

Global Markets Research

Fixed Income : Auction Calendar

Re-opening of 10-year MGS 8/29 prints BTC of 1.233x

Following the auction announcement on Thursday, WI opened up at 3.29/27% levels and subsequently given at 3.34 and 3.35% on auction day. This auction saw weak demand on a mere BTC ratio of 1.233x with bids totaling RM3.55b; the lowest YTD. This exercise was nowhere close to the stronger bidding metrics for the recent auction reopening of the 15Y GII 11/34 @3.195x and also lower than its previous 10Y debut issue recently in May this year @1.84x). The auction size of RM3.0b was lesser than our expectations. The summary of tender results are as follows:-

Bid to Cover : 1.233x
 High : 3.48%
 Average : 3.407%
 Low : 3.33%
 Cut off : 35.0 %

Extremely long tail reflects weak investor interest all round

The 15bps tail for this bond reflects poor investor interest from investors with the average yield at 3.407% (which although lower than the previous 10Y reopening of 3.836% in May); is higher than recent levels between 3.27-3.32% area. Yield-wise, the MGS 8/29 has reversed its earlier discount when compared against the Islamic equivalent i.e. 10Y benchmark GII 7/29 (last done 3.42% level) resulting in awkward but attractive premium of 6bps. (Note: The historical extrapolated yearly mean spread between both Islamic and conventional 10Y benchmarks is 6bps). Up next in the auction calendar is the reopening of 20Y GII 9/39 with a forecasted auction size of RM3.0b.

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 08/39)	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			3,000								
28	5-yr Reopening of MGS (Mat on 06/24)	5	Oct	Q4			3,000								
29	3.5-yr New Issue of GII (Mat on 05/23)	3	Nov	Q4			4,000								
30	20.5-yr New Issue of MGS (Mat on 05/40)	20	Nov	Q4			3,500								
31	10-yr Reopening of GII (Mat on 07/29)	10	Nov	Q4			3,000								
32	15-yr Reopening of MGS (Mat on 07/34)	15	Dec	Q4			2,500								
Gross MGS/GII supply in 2019						94,500		18,500							

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