

SINGAPORE CORPORATE DEBT MARKET DEVELOPMENT 2018

SINGAPORE – GLOBAL CITY, WORLD OF OPPORTUNITIES



Monetary Authority of Singapore

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Foreword

Against a backdrop of global economic recovery and historically low interest rates, global bond market issuances grew 3%¹ to reach USD 6.95 trillion in 2017, compared to USD 6.8 trillion the year before.

In Asia, stronger investor demand for Asian G-3 debt issuances over local currency debt issuances saw Asian G-3 debt issuances soar 56% to USD 360 billion, while local currency debt issuance fell 13%² to USD 920 billion.

Singapore's debt capital market grew strongly in 2017:

- Total debt issuance reached SGD 259 billion in 2017, an increase of more than 39% compared with SGD 186 billion in 2016.
- This was issued by 166 issuers, including 103 repeat issuers.
- Total outstanding debt grew 19% to SGD 386 billion in 2017.

While global growth and low inflation remain key drivers of growth for Asian bond markets in 2018, trade protectionism, coupled with monetary policy normalisation in advanced economies, present risks which may offset this growth trajectory.

Notwithstanding these headwinds, the economic outlook for Asia remains positive, underpinned by resilient domestic demand, robust export growth and stable inflation. This will continue to support demand for Asian issuances. Furthermore, the region's financing needs are vast, helmed by a strong infrastructure development agenda.

In this regard, Singapore is well-positioned to serve Asia's growing financing needs. The strong performance of Singapore's debt market in 2017 is a clear testament of Singapore's ability as an ecosystem, to support companies seeking to raise international capital. The Asian Bond Grant Scheme launched by the MAS in 2017 has successfully paved

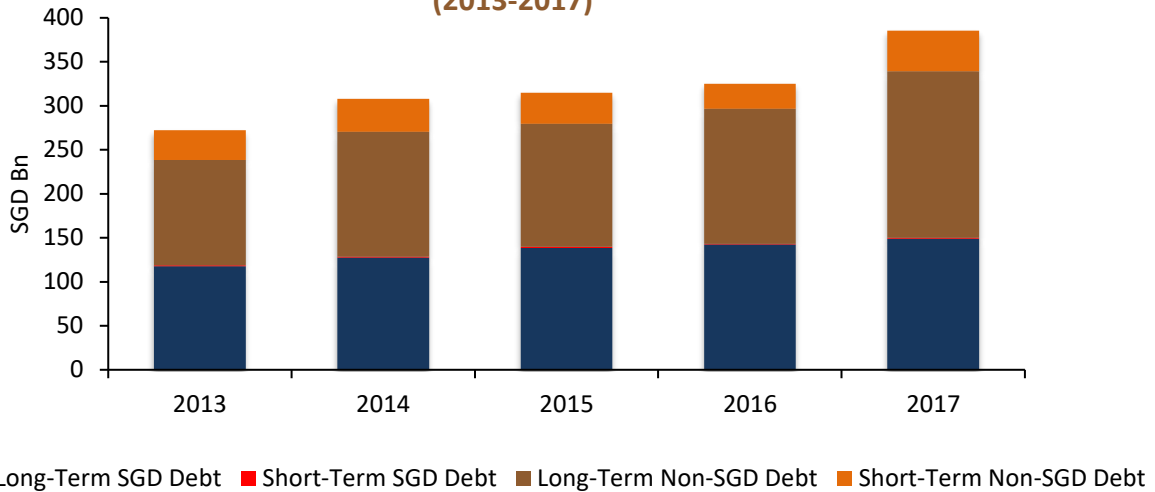
¹ Dealogic Debt Capital Markets Database.

² Dealogic Debt Capital Markets Database.

the way for new Asian issuers, supporting Asia’s funding needs. In the months ahead, we will continue our efforts to support companies in their efforts to raise long-term capital for sustainable growth.

Key Highlights

**Overview of Singapore Corporate Debt Market by Amount Outstanding³
(2013-2017)**



Total debt issuance grew 39% year-on-year to reach SGD 259 billion

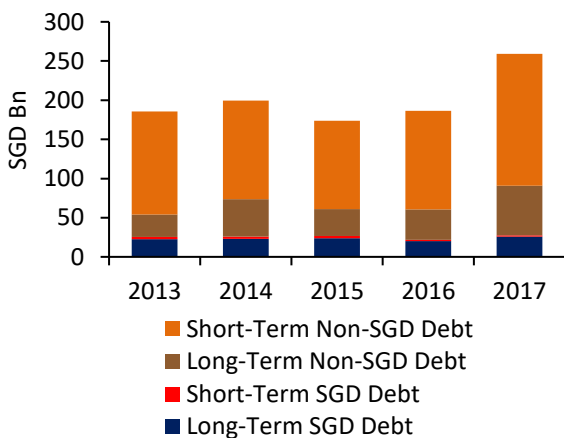


Total outstanding debt grew 19% year-on-year to reach SGD 386 billion

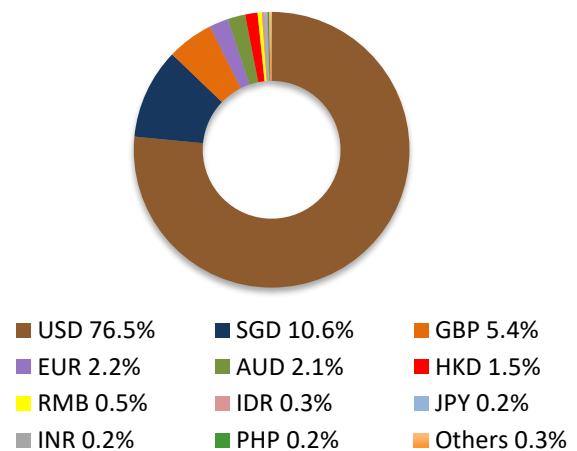


166 issuers, including 103 repeat issuers

Overview of Singapore Corporate Debt Market by Issuance Volume (2013-2017)



Currency Breakdown of All Issuances (2017)



Others include THB, LKR, CAD, UAH, CHF, NZD, KRW

³ Short term debt refers to debt securities with a tenure of 1 year or less. Long term debt refers to debt securities with a tenure of more than 1 year.

About the Report

The Monetary Authority of Singapore (MAS) carried out its annual reporting of the Singapore corporate debt market, for the year ending 31 December 2017.

The annual report of the Singapore corporate debt market covers debt issues arranged by financial institutions in Singapore.

Besides providing the statistics on Singapore's corporate debt market, this report will also highlight notable issuances and market trends including the early results of initiatives launched by MAS to support companies in their efforts to raise international capital for growth.

Findings

Corporate Debt Market

Issuance volumes in Singapore's corporate bond market increased significantly in 2017, on the back of the continued expansion in the global economy and the introduction of MAS' Asian Bond Grant Scheme.

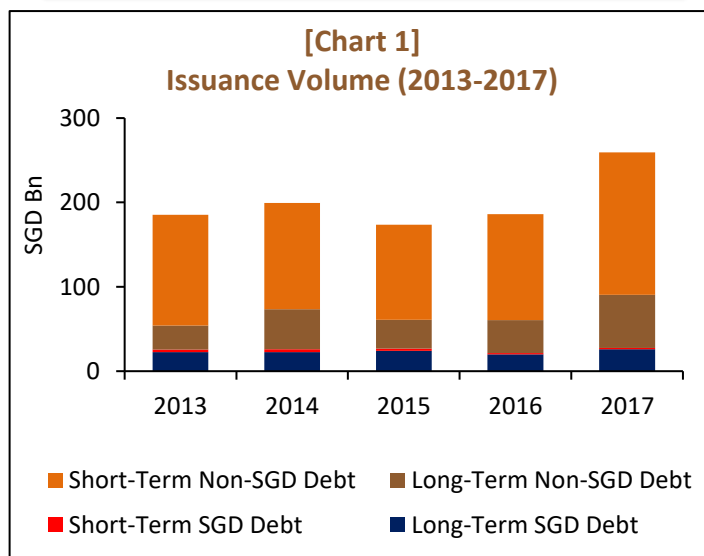
Total debt issued rose 39% year-on-year to SGD 259 billion in 2017, from SGD 186 billion in 2016. Growth was driven by increased issuances of both SGD and non-SGD denominated debt securities (Chart 1).

SGD debt securities issued reached a 5-year high of SGD 27 billion, catalysed by strong investor sentiment and issuers seeking to secure longer term funding ahead of the expected rate increases.

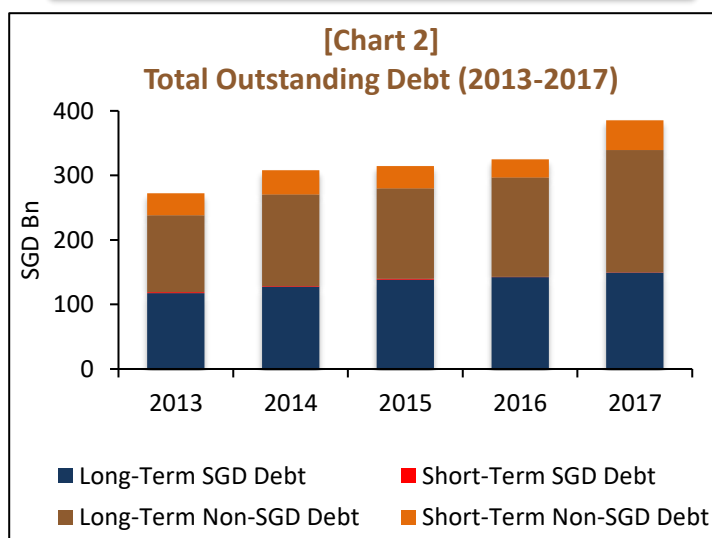
As a gateway to Asia's bond markets, a multitude of Asian corporations tapped Singapore's bond market for billion-dollar non-SGD denominated issuances. For example, PT Paiton Energy, Indonesia's second largest power producer, raised USD 2 billion for its amortising project bond. Marking the return of project bonds in Asia after nearly two decades, this issuance was also the first investment-grade bond for an infrastructure project in the region.

In line with higher issuance volumes, total debt outstanding grew 19% year-on-year to reach SGD 386 billion, representing a CAGR of 9.1% since 2013 (Chart 2). SGD debt outstanding reached SGD 150 billion while non-SGD debt outstanding was SGD 236 billion.

SGD 259 billion
Total Debt Issued



SGD 386 billion
Total Outstanding Debt



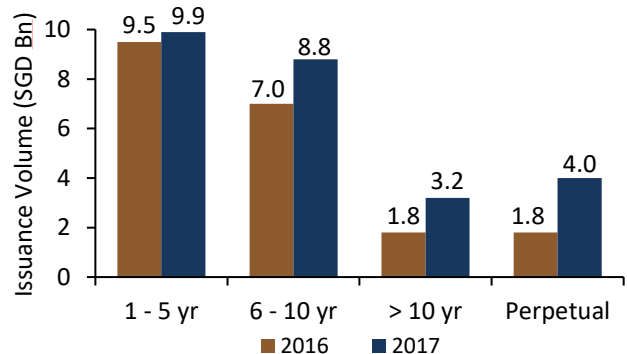
Issuers and Issuances

TENURE OF ISSUANCES

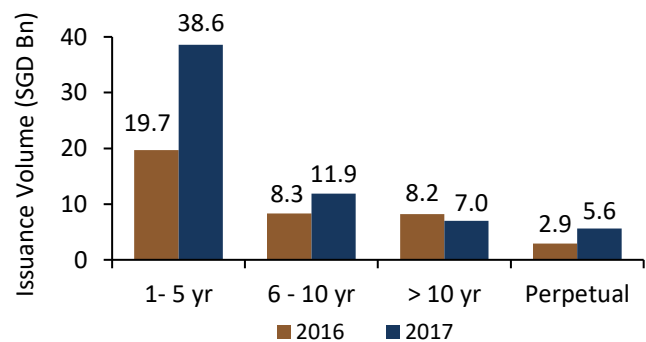
In line with the overall rise in SGD corporate debt securities issued, volumes across all maturities in the SGD segment were higher in 2017 as compared to 2016 (Chart 3). However, longer-term (>5 year) SGD corporate debt securities experienced a larger increase in issuance volumes, buoyed by multiple benchmark-sized issuances by local corporations. For example, Singapore Airlines came to market three times in 2017, raising a total of SGD 1.6 billion in the 8, 9 and 10 year tenures, while Mapletree Treasury Services Limited launched two perpetual debt securities of SGD 700 million and SGD 625 million each, which were the two largest SGD-denominated perpetuals in 2017.

For the non-SGD corporate debt market (Chart 4), while most maturities saw higher issuances in 2017 compared to 2016, shorter-term (1-5 yr) non-SGD corporate debt securities surged nearly 2-fold, reflecting investors' preference to hold shorter tenure bonds. Notable issuers in the 1-5 year tenures include Bright Food Singapore Holdings Pte. Ltd., a Chinese multinational food and beverages manufacturing company, and Indian Renewable Energy Development Agency (IREDA), India's government-owned renewable energy entity. Bright Food launched a 3-year EUR 800 million debt security, while IREDA launched a 5-year INR 19.5 billion green masala bond.

[Chart 3]
SGD Debt (>1 yr) Maturity Distribution
(2016 vs 2017)

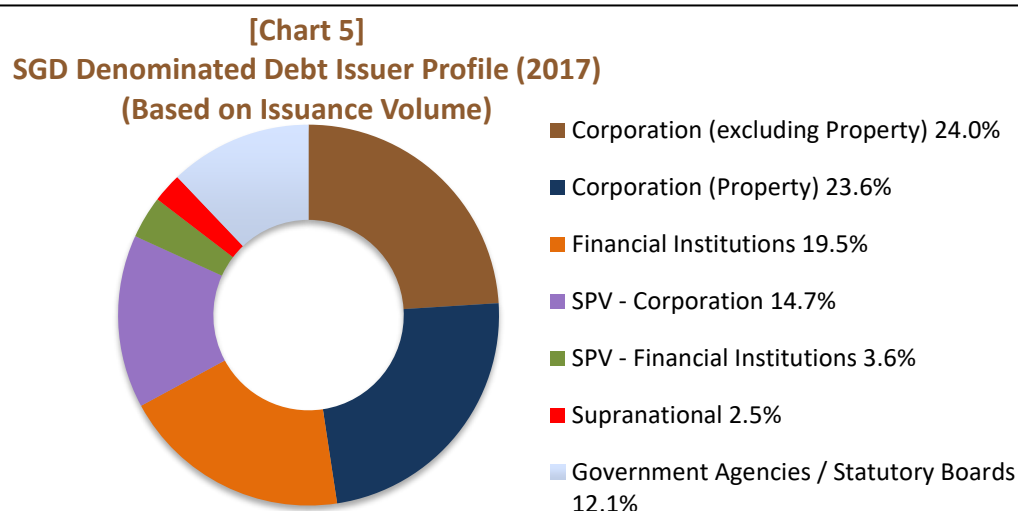


[Chart 4]
Non-SGD Debt (>1 yr) Maturity Distribution
(2016 vs 2017)

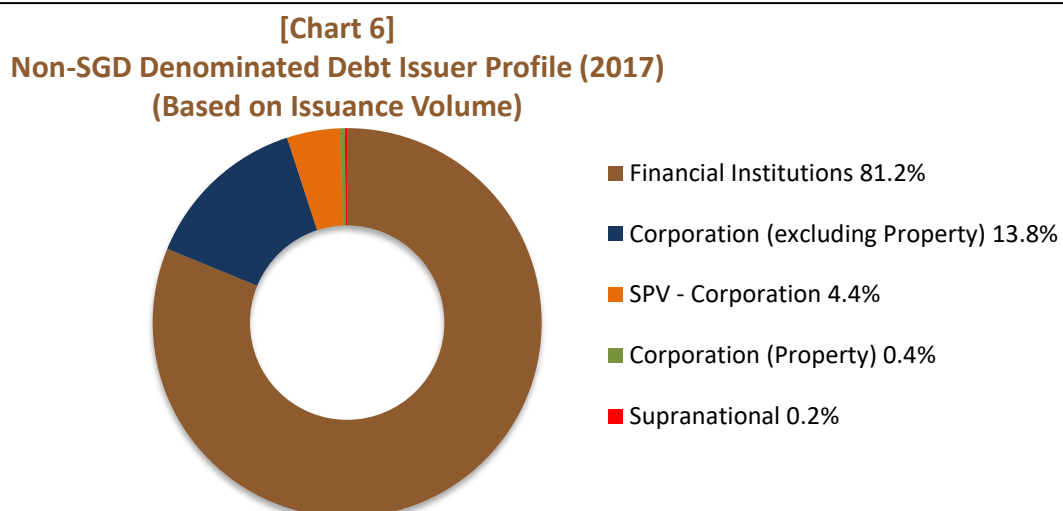


DIVERSITY OF ISSUERS

The SGD corporate debt market continued to serve the needs of a diverse range of issuers in 2017. Consistent with prior years, corporate issuers accounted for the majority of issuance volumes, at 24% and 23.6% for non-property and property corporations respectively. Financial institutions brought 19.5% of issuance volumes to market, lower than the 27.7% in 2016. Other categories of issuers included special purpose vehicles (18.3%), government agencies and statutory boards (12.1%) and supranational (2.5%) (Chart 5). Local issuers remained significant participants in the SGD market. The Housing & Development Board was the largest issuer with SGD 3.32 billion in issuances in 2017. Other notable issuers include Manulife Corporation which issued a SGD 500 million 12-year green bond.



In the non-SGD corporate debt market, financial institutions accounted for the majority of issuance volumes, at 81.2% (Chart 6). Amongst non-financial institutions, corporations (excluding property) formed the largest segment. A notable issuer was BOC Aviation Pte. Ltd, which issued more than SGD 2.6 billion in foreign currencies including USD, RMB and HKD, with majority of the tenures ranging from 1 to 5 years.



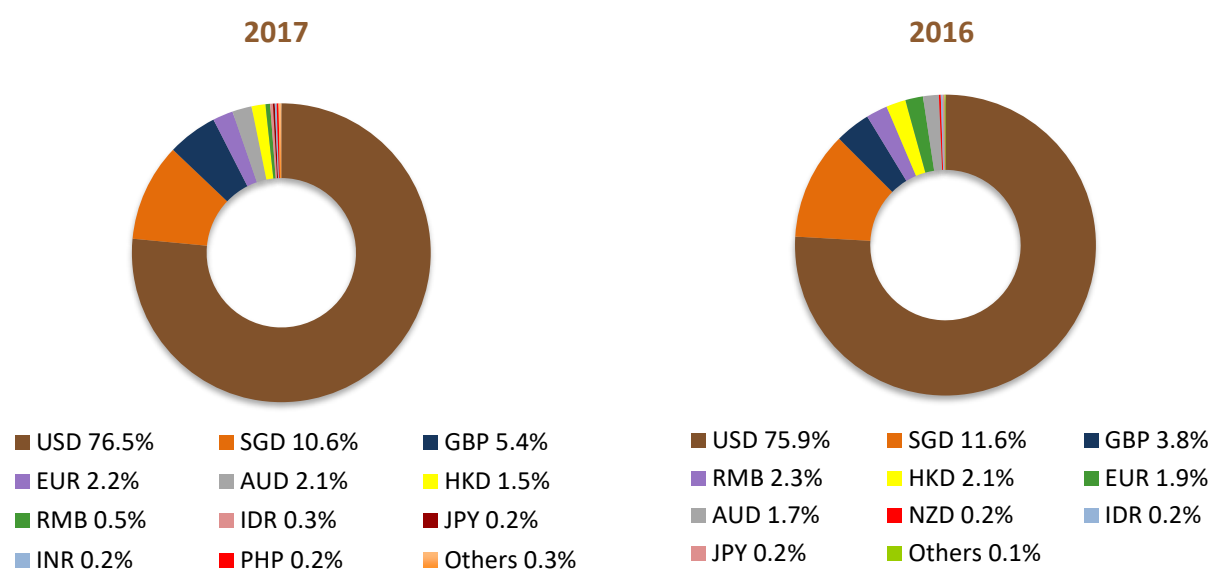
SINGAPORE AS A MULTI-CURRENCY FIXED INCOME CENTRE

Singapore's debt market continued to support issuers' funding needs in foreign currencies. Non-SGD debt issuance accounted for 89.4% (SGD 232 billion) of total debt issuances in 2017 (Chart 7), broadly in line with 2016.

USD remained the primary currency of issuance, accounting for around three-quarters of total issuance volumes in 2017, similar to that in 2016 (Chart 7). Following the USD, the SGD remains the second-largest currency, with a share of 10.6%. Many issuers also issued multiple currencies, for example, Nomura International Funding issued over SGD 4.9 billion in 12 different foreign currencies, including EUR, KRW and AUD.

In particular, covered bond issuances contributed to the diversity of currency issuances. With covered bond issuances of USD 4.2 billion in 2017, Singapore is the fastest growing covered bond market in Asia⁴. Singapore's covered bond market saw 6 new issuances in 2017, denominated in EUR, USD and AUD. For example, DBS launched its first EUR covered bond of 750 million in January while UOB issued Asia's first dual currency covered bond (USD 500 million & EUR 500 million) in February. OCBC also made its covered bond debut with a EUR 500 million covered bond issuance in March.

[Chart 7]
Currency Breakdown of Issuances



Others include THB, LKR, CAD, UAH, CHF, NZD, KRW

Others include KRW, THB, LKR, CAD, INR, CHF

⁴ Dealogic Debt Capital Markets Database.

FIRST TIME ISSUANCES AND REPEAT ISSUANCES

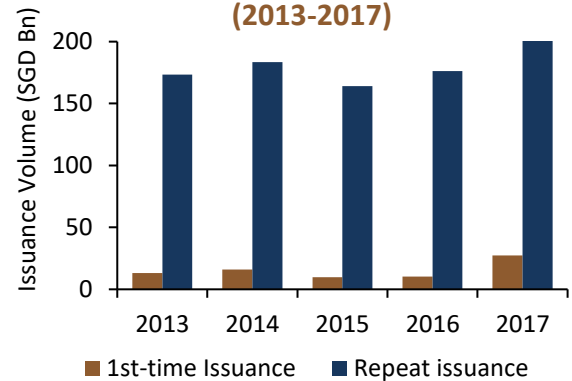
Repeat issuances continued to drive issuance volumes, contributing well over 80% of total issuance volumes in 2017 (Chart 8).

On the other hand, volumes from first time issuances registered a near 3-fold year-on-year increase in 2017, compared to a 32% increase in volume for repeat issuances.

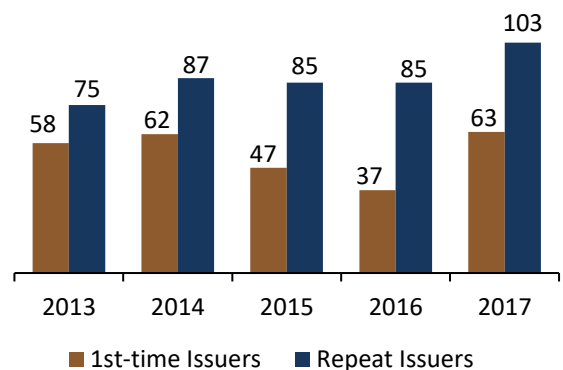
The number of first time issuers increased from 37 in 2016 to 63 in 2017 (Chart 9), a reversal of the declining trend observed in the last few years. Some of these first time issuers include Parkway Pantai which issued a USD 500 million senior perpetual bond, and PT Jasa Marga (Persero) Tbk which issued a 3-year IDR 4 trillion Komodo bond. Many of these issuers had tapped on the Asian Bond Grant Scheme introduced by MAS in 2017 (See Box Story).

Likewise, the number of repeat issuers rose from 85 in 2016 to 103 in 2017. Many companies repeatedly tap on Singapore's debt market to meeting their funding needs. For example, Olam International Limited is a long-standing issuer, which has been tapping Singapore's debt market for over a decade, including raising SGD 1.4 billion in 2016 and SGD 1 billion in 2017.

[Chart 8]
First time Issuance vs Repeat Issuance (2013-2017)

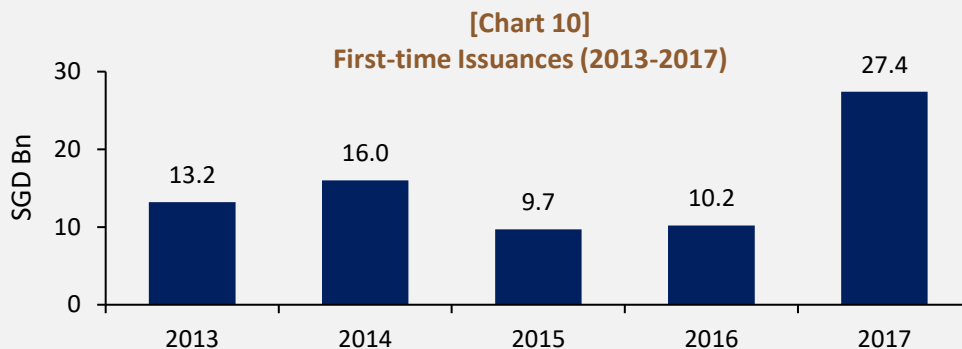


[Chart 9]
No. of Unique Issuers (2013-2017)



Supporting First-time Asian Issuers

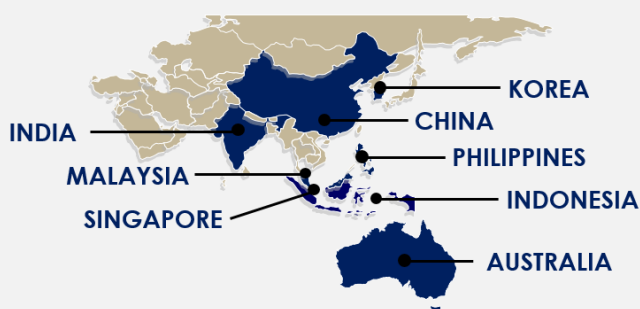
MAS launched the Asian Bond Grant Scheme on 1 January 2017 to encourage the issuance of bonds by Asian companies in Singapore. The scheme supports up to 50% of typical issuance-related expenses for first-time Asian issuers, subject to a cap of S\$400,000 for rated issuances and S\$200,000 for unrated issuances.



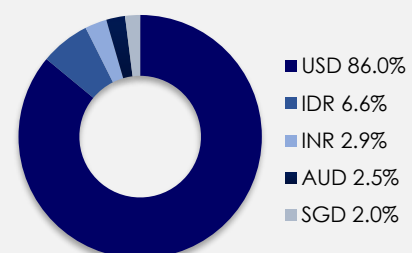
In 2017, Singapore's debt market registered a near 3-fold year-on-year increase in first time issuances, reaching SGD 27.4 billion (Chart 10). Many of these first-time issuers from Australia, China, India, Korea and ASEAN, had come through the Asian Bond Grant Scheme.

USD was the currency of choice for most issuers, with USD-denominated bonds making up 86% of issuances. Over 80% of these issuances were rated and more than half had a maturity of over 5 years.

Diversity of Issuers



Currency of Issuances



Notable issuers who came through the scheme include PT Paiton Energy and Haier Group. PT Paiton Energy, an Indonesian power producer, issued a USD 2 billion dual-tranche infrastructure project bond with a maturity of 13 and 20 years, paving the way forward for the development of project bonds in the region while Haier Group, a Chinese multinational corporation, launched a USD 1 billion perpetual debt security.

In months ahead, MAS will continue our efforts to support companies in their efforts to raise long-term capital for sustainable growth.

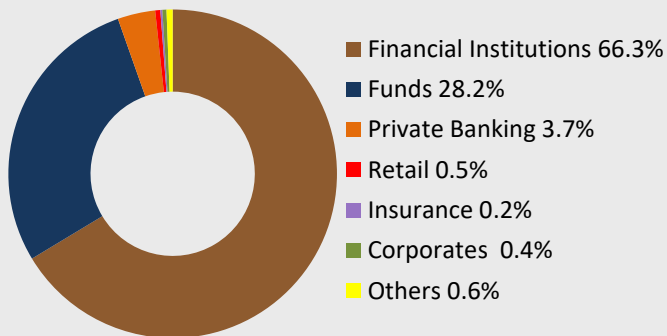
Investors

A wide range of investors, with different investment profiles, participated in Singapore's debt market (Chart 11):

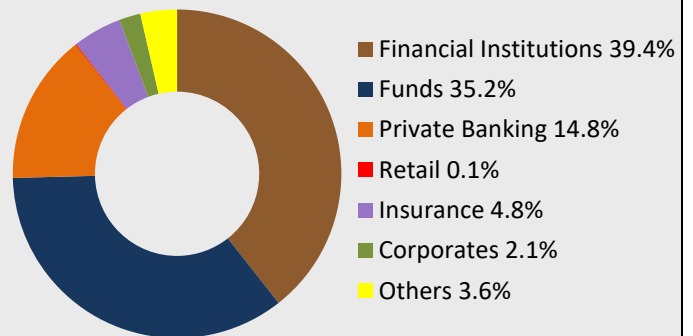
- Financial institutions continued to be significant participants in money markets here, taking up more than 65% of all short-term issues;
- Fund managers and insurance companies took up 40% of long-term issues, supporting the strong and diverse investor base in this segment;
- Fund managers and private banks accounted for over half of the investment demand in SGD debt, with demand from private banking clients overtaking fund managers in 2017;
- Financial institutions and fund managers remain the dominant investors in non-SGD debt, holding preferences in USD, GBP and EUR.

[Chart 11]

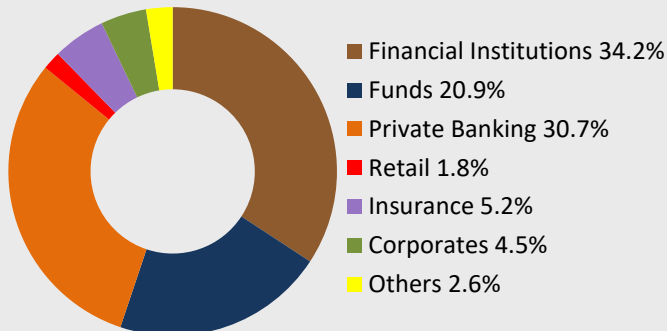
Investors in Short Term issues



Investors in Long Term issues



Investors in SGD issues



Investors in Non-SGD issues

