratio	Cutoff Yield	New/Re-Opening
2 yr	2,900	29 May 2019	01 Oct 2021	2.02	1.94	Reopen
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		29 Jan 2020	01 Jul 2029			Reopen
30 yr		26 Feb 2020	01 Mar 2050			New
2 yr		27 Mar 2020	01 Apr 2022			Reopen
2 yr		28 Apr 2020	01 Feb 2023			Reopen
15 yr		27 May 2020	01 Aug 2036			Reopen
5 yr		26 Jun 2020	01 Jun 2025			Reopen
10 yr		28 Jul 2020	01 Sep 2030			Reopen
2 yr		27 Aug 2020	01 Sep 2022			Reopen
20 yr		28 Sep 2020	01 Jul 2039			Reopen
5 yr		28 Oct 2020	01 Nov 2025			New

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

Disclaimer: The information herein is published by DBS Bank Ltd and PT Bank DBS Indonesia (collectively, the "DBS Group"). It is based on information obtained from sources believed to be reliable, but the Group does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness for any particular purpose. Opinions expressed are subject to change without notice. Any recommendation contained herein does not have regard to the specific investment objectives, financial situation & the particular needs of any specific addressee. The information herein is published for the information of addressees only & is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate legal or financial advice. The Group, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Group or any other person has been advised of the possibility thereof. The information herein is not to be construed as an offer or a solicitation of an offer to buy or sell any securities, futures, options or other financial instruments or to provide any investment advice or services. The Group & its associates, their directors, officers and/or employees may have positions or other interests in, & may effect transactions in securities mentioned herein & may also perform or seek to perform broking, investment banking & other banking or financial services for these companies. The information herein is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Sources for all charts & tables are CEIC & Bloomberg unless otherwise specified.

DBS Bank Ltd., 12 Marina Blvd, Marina Bay Financial Center Tower 3, Singapore 018982. Tel: 65-6878-8888. Company Registration No. 196800306E.PT Bank

DBS Indonesia, DBS Bank Tower, 33rd floor, Ciputra World 1, Jalan Prof. Dr. Satrio Kav 3-5, Jakarta, 12940, Indonesia. Tel: 62-21-2988-4000. Company Registration No. 09.03.1.64.96422.