IPP Client Research:

Is the Singapore Dollar (SGD) a Strong Long-Term Currency?

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Overview

This paper examines whether the Singapore dollar (SGD) is a strong long-term currency for savings and investment—particularly during periods of U.S. dollar weakness or global uncertainty. It looks at the historical USD-SGD correlation, recent macro events, and the case for SGD as a resilient, inflation-resistant currency.

How the Singapore Dollar Is Managed

Because Singapore imports nearly all of its goods, controlling the exchange rate is the primary tool for managing inflation. MAS does not set domestic interest rates. Instead, it maintains the SGD within a managed band tied to a basket of major currencies—not just the U.S. dollar like the Hong Kong dollar. To do this, MAS routinely intervenes in FX markets, buying or selling SGD using its foreign reserves to guide the currency's value within its policy band.

Feature	Most Central Banks	MAS (Singapore)
Main tool	Interest Rates	Exchange rate band
Transparency	Full Disclosure	Partial (Band not disclosed)
Objective	Low unemployment / Low inflation	Price stability via currency strength
FX Intervention	Rare/emergencies only	Routine and strategic

SGD Correlation With USD

At first glance, many assume the Singapore dollar (SGD) moves closely with the U.S. dollar (USD), given Singapore's heavy trade exposure and global reliance on the USD. However, the historical data tells a different story: SGD and USD are only moderately correlated, and that correlation weakens further during periods of macro stress or shifting U.S. policy. During the period of 2021–2024, the correlation between SGD/USD and DXY was approximately 0.49—moderate, but not particularly strong.

	USD/SGD	*DXY*
USD/SGD	1	
DXY	**0.487507**	1

Correlation from 2021 to 2024

Why is the correlation weaker than expected:

1. Different Policy Anchors
    a. The U.S. dollar is managed through fed controlled rates
    b. The SGD is managed by MAS through currency band tied to a basket of currencies, not the USD alone.
2. Diversified Trade Exposure
    a. Singapore has different trading partners than the U.S. and sources goods at different prices.
3. Monetary Independence
    a. Because MAS does not follow an interest rate structure, MAS moves are not correlated with Fed moves.

SGD Correlation with Gold, Equities, and Interest Rates

SGD shows a moderate inverse correlation with gold (when using SGD/USD as the exchange rate). This means that when gold prices rise—typically during periods of USD weakness or inflation—the SGD tends to strengthen relative to the U.S. dollar.

This is a meaningful relationship, because it suggests that the SGD:

- Holds its value when the USD weakens, and
- Acts similarly to gold during inflationary periods, serving as a partial hedge.

In regression analysis, SGD/USD had the strongest statistical relationship with gold among the assets tested, reinforcing its role as a relatively defensive currency.

	Gold (USD)	*USD/SGD*
Gold (USD)	1	
USD/SGD	**-0.49462**	1

This is based on USD/SGD. A negative relationship here indicates that SGD is strengthening with gold. It would be the opposite on a SGD/USD basis or if the gold were quoted in SGD. 2006-2025

The correlation between SGD and U.S. equities (proxied by the DJIA) is weakly negative. During periods of risk-off behavior, such as equity market downturns, the SGD has often held up better than most regional currencies.

	USD/SGD	*DJIA*
USD/SGD	1	
DJIA	**-0.19304017**	1

2006-2025

There is little meaningful correlation between SGD/USD and U.S. short-term interest rates. This is expected, since Singapore's monetary policy does not rely on interest rates, but rather on currency management.

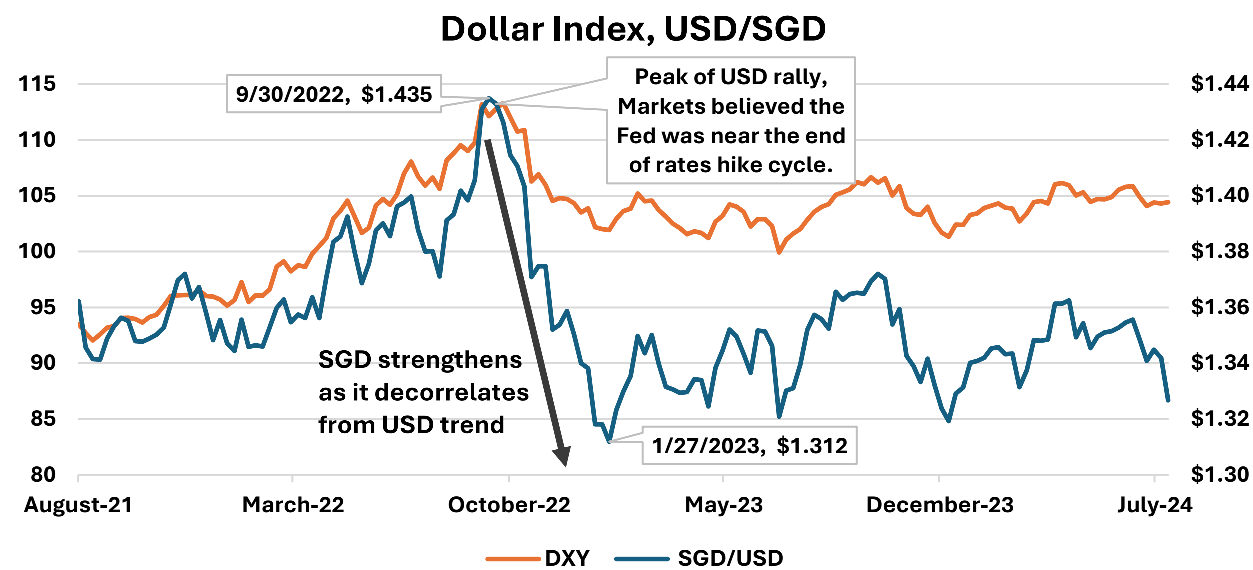
	U.S. Short Term Interest Rate	*USD/SGD*
U.S. Short Term Interest Rate	1	
USD/SGD	**0.281094**	1

2006-2025

Case Study: USD Weakness (2022-2023)

In late 2022, the U.S. dollar began to reverse course after an aggressive rally that had started in early 2021. By October 2022, the DXY (U.S. Dollar Index) peaked at multi-decade highs, driven by the Federal Reserve's fast-paced interest rate hikes and global demand for dollar-denominated assets during economic uncertainty.

However, from October 2022 through early 2023, the dollar sharply declined—falling over 10%—as markets began pricing in the end of the Fed's tightening cycle. Softer U.S. inflation prints, political noise over fiscal policy and debt ceiling debates, and growing concerns about the long-term credibility of U.S. monetary policy added downward pressure to the USD.



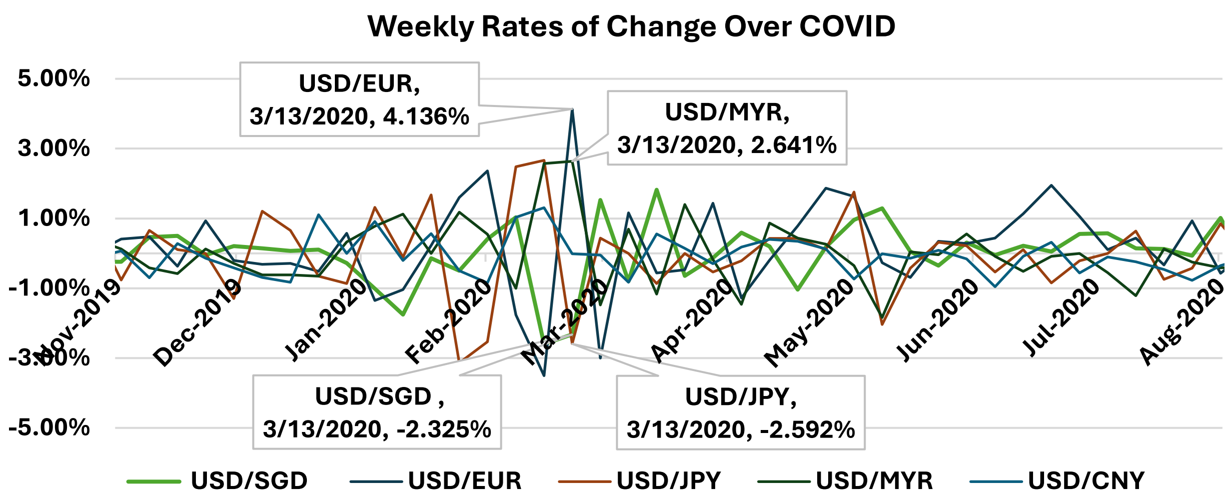
Case Study: SGD Performance During Global Uncertainty

Periods of global financial stress often trigger flight-to-safety behavior, with investors rushing into perceived safe-haven currencies like the U.S. dollar, Japanese yen, or Swiss franc. In this context, we examined how the Singapore dollar (SGD) held up during two recent episodes of heightened global uncertainty: the COVID-19 market shock (2020) and the Federal Reserve's aggressive tightening cycle (2022).

COVID-19 Shock (Q1 2020)

In early 2020, global markets were hit by sudden and extreme volatility. The U.S. dollar surged as global demand for liquidity spiked.

- The USD strengthened significantly against nearly all global currencies.
- The SGD depreciated slightly—from ~1.35 to ~1.46 SGD/USD or 8%—but remained far more stable than emerging Asian currencies. EUR depreciated from 5%, the Japanese yen depreciated 3%, Malaysian Ringgit depreciated 9.2% and Chinese yuan depreciated 2.6%.
- MAS allowed weakening but maintained a controlled path within its exchange rate band.



Negative rates of change indicate currencies strengthening compared to USD.

- It is worth noting that even though SGD depreciated by 8% to the USD across the whole of COVID, it showed little correlation with other currencies and in March, SGD had a net 2.33% gain on the dollar while the Euro lost 4.14%.

Fed Tightening Cycle (2022)

As inflation surged post-COVID, the U.S. Federal Reserve raised interest rates at the fastest pace in decades. The U.S. dollar strengthened sharply, pushing up DXY and pressuring global currencies.

- The SGD did weaken, but only modestly and within MAS's expected policy band.
- MAS responded by tightening the slope of its currency band, signaling that a stronger SGD would help curb imported inflation.
- Compared to other regional currencies, the SGD's depreciation was limited and orderly.

Key takeaway: In the face of aggressive U.S. monetary tightening, SGD remained resilient. MAS's active management helped prevent capital flight or disorderly depreciation. Since 2006 (the beginning of data used), SGD has strengthened relative to USD going from 1.60 SGD per 1 USD to 1.28 SGD per 1 USD, or 19.7%.

Looking Forward

The U.S. dollar's status as the world's reserve currency faces some headwinds. At the time of writing, federal debt sits at $37 trillion, with no real plan to address it beyond promises to "grow out of it." Confidence in the Federal Reserve's stewardship is also slipping, and political pressure, especially from the Trump administration could threaten its independence.

That said, there's no real alternative, yet. While BRICS nations have floated the idea of a shared currency to rival the dollar, it's hard to imagine a bloc of pseudo-socialist and authoritarian governments managing anything efficiently together. None of them are giving up their domestic currencies, and at best, a BRICS currency would be limited to bilateral commodity transactions, not a reserve asset.

Regardless of what comes next—be it dollar weakness, a digital reserve currency, or geopolitical shifts—we see no reason to question the Monetary Authority of Singapore's ability to maintain the SGD's global purchasing power. MAS will likely continue to adjust the SGD's currency toward the most stable global anchor, ensuring the currency remains a stronghold of monetary discipline and international trust.

Conclusion

The Singapore dollar stands out as one of the most stable and well-managed currencies in the world. Unlike most central banks that rely on interest rates, the Monetary Authority of Singapore uses a unique exchange rate–based policy framework that targets a basket of currencies, allowing for flexibility while maintaining long-term price stability. This approach has made the SGD resilient across market cycles and insulated from U.S. monetary swings.

Our analysis shows that the SGD does not closely track the U.S. dollar over time, and in fact, has demonstrated independent strength during periods of USD weakness, such as in late 2022. Even during global uncertainty—like the COVID-19 shock or the Fed's 2022 tightening cycle—the SGD remained remarkably stable, outperforming most regional peers.

Correlations with key macro assets such as gold, U.S. equities, and interest rates further support the view that SGD behaves more like a conservative store of value than a volatile emerging-market currency. Its moderate alignment with gold suggests some inflation hedge properties, while its weak links to equities and interest rates reinforce its policy independence.

For clients seeking a currency that offers long-term capital preservation, stability, and inflation resistance, the SGD presents a compelling case—even for those with no direct exposure to Singapore's economy. It combines central bank discipline with macroeconomic fundamentals that continue to earn global investor confidence.

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