

Global Markets Research

Fixed Income : Auction Calendar

Reopening of 15-year GII 6/33 prints strong BTC of 3.906x

The pre-auction market following the auction announcement on Monday saw WI quote 4.40-4.35% levels and subsequently tighten to 4.365-4.360% with prints for both WI (~RM120m) and underlying cash done @ 4.37% levels. This auction saw strong demand compared to the recent new issuance of 10Y benchmark MGS 8/29 which notched 2.536x. This exercise garnered a pleasant BTC of 3.906x viz-a-viz its equivalent previous benchmark auction in June 2018 which saw a lower BTC of 2.783x. The print-size of RM2.0b was lower than our expectations. The summary of tender results are as follows:-

Bid to Cover : 3.906x
 High : 4.375%
 Average : 4.370%
 Low : 4.360%
 Cut off : 33.9%

Underlying cash leads the WI to lower yield levels...

The tight ~1.5bps tail for this tenure was reminiscent of strong institutional investor demand for the rather smaller issuance if compared to the 2.5bps in the last equivalent auction in June last year. The average yield of 4.37% is considered expensive if compared to the previous 15Y tender of 4.778% whilst this puts the GII 6/33 at the fair 7bps premium when compared against the conventional equivalent i.e. 15Y benchmark MGS 11/33. (Note: the historical extrapolated yearly mean spread between both Islamic and conventional 15Y benchmarks averaged 8bps). Up next in the auction calendar is the reopening of the 3Y MGS 3/22 with a forecasted auction issuance size of RM3.5b.

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		3,500								
7	20.5-yr New Issue of GII (Mat on 09/39)	20	Mar	Q1		4,000								
8	30-yr Reopening of MGS (Mat on 07/48)	30	Mar	Q1		3,500								
9	7-yr New Issue of GII (Mat on 03/26)	7	Mar	Q1		4,000								
10	15-yr Reopening of MGS (Mat on 11/33)	15	Apr	Q2		4,000								
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		4,000								
13	30.5-yr New Issue of GII (Mat on 11/49)	30	May	Q2		4,000								
14	10-yr Reopening of MGS (Mat on 08/29)	10	May	Q2		4,000								
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		3,500								
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		4,000								
20	30-yr Reopening of MGS (Mat on 07/48)	30	Jul	Q3		3,000								
21	5-yr Reopening of GII (Mat on 10/24)	5	Aug	Q3		4,000								
22	20-yr Reopening of MGS (Mat on 06/38)	20	Aug	Q3		3,500								
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		3,500								
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		4,000								
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		4,000								
31	10-yr Reopening of GII (Mat on 07/29)	10	Nov	Q4		3,500								
32	15-yr Reopening of MGS (Mat on 07/34)	15	Dec	Q4		3,500								
Gross MGS/GII supply in 2018						119,000	17,000	4,000						

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