

Singapore short term rates drop

3M SIBOR falls - this could be a clue that off-cycle easing is imminent



Source: Shutterstock

1.879% 3M SIBOR
Down from 1.998%

Monetary Authority of Singapore (MAS) could be poised to ease

For some time now, we have been touting a view of an off-cycle easing by the MAS. The weak state of Singapore's export industries, hit by the global tech slump, as well as the trade and tech war, together with softer global trade, suggested to us that the next MAS move would be to ease policy. The current policy stance is a 'modest and gradual' appreciation of the SGD Nominal effective exchange rate (SGD NEER) path. We think this could be revised to flat.

We also have suggested that the MAS would not want to wait until the next scheduled meeting in October before easing, and that an off-cycle easing was therefore likely. Moreover, we felt that if this was the case, then the MAS would most likely not want to hang about for too long. As time ticks on, any delay would mean that before too long, there might be no point in moving off-cycle and that they could just as well wait until the October meeting. In other words, we felt that

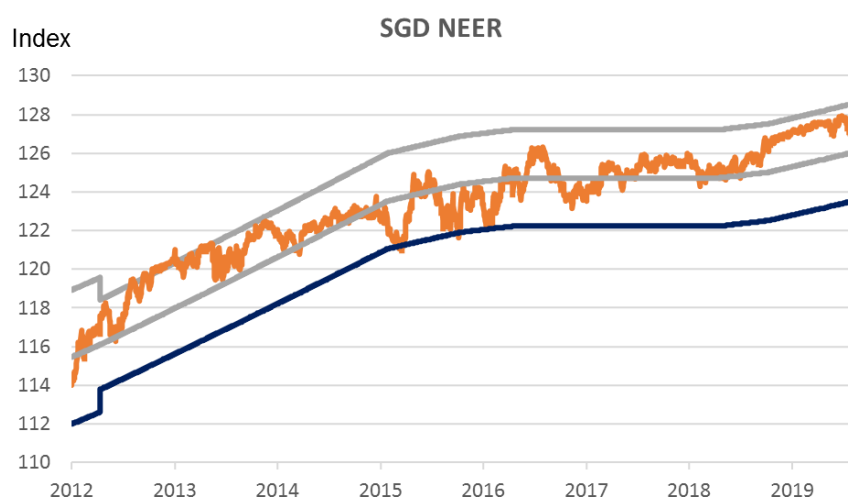
an easing announcement was imminent.

Short term rates the clue?

With the path of the SGD a part-market, part-MAS outcome, short-term rates play a role, as they indicate the degree to which the authorities are working to maintain their NEER target. Until recently, 3M SIBOR has been on an upward path, with discrete upward steps indicating successive tightenings of liquidity as the MAS worked to maintain the NEER path.

3M SIBOR has just dropped abruptly in the last few days, and the SGD is heading back towards the midpoint of its projected range. This may well be just the clue we needed to indicate that an imminent announcement of a shift in policy stance from the MAS is on its way.

SGD NEER



Source: Bloomberg

3M SIBOR



Source: Bloomberg

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