

Global Markets Research

Fixed Income : Auction Calendar

New Issuance of 5-year MGS 6/24 prints solid BTC of 2.49x

The pre-auction market following the auction announcement on Tuesday saw WI quote 3.50-45% levels and subsequently tighten to 3.485-460% with prints last done at 3.485%. Despite its large size, this auction saw solid demand on a BTC ratio of 2.49x which resulted in the 3rd largest sum of bids submitted this year. Although lower than the recent reopening of 10Y benchmark MGS 8/29, this tender exercise saw better reception compared to its last issuance in November 2018 @ BTC ratio of 2.32x. The total print-size of RM4.0b was as per our expectations. The summary of tender results are as follows:-

Bid to Cover : 2.489x
 High : 3.484%
 Average : 3.478%
 Low : 3.466%
 Cut off : 8.31%

Short tail & lower yield denotes strong Principal Dealer demand...

The short tail of a mere 1.8bps for this tenor is reflective of strong investor interest mainly by inter-bank players from both onshore and offshore. The average yield of 3.478% is also sharply lower than the previous 5Y tender of 3.874% in November last year. This puts the MGS 6/24 (3.478%) at a discount if compared against the Islamic equivalent i.e. 5Y benchmark GII 10/24 (3.52%). (Note: the historical extrapolated yearly mean spread between both Islamic and conventional 30Y benchmarks was ~12bps). Up next in the auction calendar is the reopening of the 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	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	3,500	500	38,000	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	40,000	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		44,000	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	46,500	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		50,500	2.489	3.466	3.478	3.484	8.3%
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						104,000		13,000						

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