

**Global Markets Research**

**Fixed Income : Auction Calendar**

**New issue 20-year GII 8/37 prints 1.78x BTC**

**Chang Wai Ming**

Fixed Income Strategist

Hong Leong Bank Berhad, Global Markets

Fixed Income & Economic Research

[WMChang@hlbb.hongleong.com.my](mailto:WMChang@hlbb.hongleong.com.my)

(603) 2773 0532

Despite lingering concerns over concerted tapering with ECB potentially joining the Fed, demand for today's new 20-year GII 8/37 issue managed to secure a healthy 1.78x BTC. Tender size was within our expected range, given the RM2.5 print size which was within our projected RM3b estimate. We opine demand for today's tender mainly came from lifers and pension funds, given the long-dated nature of these papers which complements asset-liability matching initiatives. Summary of today's tender result are as follows:-

Bid to Cover: 1.78x

High : 4.783%

Average : 4.755%

Low : 4.723%

Cut off : 50%

**Benign net supply in Q3 and Q4, supportive for MYR bond dynamics**

In terms of supply and demand dynamics, we opine the benign net supply in Q3 and Q4 are expected to support the MYR bond space. Total net issuance in Q3 and Q4 are expected to be circa RM4.4b and RM4.3b based on scheduled MGS/GII maturities. Hence reinvestment flows from upcoming maturities will help anchor bond yields to trade on a range-bound mode as liquidity is still ample in the domestic financial space. Summary of projected net MGS/GII supply in Q3 and Q4 are as follows together with completed YTD MGS/GII tenders. The upcoming new 3-year MGS 2/21 issue will be another key tender to watch out for, which replaces as the new 3-year MGS benchmark. (Expected tender size : RM4b)

| RM Million |      |        |        |           |
|------------|------|--------|--------|-----------|
| BY QUARTER | YEAR | MAT    | ISSUE  | NET ISSUE |
| Q3         | 2017 | 22,100 | 26,500 | 4,400     |
| Q4         | 2017 | 19,681 | 24,000 | 4,319     |

MGS/GII issuance pipeline in 2017

| No                                     | Stock                                    | Tenure-yrs | Tender Month | by quarter | Tender Date | Expected size (RM mil) | Issuance (RM mil) | Private Placement | Amt Issued YTD | BTC (times) | Low   | Average | High  | Cut-off |
|--|--|------------|--------------|------------|-------------|------------------------|-------------------|-------------------|----------------|-------------|-------|---------|-------|---------|
| 1                                      | 3-yr Reopening of MGII 04/20 3.226%      | 3          | Jan          | Q1         | 5/1/2017    | 3,000                  | 3,500             |                   | 3,500          | 1.789       | 3.657 | 3.690   | 3.700 | 75.0%   |
| 2                                      | 15-yr Reopening of MGS 06/31 4.232%      | 15         | Jan          | Q1         | 12/1/2017   | 3,500                  | 4,000             |                   | 7,500          | 2.503       | 4.773 | 4.786   | 4.796 | 25.0%   |
| 3                                      | 10.5-yr New Issue of MGII (Mat on 07/27) | 10         | Jan          | Q1         | 25/1/2017   | 4,000                  | 4,000             |                   | 11,500         | 3.413       | 4.245 | 4.258   | 4.265 | 10.6%   |
| 4                                      | 7.5-yr New Issue of MGII (Mat on 08/24)  | 7          | Feb          | Q1         | 14/2/2017   | 4,000                  | 4,000             |                   | 15,500         | 3.123       | 4.030 | 4.045   | 4.050 | 100.0%  |
| 5                                      | 30-yr Reopening of MGS 03/46 4.736%      | 30         | Feb          | Q1         | 27/2/2017   | 2,500                  | 2,000             | 1,000             | 18,500         | 2.562       | 4.660 | 4.676   | 4.686 | 5.0%    |
| 6                                      | 5-yr New Issue of MGS (Mat on 03/22)     | 5          | Mar          | Q1         | 9/3/2017    | 4,000                  | 4,000             |                   | 22,500         | 1.538       | 3.859 | 3.882   | 3.903 | 3.0%    |
| 7                                      | 15-yr Reopening of MGII 08/33 4.582%     | 15         | Mar          | Q1         | 23/3/2017   | 3,000                  | 3,000             | 1,000             | 26,500         | 1.897       | 4.660 | 4.696   | 4.730 | 27.0%   |
| 8                                      | 7.5-yr New Issue of MGS (Mat on 09/24)   | 7          | Mar          | Q1         | 30/3/2017   | 4,000                  | 3,000             | 1,000             | 30,500         | 2.064       | 4.030 | 4.059   | 4.072 | 64.0%   |
| 9                                      | 20-yr New Issue of MGS (Mat on 04/37)    | 20         | Apr          | Q2         | 6/4/2017    | 3,000                  | 2,000             | 1,000             | 33,500         | 1.585       | 4.725 | 4.762   | 4.799 | 90.0%   |
| 10                                     | 5-yr New Issue of MGII (Mat on 04/22)    | 5          | Apr          | Q2         | 13/4/2017   | 4,000                  | 4,000             |                   | 37,500         | 2.773       | 3.925 | 3.948   | 3.957 | 29.0%   |
| 11                                     | 15-yr Reopening of MGS 04/33 3.844%      | 15         | Apr          | Q2         | 27/4/2017   | 3,000                  | 2,500             | 500               | 40,500         | 2.057       | 4.469 | 4.503   | 4.515 | 64.0%   |
| 12                                     | 30-yr New Issue of MGII (Mat on 05/47)   | 30         | May          | Q2         | 5/5/2017    | 3,000                  | 2,000             | 500               | 43,000         | 2.393       | 4.850 | 4.895   | 4.913 | 19.0%   |
| 13                                     | 10.5-yr New Issue of MGS (Mat on 11/27)  | 10         | May          | Q2         | 15/5/2017   | 4,000                  | 3,000             | 1,000             | 47,000         | 3.340       | 3.880 | 3.899   | 3.910 | 95.0%   |
| 14                                     | 7-yr Reopening of MGII (Mat on 08/24)    | 7          | May          | Q2         | 30/5/2017   | 3,500                  | 3,000             | 1,000             | 51,000         | 2.480       | 3.909 | 3.926   | 3.933 | 82.0%   |
| 15                                     | 20-yr Reopening of MGS (Mat on 04/37)    | 20         | Jun          | Q2         | 6/6/2017    | 2,500                  | 2,500             |                   | 53,500         | 1.704       | 4.540 | 4.558   | 4.576 | 3.0%    |
| 16                                     | 10-yr Reopening of MGII (Mat on 07/27)   | 10         | Jun          | Q2         | 14/6/2017   | 3,500                  | 3,000             | 1,000             | 57,500         | 2.541       | 3.991 | 4.013   | 4.021 | 6.9%    |
| 17                                     | 7-yr Reopening of MGS (Mat on 09/24)     | 7          | Jul          | Q3         | 6/7/2017    | 3,500                  | 3,000             | 1,000             | 61,500         | 2.877       | 3.913 | 3.919   | 3.924 | 63.0%   |
| 18                                     | 30-yr Reopening of MGII (Mat on 05/47)   | 30         | Jul          | Q3         | 13/7/2017   | 2,500                  | 2,000             |                   | 63,500         | 1.915       | 4.900 | 4.926   | 4.946 | 66.7%   |
| 19                                     | 10-yr Reopening of MGS (Mat on 11/27)    | 10         | Jul          | Q3         | 27/7/2017   | 3,500                  | 3,000             | 1,000             | 67,500         | 1.683       | 3.957 | 3.978   | 3.989 | 5.56%   |
| 20                                     | 20-yr New Issue of MGII (Mat on 08/37)   | 20         | Aug          | Q3         | 3/8/2017    | 3,000                  | 2,500             |                   | 70,000         | 1.784       | 4.723 | 4.755   | 4.783 | 50%     |
| 21                                     | 3.5-yr New Issue of MGS (Mat on 02/21)   | 3          | Aug          | Q3         |             | 4,000                  |                   |                   |                |             |       |         |       |         |
| 22                                     | 7-yr Reopening of MGII (Mat on 08/24)    | 7          | Aug          | Q3         |             | 3,500                  |                   |                   |                |             |       |         |       |         |
| 23                                     | 5-yr Reopening of MGS (Mat on 03/22)     | 5          | Sep          | Q3         |             | 3,500                  |                   |                   |                |             |       |         |       |         |
| 24                                     | 15-yr Reopening of MGII 08/33 4.582%     | 15         | Sep          | Q3         |             | 3,000                  |                   |                   |                |             |       |         |       |         |
| 25                                     | 7-yr Reopening of MGS (Mat on 09/24)     | 7          | Oct          | Q4         |             | 3,500                  |                   |                   |                |             |       |         |       |         |
| 26                                     | 20-yr Reopening of MGII (Mat on 08/37)   | 20         | Oct          | Q4         |             | 2,500                  |                   |                   |                |             |       |         |       |         |
| 27                                     | 30-yr Reopening of MGS 03/46 4.736%      | 30         | Oct          | Q4         |             | 2,000                  |                   |                   |                |             |       |         |       |         |
| 28                                     | 10-yr Reopening of MGII (Mat on 07/27)   | 10         | Nov          | Q4         |             | 3,500                  |                   |                   |                |             |       |         |       |         |
| 29                                     | 15-yr Reopening of MGS 04/33 3.844%      | 15         | Nov          | Q4         |             | 3,000                  |                   |                   |                |             |       |         |       |         |
| 30                                     | 5-yr Reopening of MGII (Mat on 04/22)    | 5          | Nov          | Q4         |             | 3,500                  |                   |                   |                |             |       |         |       |         |
| 31                                     | 10-yr Reopening of MGS (Mat on 11/27)    | 10         | Dec          | Q4         |             | 3,000                  |                   |                   |                |             |       |         |       |         |
| 32                                     | 15.5-yr New Issue of MGII (Mat on 06/33) | 15         | Dec          | Q4         |             | 3,000                  |                   |                   |                |             |       |         |       |         |
| Estimated gross MGS/GII supply in 2017 |  |            |              |            |             | 105,000                |                   |                   |                |             |       |         |       |         |

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 6, Wisma Hong Leong

18, Jalan Perak

50450 Kuala Lumpur

Tel: 603-2773 0469

Fax: 603-2164 9305

Email: [HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.