

Global Markets Research

Fixed Income : Auction Calendar

Reopening of 15-year MGS 4/33 prints good BTC cover of 2.474x

Initial interest on pre-auction WI trades was lukewarm with minimal trades done at 4.46-4.45% levels. However this reversed following strong interest during the tender exercise. The BTC of 2.474x was also impressive compared to 3.811x during its last auction recently in November 2017. We note interest mainly from both offshore locals and end- investors. Prior to this we saw a cautious stance last month as local govies were seen softer post US FOMC rate hike decision in December last year. This auction displayed continued support for local govies given the strength of ringgit and improving macro indicators. The print-size of RM2.5b+1.0b (private placement) totaling RM3.5b was slightly larger than our expectations. The summary of tender results are as follows:-

Bid to Cover : 2.474x

High : 4.455%

Average : 4.446%

Low : 4.415%

Cut off : 1.72%

Decent yield and BTC for this tender reflects appetite from both offshore and local investors...

The stub or tail of 4bps for paper of this tenure along with the lower average of 4.446% is testimony to the demand compared to the previous auction in November 2017 which averaged 4.55%. However this puts it at an attractive discount of 10bps (versus the historical mean spread of 20bps for the past 1-year) when compared to the earlier Islamic equivalent benchmark bond i.e. GII 8/33 followed by the replacement GII 6/33. Up next in the auction calendar is the new issuance of 7Y GII 8/25 with a forecasted tender size of RM4.0b.

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 | 12/1/2018 | 3,000 | 4,000 | 7,000 | 2,581 | 3.81 | 3.823 | 3.829 | 78.6% | |
| 3 | 15-yr Reopening of MGS (Mat on 04/33) | 15 | Jan | Q1 | 26/1/2018 | 3,000 | 2,500 | 1,000 | 9,500 | 2.474 | 4.415 | 4.446 | 4.455 | 1.7% |
| 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 | 8,500 | 2,000 | | | | | | |

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