

Global Markets Research

Fixed Income

Revised Auction Calendar 2019

As a preamble, the Malaysian government recently tabled a supplementary budget for additional RM19.6b in 2018 which the Finance Minister reported that RM9.0b was a mere reclassification of OPEX to DE. The balance of RM10.6b consisting of RM6.3b + RM4.3b were due to the previous administration commitments and off-balance sheet liabilities which have now been provided for. Nevertheless the additional total expenditures incurred for 2018 are not expected to affect the 3.7% fiscal deficit.

Moving on to 2019, the projected budget shortfall of RM52.1b (3.4% of GDP) remains intact and our revision to the Auction Calendar is primarily taking into consideration the issuance of Samurai bonds which could potentially result in lower MGS/GII issuances in the months ahead. To date, 10 out of the 32 projected auctions (comprising of 16 MGS and 16 GII issuances) amounted to RM40b were successfully completed garnering strong demand with almost a third allotted to select institutional investors via private placement. We are revising downwards our remaining gross MGS/GII supply to RM73.5b to reflect the net proceeds of the JPY200b samurai bond issuance (i.e. RM7.4b less RM1.8b of coupon payments for foreign-denominated sovereign debt). Our earlier projection of RM119b gross MGS/GII supply for the whole of 2019 has been revised to account for the above. (Net issue: RM46.5b for the year vs RM52.1b previously). The table below summarizes our revised projected sizes for upcoming MGS/GII 2019 auctions

MGS/GII scheduled issuance pipeline for 2019

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	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		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		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		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	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		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		3,000		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		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		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		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		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			4,000							
12	7-yr Reopening of MGS (Mat on 07/26)	7	Apr	Q2			3,000							
13	30.5-yr New Issue of GII (Mat on 11/49)	30	May	Q2			3,000							
14	10-yr Reopening of MGS (Mat on 08/29)	10	May	Q2			3,500							
15	15.5-yr New Issue of GII (Mat on 11/34)	15	May	Q2			4,000							
16	5-yr New Issue of MGS (Mat on 06/34)	5	Jun	Q2			4,000							
17	20-yr Reopening of GII (Mat on 09/39)	20	Jun	Q2			3,000							
18	15-yr New Issue of MGS (Mat on 07/34)	15	Jul	Q3			4,000							
19	7-yr Reopening of GII (Mat on 3/26)	7	Jul	Q3			3,000							
20	30-yr Reopening of MGS (Mat on 07/48)	30	Jul	Q3			2,500							
21	5-yr Reopening of GII (Mat on 10/24)	5	Aug	Q3			3,500							
22	20-yr Reopening of MGS (Mat on 06/38)	20	Aug	Q3			3,000							
23	10-yr Reopening of GII (Mat on 7/29)	10	Aug	Q3			3,500							
24	7-yr Reopening of MGS (Mat on 07/26)	7	Sep	Q3			3,500							
25	15-yr Reopening of GII (Mat on 11/34)	15	Sep	Q3			3,000							
26	10-yr Reopening of MGS (Mat on 08/29)	10	Oct	Q4			3,000							
27	20-yr Reopening of GII (Mat on 09/39)	20	Oct	Q4			2,500							
28	5-yr Reopening of MGS (Mat on 06/24)	5	Oct	Q4			3,500							
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			4,000							
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			3,000							
Gross MGS/GII supply in 2019						113,500	31,000	9,000						

Source : BNM, HLB Global Markets Research

Expect lower Gross MGS/GII supply for 2019.....

Our final Gross MGS/GII supply is expected to be contained further to circa **RM113.5b** from this revised projected issuances of RM115.5b mentioned in the table below which is accompanied by sizeable maturities of about RM69.0b. The various possibilities for this further reduction include:

- The potential rollover of RM1.6b worth of SPK bond maturities into Govt-Guaranteed bonds such as LPPSA in view of demand for these papers.
- Potential switch auction activities to further extend out some of the maturities

RM (Billion)	2017	2018	2019f
MGS/GII Maturities	67.2	62.8	69.0
Net Govt Bond Supply (MGS/GII)	39.9	53.3	52.1
Net proceeds from Samurai Bond			(5.6)
Additional via T-Bills & others		(3.3)	
Gross Supply (MGS/GII)	107.1	112.8	115.5
Budget Deficit (% of GDP)	3.0%	3.7%	3.4%

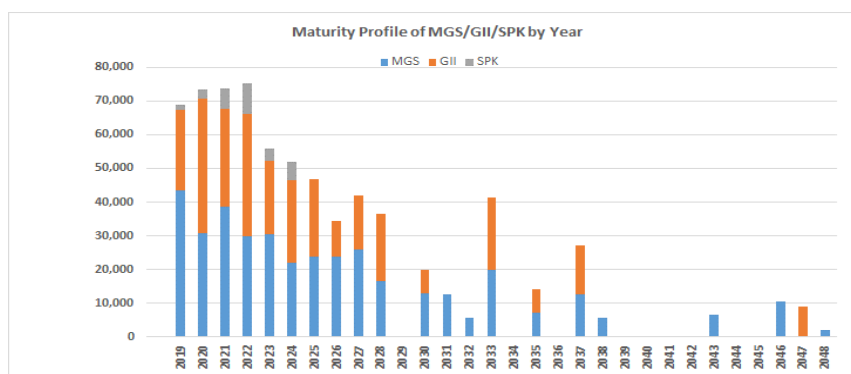
Source : MOF Economic Report 2018/2019, BPAM, HLBB Global Markets Research

MGS/GII Issuance pipeline in 2019 versus maturities:

As mentioned in our previous report, the maturity profiles (refer to table below) for Q1 followed by Q2 2019 is light compared to the final two (2) quarters. With the Fed poised to pause any rate hike due to global growth headwinds; expect EM inflows to benefit upcoming auctions in 2019. **The issuance supply for 2019 is slightly skewed more towards the intermediate and longer maturities; with main tenures between 7-20Y instead. Hence we project quarterly issuances in decreasing amounts ~ Q2-RM27.0b, Q3-RM26.0b and Q4-RM23.0b respectively.** Re-investments from scheduled bond maturities are expected to be ploughed back in line with the GOM's commendable policies to address the nation's fiscal position amid a stable Ringgit.

2019	Stock	Maturity by month (RM mil)	Quarter	Maturity by quarter (RM mil)
JAN				
FEB	SPK 2/19	500	Q1	7,678
MAR	MGS 3/19	7,178		
APR	GII 4/19	10,000	Q2	10,000
MAY				
JUN				
JUL	MGS 7/19, SPK 7/19	8,416	Q3	22,416
AUG	GII 8/19	6,000		
SEP	GII 9/19	8,000		
OCT	MGS 10/19	11,800	Q4	28,919
NOV	MGS 11/19	17,119		
DEC				
Total		69,012		69,012

Source : BPAM, Bloomberg, HLBB Global Markets Research



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