

Global Markets Research

Fixed Income : Auction Calendar

Re-opening of 15-year MGS 7/34 prints BTC of 1.61x

Following the auction announcement on Tuesday, WI was quoted at 3.70-65% levels and subsequently narrowed to 3.69-66% levels with nil trades. This auction saw weak bidding metrics @ a BTC ratio below the 2.0x handle with bids totaling a mere RM4.8b. This penultimate bond auction for the year ended sharply weaker than its previous equivalent 15Y issuance recently in July which notched a strong 3.44x with bids totaling a massive RM12.0b. The auction size of RM3.0b was slightly larger than our expectations. The summary of tender results are as follows:-

Bid to Cover : 1.61x

High : 3.708%

Average : 3.679%

Low : 3.660%

Cut off : 20.0 %

Weak investor demand was evident (unlike its maiden issuance in July); as investors did not feel compelled to participate due to year-end tapering of portfolio turnover.....

The longer-than-expected tail of 4.8bps for this bond reflects lukewarm investor interest that consisted mainly of large, local buy-side institutions. The average yield at 3.679% is way lower than the previous 10Y new issuance of MGS 7/29 @ 3.828% due to the overall weaker bond levels then. Yield-wise, the MGS 7/34 is seen to reflect a rich valuation against the Islamic equivalent i.e. 15Y benchmark GII 11/34 which was last done at 3.79% levels. (Note: the historical mean spread between both Islamic and conventional 15Y benchmarks ~4-5bps). In conclusion, we end the year 2019 with 32 issuances (including auctions + private placements) totaling RM115.7b.

MGS/GII issuance pipeline in 2019															
No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Private Placement	Auction Amt Issued YTD	BTC (times)	Low	Average	High	Cut-off	
1	10.5-yr New Issue of GII (Mat on 07/29)	10	Jan	Q1	8/1/2019	4,000	3,500	1,500	3,500	4.067	4.110	4.130	4.135	86.1%	
2	7.5-yr New Issue of MGS (Mat on 07/26)	7	Jan	Q1	14/1/2019	4,000	3,500	500	7,000	2.216	3.890	3.906	3.914	8.2%	
3	5-yr Reopening of GII (Mat on 11/23)	5	Jan	Q1	30/1/2019	3,500	4,000		11,000	1.974	3.845	3.862	3.873	19.0%	
4	10.5-yr New Issue of MGS (Mat on 08/29)	10	Feb	Q1	14/2/2019	4,000	4,000	1,000	15,000	2.536	3.867	3.885	3.893	31.6%	
5	15-yr Reopening of GII (Mat on 06/33)	15	Feb	Q1	27/2/2019	3,000	2,000	1,000	17,000	3.906	4.360	4.370	4.375	33.9%	
6	3-yr Reopening of MGS (Mat on 03/22)	3	Mar	Q1	7/3/2019	3,500	3,000		20,000	3.132	3.470	3.483	3.487	70.0%	
7	20.5-yr New Issue of GII (Mat on 09/39)	20	Mar	Q1	14/3/2019	4,000	2,500	2,000	22,500	2.758	4.445	4.467	4.480	14.5%	
8	30-yr Reopening of MGS (Mat on 07/48)	30	Mar	Q1	21/3/2019	3,500	2,000	2,000	24,500	1.718	4.550	4.591	4.629	25.0%	
9	7-yr New Issue of GII (Mat on 03/26)	7	Mar	Q1	28/3/2019	4,000	4,000		28,500	2.330	3.699	3.726	3.745	21.2%	
10	15-yr Reopening of MGS (Mat on 11/33)	15	Apr	Q2	5/4/2019	4,000	2,500	1,000	31,000	2.792	4.058	4.065	4.071	40.0%	
11	5.5-yr New Issue of GII (Mat on 10/24)	5	Apr	Q2	12/4/2019	4,000	3,500		34,500	2.313	3.627	3.655	3.669	64.7%	
12	7-yr Reopening of MGS (Mat on 07/26)	7	Apr	Q2	29/4/2019	3,000	3,000	500	37,500	1.510	3.735	3.757	3.777	75.0%	
13	30.5-yr New Issue of GII (Mat on 11/49)	30	May	Q2	14/5/2019	3,000	2,000	2,000	39,500	3.298	4.625	4.638	4.663	100.0%	
14	10-yr Reopening of MGS (Mat on 08/29)	10	May	Q2	23/5/2019	3,500	4,000		43,500	1.840	3.810	3.836	3.852	22.0%	
15	15.5-yr New Issue of GII (Mat on 11/34)	15	May	Q2	30/5/2019	4,000	2,500	1,500	46,000	3.380	4.105	4.119	4.126	44.4%	
16	5-yr New Issue of MGS (Mat on 06/24)	5	Jun	Q2	13/6/2019	4,000	4,000		50,000	2.489	3.466	3.478	3.484	8.3%	
17	20-yr Reopening of GII (Mat on 09/39)	20	Jun	Q2	27/6/2019	3,000	2,000	2,000	52,000	4.275	4.070	4.074	4.079	59.1%	
18	15-yr New Issue of MGS (Mat on 07/34)	15	Jul	Q3	4/7/2019	4,000	3,500		55,500	3.437	3.805	3.828	3.835	73.5%	
19	7-yr Reopening of GII (Mat on 3/26)	7	Jul	Q3	12/7/2019	3,000	3,000	500	58,500	2.874	3.568	3.582	3.586	70.0%	
20	30-yr Reopening of MGS (Mat on 07/48)	30	Jul	Q3	26/7/2019	2,500	2,000	1,500	60,500	2.490	4.170	4.181	4.208	100.0%	
21	5-yr Reopening of GII (Mat on 10/24)	5	Aug	Q3	8/8/2019	3,500	3,000		63,500	4.137	3.329	3.345	3.349	10.7%	
22	20-yr Reopening of MGS (Mat on 06/38)	20	Aug	Q3	14/8/2019	3,000	3,000	1,000	66,500	3.150	3.745	3.753	3.758	81.1%	
23	10-yr Reopening of GII (Mat on 7/29)	10	Aug	Q3	29/8/2019	3,500	3,000		69,500	2.000	3.290	3.318	3.330	80.0%	
24	7-yr Reopening of MGS (Mat on 07/26)	7	Sep	Q3	19/9/2019	3,500	3,000		72,500	1.210	3.350	3.392	3.433	81.3%	
25	15-yr Reopening of GII (Mat on 11/34)	15	Sep	Q3	27/9/2019	3,000	2,000	500	74,500	3.195	3.603	3.632	3.643	20.0%	
26	10-yr Reopening of MGS (Mat on 08/29)	10	Oct	Q4	7/10/2019	4,000	3,000		77,500	1.233	3.330	3.407	3.480	35.0%	
27	20-yr Reopening of GII (Mat on 09/39)	20	Oct	Q4	14/10/2019	3,000	2,000	500	79,500	3.320	3.805	3.838	3.849	40.0%	
28	5-yr Reopening of MGS (Mat on 06/24)	5	Oct	Q4	30/10/2019	3,000	3,500		83,000	1.433	3.330	3.364	3.407	60.0%	
29	3.5-yr New Issue of GII (Mat on 05/23)	3	Nov	Q4	14/11/2019	4,000	4,000		87,000	2.380	3.143	3.151	3.158	75.4%	
30	20.5-yr New Issue of MGS (Mat on 05/40)	20	Nov	Q4	21/11/2019	4,000	2,200	500	89,200	2.508	3.741	3.757	3.771	50.0%	
31	10-yr Reopening of GII (Mat on 07/29)	10	Nov	Q4	28/11/2019	3,000	3,500	500	92,700	1.923	3.480	3.502	3.524	42.9%	
32	15-yr Reopening of MGS (Mat on 07/34)	15	Dec	Q4		2,500	3,000		95,700	1.610	3.660	3.679	3.708	20.0%	
Gross MGS/GII supply in 2019						94,500		20,000							

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