2009 is a year that started in what seemed to be the middle of a downward spiral of the world economy. Yet, to some in Singapore, 2009 may seem to be the year of the recession that never happened.

Pessimism

In Jan 2009, world trade crawled to a halt, as banks froze trade-financing credit to firms, spurring central banks to pour funds into the banking systems. At the beginning of the year, the U.S. Federal Reserve cut rate interest rates to near zero, while the Bank of England brought rates to an all-time low.

In Singapore, retrenchments were top of the minds of many citizens. Yet expected massive job losses did not materialize. The Job Credit Scheme, introduced the previous year, and training schemes such as SPUR, had apparently succeeded in persuading employers to keep their workers.

Despite the relative calm on the job front, global stock markets plummeted on the fears of the collapse of Citibank and AIG. The Straits Times Index reached a 6-year low in Mar 2009. The crisis forced a few firms such as Jurong Technology into judicial management and exposed some fraudulent accounting practices in some China-based companies such as

Sino-Environment and Fibrechem Technologies. An email, a purported “Confession of a Former S-Chip CEO”, also surfaced some time n April 2009, detailing the past schemes that Singapore-based dealmakers hatched with China companies that were seeking a listing in Singapore. These episodes plagued S-Chips, depressing their share prices relative to the whole market.

Full Closures

The collapse of Lehman Brothers in August 2008 continued to cast a pall in 2009, as small investors who invested in notes linked to the failed investment bank stayed in the limelight. Over 200 investors sued DBS in Jul 2009 for a full redemption of their notes. The pressure exerted by investors bore some fruit, as in the same month, the Monetary Authority of Singapore admonished financial institutions which mis-sold the structure products to unsophisticated investors. These institutions were suspended from selling structured products for between 6 to 24 months. Great Eastern Life also voluntarily redeemed the affected notes that it sold, to the applause of the general public.

In September 2009, as the Singapore stock market recovers, the end of an era arrived for Chartered Semiconductor. An Abu Dhabi fund acquired Chartered, and the one time STI blue-chip was to be delisted. Earlier in the year, PetrolChina also took over Singapore Petroleum Corporatiion for S$3.2 billion.

Sparks in the Gloom

The low-interest environment had an unexpected effect on consumers in Singapore and elsewhere. Low interests fueled a renewed boom in the local property market. The Singapore government attempted to put a dampener on runaway property prices, by outlawing interest absorptions schemes and resuming the sale of land to developers. These however did not stop a Queenstown HDB flat from being sold for a record S$673 per square foot in Nov 2009. The widely-anticipated Dawson Built-to-Order public flats summed up the buoyant property market, with some five-rooms 12 times over-subscribed despite prices being set above S$500,000 and a wait of 6 years until completion. In the private housing market, shoebox condominiums remain popular, in part due to higher absolute costs of owning large units. In Oct 2009, Singapore saw the smallest condominium unit at 258 square feet put up for sale at Suites@Guillemard.

Similarly, boom-town Singapore's thirst for new cars was unabated, as open-category COE prices rebounded sharply from S$3,000 in Feb 2009 to about $18,000 by the end of the year. Korean car distributors took advantage of the weak Won and by the third quarter of 2009, Hyundai had managed to out-muscle Honda to the second spot in the list of top-selling cars.

Markets Recover

Dual-listing became a hot topic towards year-end. The concerns on the corporate governance of China-based companies listed in Singapore created a discrepancy in share prices between these companies and those on the Hong Kong Stock Exchange. Li-Heng Chemical Fibre Technologies tried to seek a better valuation by transferring its assets to a proposed new Hong Kong-listed company, but the plan was denied by SGX in Oct 2009. Undeterred, SGX-listed China XLX Fertilizer sought a dual primary listing on HKSE. It made a rousing debut of HK$10 in Hong Kong before its price settled at just above HK$3. This is a 50% premium to China XLX's price in Singapore before the dual listing plans were announced.

Dubai Falters

Just as recovery appeared to be on track, the world was stunned by Dubai's unilateral request to halt repayments on its massive loans estimated at more than US$80 billion.. The threat of a double-dip recession reared its head and investors in Singapore went on a witch-hunt of local companies with exposure to Dubai. All was soon forgotten, as Abu Dhabi eventually gave its fellow Emirate a US$10 billion lifeline to pay off the most urgent debts.

The year ended in stark contrast to how it started, with the STI powering 65% above its Jan 2009 opening and more than doubling from the Mar 2009 lows.