

## Global Markets Research

### Fixed Income : Auction Calendar

#### Reopening of 20-year MGS 4/37 prints decent BTC cover of 1.905x

Initially, interest on WI trades pre-auction was soft as it was given at 4.60% level; causing bid/offer to tighten to about 4.62-58% levels prior to the cut-off for tender. The BTC of 1.905x was commendable compared to 1.585x during its maiden debut in April 2017 followed by its subsequent re-opening in June, which printed BTC of only 1.704x. We note interest mainly from real money investors particularly end-investors. Prior to this auction we saw some demand for local govies generally amid low volume during year-end period primarily due to the strength of ringgit and improving economic conditions. The total print-size of RM3.0b (RM2.0b + 1.0b for private placement) was within our expectations. The summary of tender results are as follows:-

Bid to Cover : 1.905x  
 High : 4.64%  
 Average : 4.607%  
 Low : 4.573%  
 Cut off : 14.3%

#### Yield and BTC for the FIRST tender in 2018 reflects good appetite in view of recent switch auction....

The tail of about 7bps for paper of this tenure is comparable to that of previous auctions for the 10Y MGS 4/37 last year. The average of 4.607% is testimony when compared to levels seen previously at 4.762% and 4.588%. The potential dampening effect of the recent switch auction of RM4.0b from MGS 2/18 to MGS 4/37 by BNM in December last year was absent judging by the auction results. This puts it at a premium of 16bps (versus the yearly historical mean spread of 17bps) when compared to its Islamic cousin equivalent i.e. the GII 8/37. Up next, is the auction calendar with the reopening of the 5Y GII 4/22 with a forecasted tender size of RM3.0b.

MGS/GII issuance pipeline in 2018														
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Total Expected Size (RM mil)	Auction Issuance (RM mil)	Private Placement	Amt Issued YTD	BTC (times)	Low	Average	High	Cut-off
1	20-yr Reopening of MGS (Mat on 04/37)	20	Jan	Q1	4/1/2017	3,000	2,000	1,000	3,000	1.905	4.573	4.607	4.640	14.3%
2	5-yr Reopening of MGII (Mat on 04/22)	5	Jan	Q1		3,000								
3	15-yr Reopening of MGS (Mat on 04/33)	15	Jan	Q1		3,000								
4	7.5-yr New Issue of MGII (Mat on 08/25)	7	Feb	Q1		4,000								
5	10-yr Reopening of MGS (Mat on 11/27)	10	Feb	Q1		3,000								
6	30-yr Reopening of MGII (Mat on 05/47)	30	Mar	Q1		2,500								
7	7-yr New Issue of MGS (Mat on 03/25)	7	Mar	Q1		4,000								
8	15-yr Reopening of MGII (Mat on 06/33)	15	Mar	Q1		3,000								
9	3-yr Reopening of MGS (Mat on 11/21)	3	Mar	Q1		3,500								
10	20-yr Reopening of MGII (Mat on 08/37)	20	Apr	Q2		2,000								
11	5-yr New Issue of MGS (Mat on 04/23)	5	Apr	Q2		4,000								
12	10.5-yr New Issue of MGII (Mat on 10/28)	10	Apr	Q2		4,000								
13	15.5-yr New Issue of MGS (Mat on 11/33)	15	May	Q2		4,000								
14	7-yr Reopening of MGII (Mat on 08/25)	7	May	Q2		3,500								
15	10-yr Reopening of MGS (Mat on 06/28)	10	May	Q2		3,500								
16	5.5-yr New Issue of MGII (Mat on 11/23)	5	May	Q2		4,000								
17	20-yr New Issue of MGS (Mat on 06/38)	20	Jun	Q2		3,000								
18	15-yr Reopening of MGII (Mat on 06/33)	15	Jun	Q2		2,500								
19	30-yr New Issue of MGS (Mat on 07/48)	30	Jul	Q3		3,000								
20	10-yr Reopening of MGII (Mat on 10/28)	10	Jul	Q3		3,000								
21	7-yr Reopening of MGS (Mat on 03/25)	7	Jul	Q3		3,500								
22	20-yr Reopening of MGII (Mat on 08/37)	20	Aug	Q3		2,000								
23	15-yr Reopening of MGS (Mat on 11/33)	15	Aug	Q3		3,500								
24	5-yr Reopening of MGII (Mat on 11/23)	5	Aug	Q3		3,000								
25	30-yr Reopening of MGII (Mat on 05/7)	30	Sep	Q3		2,000								
26	10-yr Reopening of MGS (Mat on 06/28)	10	Sep	Q3		3,500								
27	3.5-yr New Issue of MGII (Mat on 03/22)	3	Sep	Q3		3,000								
28	20-yr Reopening of MGS (Mat on 06/38)	20	Oct	Q4		3,000								
29	10-yr Reopening of MGII (Mat on 10/28)	10	Oct	Q4		3,500								
30	7-yr Reopening of MGII (Mat 08/25)	7	Nov	Q4		3,000								
31	5-yr Reopening of MGS (Mat on 04/23)	5	Nov	Q4		3,000								
32	20-yr Reopening of MGII (Mat on 08/37)	20	Dec	Q4		2,000								
33	3-yr Reopening of MGII (Mat on 03/22)	3	Dec	Q4		2,000								
Actual gross MGS/GII supply in 2018						102,500	2,000	1,000						

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