

Global Markets Research

Fixed Income : Auction Calendar

Reopening of 10-year MGS 11/27 prints BTC cover of mere 1.53x

The interest seen on cash trades pre-auction didn't translate into strong interest during "WI window as a few trades were seen printing between 3.92-90% levels as bid/offer quotes moved right prior to the cut-off for tender. WI was last seen quoting at 3.95-93% levels last prior to the auction proper. The BTC of 1.53x was muted compared to 3.34x during its debut in May followed by its subsequent re-opening in July, which printed BTC of 1.683x. We note interest mainly from real money investors and inter-bank players. Prior to this auction we saw decent demand last week as local govies were well-bid on the back of stronger ringgit and economic indicators. The total print-size of RM3.0b (RM2.5b + 0.5b for private placement) was also within our expectations. The summary of tender results are as follows:-

Bid to Cover : 1.53x
 High : 3.988%
 Average : 3.946%
 Low : 3.89%
 Cut off : 100.00%

Yield and BTC for this tender reflects smaller appetite by end-investors....

The relatively long-tail of 10bps for paper of this tenure was reflection of slightly weaker appetite compared to the last auction for 5Y GII 4/22. The average of 3.946% is decent based on direct cash trades done between 3.887-3.838% levels prior to the auction. Closing at about 3bps lower than its last auction in April; it puts the paper at a steep discount of 32bps (versus the yearly historical mean spread of 17bps) when compared to its Islamic cousin equivalent i.e. the GII 7/27. Up next, is the final chapter for the 2017 auction calendar with the new issuance of the 15.5-year GII 6/33 with a forecasted tender size of RM2.5b.

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 (Mat on 04/20)	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 (Mat on 06/31)	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 (Mat on 03/46)	30	Feb	Q1	27/2/2017	3,000	3,000	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 (Mat on 08/33)	15	Mar	Q1	23/3/2017	3,000	3,000	1,000	25,500	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	3,500	3,500	1,000	29,000	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	31,000	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		35,000	2.773	3.925	3.948	3.957	29.0%
11	15-yr Reopening of MGS (Mat on 04/33)	15	Apr	Q2	27/4/2017	3,000	2,500	500	37,500	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	39,500	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	3,000	3,000	1,000	42,500	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	45,500	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		48,000	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	51,000	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	54,000	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		56,000	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	3,000	3,500	1,000	59,500	1.683	3.957	3.978	3.989	5.6%
20	20-yr New Issue of MGII (Mat on 08/37)	20	Aug	Q3	3/8/2017	3,000	2,500		62,000	1.784	4.723	4.755	4.783	50.0%
21	3.5-yr New Issue of MGS (Mat on 02/21)	3	Aug	Q3	14/8/2017	4,000	3,500		65,500	1.706	3.422	3.441	3.455	72.0%
22	7-yr Reopening of MGII (Mat on 08/24)	7	Aug	Q3	29/8/2017	3,500	3,500	500	69,000	2.104	3.963	3.975	3.980	62.5%
23	5-yr Reopening of MGS (Mat on 03/22)	5	Sep	Q3	14/9/2017	3,500	4,000		73,000	1.899	3.481	3.501	3.520	72.9%
24	15-yr Reopening of MGII (Mat on 08/33)	15	Sep	Q3	28/9/2017	3,000	3,000	1,000	76,000	1.727	4.520	4.579	4.640	53.3%
25	7-yr Reopening of MGS (Mat on 09/24)	7	Oct	Q4	5/10/2017	3,500	3,000		79,000	1.604	3.850	3.879	3.898	20.0%
26	20-yr Reopening of MGII (Mat on 08/37)	20	Oct	Q4	12/10/2017	2,500	1,500	1,000	80,500	2.147	4.755	4.785	4.803	36.4%
27	30-yr Reopening of MGS (Mat on 03/46)	30	Oct	Q4	26/10/2017	2,000	2,500	500	83,000	1.603	4.850	4.957	5.000	2.5%
28	10-yr Reopening of MGII (Mat on 07/27)	10	Nov	Q4	14/11/2017	2,500	3,000		86,000	1.832	4.300	4.347	4.37	95.0%
29	15-yr Reopening of MGS (Mat 04/33)	15	Nov	Q4	22/11/2017	2,500	2,000	1,000	88,000	3.811	4.532	4.55	4.563	93.8%
30	5-yr Reopening of MGII (Mat on 04/22)	5	Nov	Q4	28/11/2017	3,000	3,000		91,000	1.715	3.84	3.872	3.9	5.6%
31	10-yr Reopening of MGS (Mat on 11/27)	10	Dec	Q4	6/12/2017	3,000	2,500	500	93,500	1.53	3.89	3.946	3.988	100.0%
32	15.5-yr New Issue of MGII (Mat on 06/33)	15	Dec	Q4		2,500								
Estimated gross MGS/GII supply in 2017						95,500								

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