

Global Markets Research

Fixed Income : Auction Calendar

New issuance of 7-year GII 3/26 prints solid BTC of 2.33x

The pre-auction market following the auction announcement on Tuesday saw WI quote 3.81-76% and subsequently narrow and lower to 3.65-52% before coming off at 3.77-70% levels. Prints were done at 3.68-65% area. This auction saw decent BTC ratio of 2.33x compared to the recent reopening of 30Y benchmark MGS 7/48 last week which notched a muted BTC ratio of 1.718x. Nevertheless, this exercise notched a lower BTC ratio viz-aviz its equivalent previous benchmark auction re-opening in November 2018 with a recorded BTC ratio of 2.814x. The auction print-size of RM4.0b was exactly within our expectations. The summary of tender results are as follows:-

Bid to Cover : 2.33x
 High : 3.745%
 Average : 3.726 %
 Low : 3.699%
 Cut off : 21.21%

Low yield due to surge in investor demand for sovereign bonds...

The 4.5bps tail for this tenor was reminiscent of decent demand from both offshore and local institutional investors on the back of renewed global growth concerns. The average yield of 3.726% is low compared to the previous 7Y tender of 4.212% last November. This puts the GII 3/26 at a mere 1-2bps premium currently when compared against the conventional equivalent i.e. 7Y benchmark MGS 7/26. (Note: the historical extrapolated yearly mean spread between both Islamic and conventional 7Y benchmarks averages between 9-11bps). Up next in the auction calendar is the reopening of the 15Y MGS 11/33 with a forecasted auction issuance size of also RM4.0b.

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		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	28,500	8,000						

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1223/1

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.