

SG Rates Strategy (15 July 2019)

Key Levels

Rates	1W chg	YTD chg	Level
3M SOR	-6	-22	1.70
3M SIBOR	0	11	2.00
2Y SGS	-4	-23	1.65
10Y SGS	3	-8	1.97
2Y IRS	3	-19	1.64
5Y IRS	3	-22	1.70

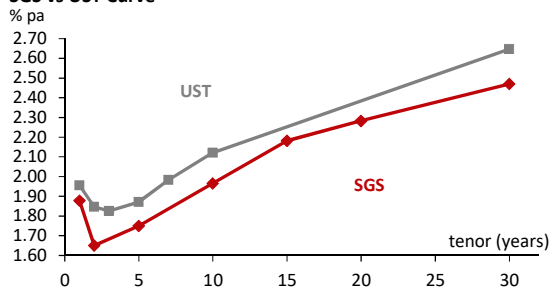
FX	1W chg	YTD chg	Level
USDSGD	-0.0025	-0.0055	1.3574
Fwd Pts			
- 1M	0.90	1.95	-7.40
- 3M	1.13	9.85	-19.00
- 6M	4.12	29.37	-35.63

Commentary

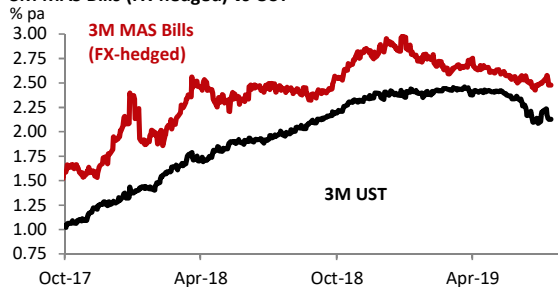
Aside from the payroll bounce last month, US core CPI is also running above 2%. Based on the Fed's dual mandate and the fact that equity markets are holding up, it does seem odd that consensus and the market are aggressively reflecting a Fed easing cycle over the coming quarters. Based on this narrow view, Fed cuts (if delivered), would deliver steeper US curves (3M/10Y). Shorter-term USD would have to follow the Fed funds rate lower while longer-term rates would reflect high inflation expectations. Some of this is already happening as USD rates are implying much steeper forward curves.

Bills/Bonds

SGS vs UST Curve

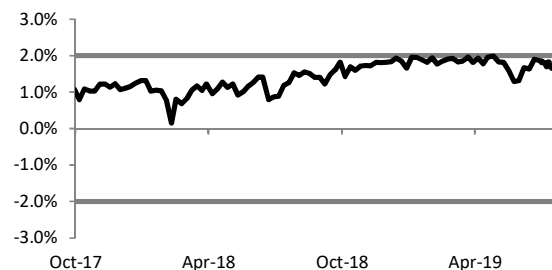


3M MAS Bills (FX-hedged) vs UST

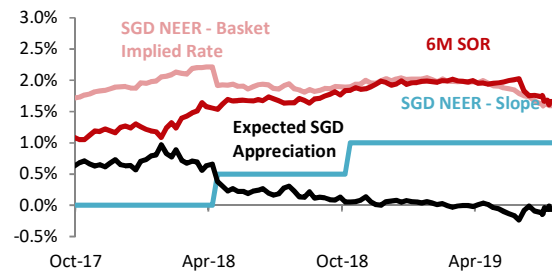


SGD NEER

SGD NEER - Distance to Mid

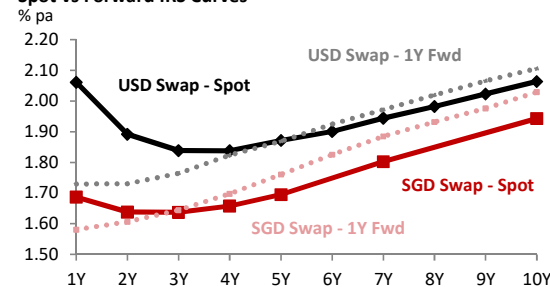


SGD NEER Basket-Implied Rate vs SOR

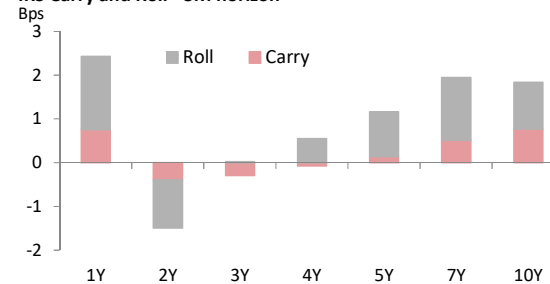


Swaps

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	1.69	1.70	0.8	1.7	2.4	2.5
2Y	1.64	1.63	-0.4	-1.1	-1.5	0.2
3Y	1.63	1.63	-0.3	0.0	-0.3	0.4
4Y	1.66	1.66	-0.1	0.5	0.5	0.8
5Y	1.70	1.70	0.1	1.0	1.2	0.8
7Y	1.80	1.81	0.5	1.4	1.9	0.6
10Y	1.94	1.95	0.8	1.1	1.8	0.2
<u>Curve Spread</u>						
2Y-5Y	0.06	0.07	0.5	2.1	2.7	0.1
5Y-10Y	0.25	0.26	0.6	0.0	0.7	-1.2
<u>Butterfly Spread</u>						
2Y-5Y-10Y	-0.19	-0.19	-0.1	2.1	2.0	0.4

SGS - Bond and Asset Swap

Singapore Govt Securities		Mid Yield			
Security	Maturity	Spot (%)	6M Z-score	BSS	ASW
SIGB 3.250 09/01/20	1.13	1.67	-1.8	-4	-5
SIGB 2.750 07/01/23	3.96	1.73	-1.8	5	15
SIGB 2.625 05/01/28	8.80	1.98	-1.4	7	26
SIGB 3.375 09/01/33	14.13	2.20	-1.5	5	31

Sources: Bloomberg, DBS Group Research, MAS

Recent and Upcoming Economic Data

Date	Data/Event	Survey Median
16-Jul	US Retail Sales Advance (Jun)	0.1% MoM SA
16-Jul	US Industrial Production (Jun)	0.1% MoM SA
17-Jul	Singapore Non-oil Domestic Exports (Jun)	-9.7% YoY
18-Jul	US Fed releases Beige Book	
23-Jul	Singapore CPI (Jun)	

Bond Auction Results

Tenor	Amt (SGD mn)	Auction Date	Maturity Date	Bid-to-cover ratio	Cutoff Yield	New/Re-Opening
20 yr	1,500	27 Jun 2018	01 Aug 2036	2.38	2.86	
7 yr	1,700	27 Jul 2018	01 Jun 2026	2.22	2.40	
2 yr	2,700	29 Aug 2018	01 Sep 2020	2.19	1.92	
15 yr	1,500	26 Sep 2018	01 Sep 2033	2.25	2.80	
5 yr	1,000	29 Oct 2018	01 Sep 2022	2.09	2.20	
5 yr	2,900	29 Jan 2019	01 Feb 2024	2.08	2.06	New
30 yr	1,600	26 Feb 2019	01 Mar 2046	1.99	2.60	Reopen
5 yr	2,000	27 Mar 2019	01 Feb 2023	2.09	1.93	Reopen**
10 yr	2,400	26 Apr 2019	01 May 2028	1.83	2.20	Reopen
15 yr	900	29 May 2019	01 Sep 2033	1.84	2.33	Reopen
2 yr	2,900	29 May 2019	01 Oct 2021	2.02	1.94	Reopen
20 yr	1,900	26 Jun 2019	01 Sep 2039	1.96	2.41	New
5 yr		29 Jul 2019				Reopen
10 yr		28 Aug 2019				Reopen
2 yr		26 Sep 2019				Reopen
7 yr		29 Oct 2019				Reopen**

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.