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## More Debt Issuers tap Singapore

More overseas companies are selling Singapore dollar bonds, tempted by the country's low interest rates and a growing pool of investors who want to hold assets in the currency. In a region still scarred by the effects of the 1997/98 Asian financial crisis, the trend suggests Singapore is making tangible progress in its efforts to diversify its financial system.

That is helping to reduce risks in the financial sector and create opportunities for issuers seeking new markets and for investors keen to add new assets to their portfolios. "It's easy, long-term funding, and once you pass the credit hurdle, the pricing is quite attractive," said Clifford Lee, managing director of debt capital markets at DBS Bank Singapore.

Singapore-dollar debt issues of US\$3.3 billion (HK\$25.74 billion) in 2006 were much higher than Hong Kong's US\$1.3 billion local-currency issuance, but were still small compared with Japan's US\$80 billion, Dealogic data shows. Singapore dollar bonds sold by foreign issuers - from airlines to banks - was 30 percent higher in the first nine months of 2006 than for the whole of 2005, central bank data shows.

Foreign issuers made up 40 percent of the Singapore dollar debt market in the first half of last year, jumping from 14 percent for all of 2005, the central bank figures show. Export-Import Bank of Korea holds a third of its offshore bonds - outside of G3-currency debt - in Singapore dollars. That is up from negligible levels two years ago. Other recent issuers have included Norwegian shipping firm Odjfell, Hong Kong property group Cheung Kong (Holdings) (0001), Malaysian gaming-and-leisure group Genting and Macquarie Bank of Australia.

Singapore interest rates have traditionally been low by global standards because a healthy fiscal surplus has reduced the government's need to borrow. Singapore five-year bonds yield 2.922 percent, significantly lower than 4.662 percent for similar US government debt. Bankers have reason to welcome the trend. They are earning more fees as Singapore's debt market develops alongside derivatives and other investment instruments. A steady rise in the Singapore dollar, which rose 8.5 percent against the US dollar last year - has proved attractive for investors, analysts say. And for the central bank, a more developed corporate bond market means less dependence by borrowers on bank loans - a goal many monetary authorities are pushing for following the 1997/1998 Asian financial crisis. Gina Tang, HSBC head of debt capital markets in Hong Kong, said a range of tax benefits and measures to make markets more transparent had made a difference.

Even so, some dealers say Singapore must boost liquidity and encourage a wider range of debt to have a vibrant debt market. The market is dominated by investment-grade debt and few speculative-grade deals get done.

Still, as a major financial center, Singapore gives investors and issuers access to other services. It is the world's fourth-biggest foreign exchange center. Singapore-based financial institutions

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managed total assets of S\$720 billion (HK\$3.65 trillion) in 2005 and global banks have offices in the city state. "The depth of the investor base is very good here. It is a good opportunity for issuers to diversify their investor base and in some cases to do trades that are more costeffective," said John Pitfield of Citigroup.

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