

EM Alpha

Singapore Rates – Close SORA 1y payer

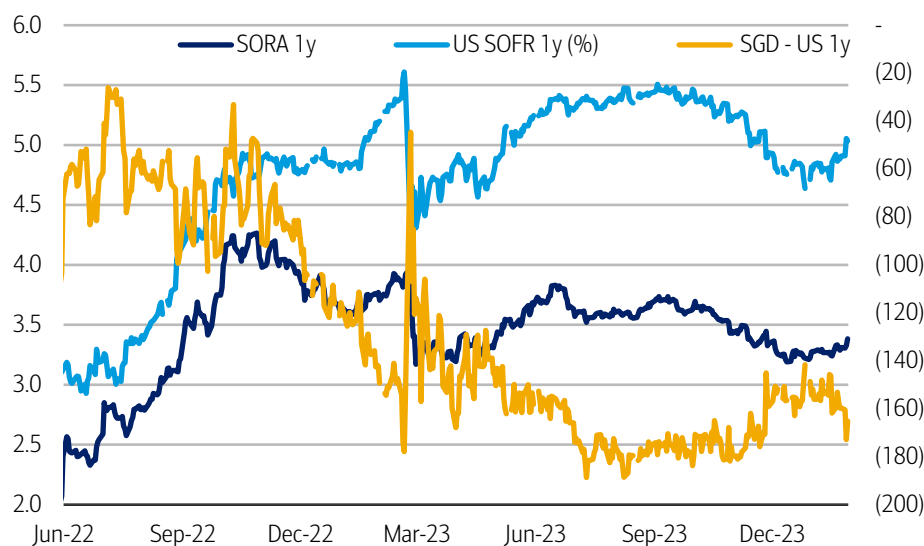
Close SGD SORA front-end payer – target reached

We close our recommendation for paying SGD SORA swaps 3m forward 1y (entry 2.94%, current 3.30%, current spot reference 1y 3.39%, target 3.20%, stop 2.7%, carry/roll +4 bps/m) as it has gone through the target (See [EM Alpha: Singapore Rates – Pay SORA 1y 15 January 2024](#)). The front-end fixing rate has drifted lower by 11bps over the last month with SORA 1m average moving to 3.52% from 3.63%. Along with the bear-steepening of SORA curve due to US rates move, that has made the curve roll-up and risk-reward less attractive to hold on to front-end payers.

Liquidity conditions in onshore banking system have eased as loan-deposit ratios remain low, resulting in mortgage rates being lowered by banks. High demand for bills has also led to lower cut-offs in the recent issuance. However, we see MAS likely to absorb liquidity via money market operations and bills in order to keep financial conditions from easing prematurely. BofA economist sees risk of further tightening in April meeting which would argue for both SNEER and SORA fixings to stay elevated (See report [Singapore Watch: MAS Review: Hawkish Hold 29 January 2024](#)).

Exhibit 1: SORA front-end too low vs policy outlook. Spreads vs SOFR to compress further

SORA 1y, SOFR 1y (%), (lhs) and spread curve (bps,rhs)



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

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For the complete list of open and closed trades in the last 12 months, please see [Global Emerging Markets Weekly: Carry Conundrum: Risk, Reflation & China 09 February 2024](#)

Glossary:

MAS: Monetary Authority of Singapore

SNEER: SGD Nominal Effective Exchange rate

SOFR: Secured overnight financing rate

SORA: Singapore overnight rate average

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