

## EM Alpha

## Singapore Rates – Close SGD flattener

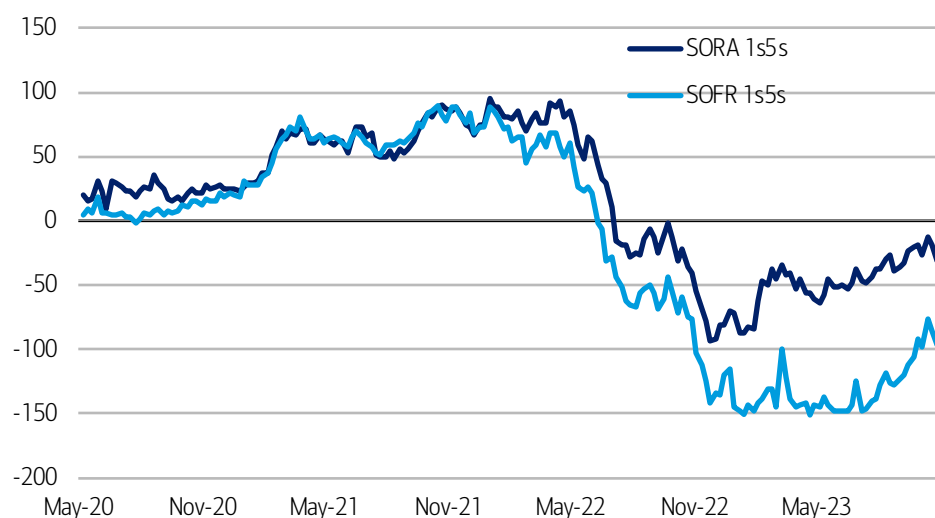
## Close SGD SORA 1s5s flattener

We close SGD SORA swaps 1s5s flattener trade recommendation as it is through the target (entry -14bps, current dated spread -32.5bps, target -30bp, stop 0bp, carry/roll 2bps/m) (See [EM Alpha: Singapore Rates – SGD 1s5s flattener 26 October 2023](#)). The curve has flattened much faster than our expectation of a gradual move towards end of the year. This was largely driven by reaction to US rates move lower and can potentially continue further in the near-term due to bearish US rates position unwind. However, skew on SGD rates from US rates beta becomes less appealing from current levels which leads us to close the trade.

As SORA fixings didn't go up during Fed hikes this year, market pricing of Fed rate cuts wouldn't necessarily put downward pressure on 1y part and the spread of SORA 1y vs US may narrow. Front-end SORA rates would be guided by MAS' inflation outlook over the next year. We expect sticky SORA fixings in the front-end due to MAS's comfort with the current policy setup on both rates and FX. That would keep front-end payer and flatteners as positive carry and also limit room for 1y part to rally from current levels.

**Exhibit 1: SORA curve is relatively steep vs SOFR**

SORA and SOFR 1s5s curve (bps)



Source: BofA Global Research, Bloomberg

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For the complete list of open and closed trades in the last 12 months, please see [Global Emerging Markets Weekly: Crossover malaise for EM debt 02 November 2023](#)

**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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