

Global Markets Research

Fixed Income : Auction Calendar

Re-opening of 5-year GII 3/26 prints BTC of 1.996x

Post-announcement, WI was quoted at 2.18/13% with trades subsequently done between 2.190-2.215% levels; before closing weaker @ 2.215% levels. This auction was decent in lieu of its size; notching a BTC ratio close to the 2.0x handle with total bids amounting to RM9.98b and way below its equivalent 5Y re-opening in Feb (BTC ratio of 2.776x with one of the highest YTD sum of bids amounting to RM11.1b). The sizeable offering of RM5.0b was slightly larger than our projected RM4.5b due to the gov't's earlier announcement of RM10.0b "Kita Prihatin" fiscal stimulus. The summary of tender results are as follows:-

Bid to Cover: 1.996x  
 High : 2.213%  
 Average : 2.204%  
 Low : 2.191%  
 Cut off : 97.10 %

*The auction is seen as an important proxy mainly by inter-bank participants within the universe of local govvnies; hence the decent BTC ratio of almost 2.0x and sum of bids totaling RM9.98b....*

The tail of ~0.9bps was reminiscent of interest in the belly; especially by inter-bank participants and some institutional investors. The average yield at 2.204% was sharply lower than its similar auction that was awarded at 2.845% in Feb this year and reflective of the current low-yield environment. Nevertheless this off-the-run bond which replaces the GII 10/24 as the new benchmark is seen **fairly attractive** compared to the conventional equivalent i.e. 5Y benchmark MGS 9/25 which was last done at 2.096%. (We note that the yearly historical mean spread between the extrapolated new Islamic and previous conventional 5Y benchmark is ~6bps). Up next on the calendar is the re-opening of 30Y MGS 6/50 for which we are penciling in a projected issuance of RM4.0b.

| MGS/GII issuance pipeline in 2020 |   |              |              |         |             |                                  |                                  |                     |                        |             |       |         |       |         |
|-----------------------------------|---|--------------|--------------|---------|-------------|----------------------------------|----------------------------------|---------------------|------------------------|-------------|-------|---------|-------|---------|
| No                                | Stock                                   | Tenure (yrs) | Tender Month | Quarter | Tender Date | Projected Issuance Size (RM mil) | Actual Auction Issuance (RM mil) | Private Placement X | Auction Amt Issued YTD | BTC (times) | Low   | Average | High  | Cut-off |
| 1                                 | 7-yr reopening of MGS (Mat on 05/27)    | 7            | Jan          | Q1      | 8/1/2020    | 4,000                            | 3,500                            |                     | 3,500                  | 2.498       | 3.259 | 3.281   | 3.288 | 57.1%   |
| 2                                 | 15-yr Reopening of GII (Mat on 11/34)   | 15           | Jan          | Q1      | 14/1/2020   | 4,000                            | 2,500                            | 1,000               | 6,000                  | 3.396       | 3.500 | 3.507   | 3.513 | 42.9%   |
| 3                                 | 3-yr Reopening of MGS (Mat on 3/23)     | 3            | Jan          | Q1      | 23/1/2020   | 3,000                            | 3,000                            |                     | 9,000                  | 2.183       | 2.837 | 2.858   | 2.875 | 80.0%   |
| 4                                 | 30-yr Reopening of GII (Mat on 11/49)   | 30           | Feb          | Q1      | 4/2/2020    | 3,000                            | 2,500                            | 1,500               | 11,500                 | 2.328       | 3.747 | 3.780   | 3.792 | 66.7%   |
| 5                                 | 10-yr Reopening of MGS (Mat on 08/29)   | 10           | Feb          | Q1      | 13/2/2020   | 3,000                            | 4,000                            |                     | 15,500                 | 2.036       | 2.860 | 2.888   | 2.898 | 80.0%   |
| 6                                 | 5-yr Reopening of GII (Mat on 10/24)    | 5            | Feb          | Q1      | 20/2/2020   | 3,000                            | 4,000                            |                     | 19,500                 | 2.776       | 2.817 | 2.845   | 2.852 | 46.2%   |
| 7                                 | 15-yr Reopening of MGS (Mat on 07/34)   | 15           | Mar          | Q1      | 5/3/2020    | 4,000                            | 3,500                            | 500                 | 23,000                 | 2.247       | 3.008 | 3.027   | 3.036 | 80.0%   |
| 8                                 | 20-yr Reopening of GII (Mat on 09/39)   | 20           | Mar          | Q1      | 12/3/2020   | 4,000                            | 2,800                            | 1,500               | 25,800                 | 2.182       | 3.295 | 3.344   | 3.373 | 91.7%   |
| 9                                 | 5-yr Reopening of MGS (Mat on 09/25)    | 5            | Mar          | Q1      | 20/3/2020   | 3,000                            | 4,000                            |                     | 29,800                 | 2.080       | 3.372 | 3.450   | 3.494 | 80.0%   |
| 10                                | 7.5-yr New Issue of GII (Mat on 09/27)  | 7            | Mar          | Q1      | 30/3/2020   | 4,000                            | 3,500                            | 1,000               | 33,300                 | 2.874       | 3.391 | 3.422   | 3.454 | 100.0%  |
| 11                                | 20-yr Reopening of MGS (Mat on 05/40)   | 20           | Apr          | Q2      | 6/4/2020    | 4,000                            | 3,500                            | 1,500               | 36,800                 | 1.973       | 3.828 | 3.855   | 3.888 | 14.3%   |
| 12                                | 10.5-yr New Issue of GII (Mat on 10/30) | 10           | Apr          | Q2      | 14/4/2020   | 5,000                            | 4,000                            | 1,000               | 40,800                 | 3.118       | 3.439 | 3.465   | 3.479 | 13.9%   |
| 13                                | 7-yr Reopening of MGS (Mat on 05/27)    | 7            | Apr          | Q2      | 29/4/2020   | 4,500                            | 4,000                            |                     | 44,800                 | 2.239       | 2.668 | 2.679   | 2.689 | 61.9%   |
| 14                                | 15-yr Reopening of GII (Mat on 11/34)   | 15           | May          | Q2      | 14/5/2020   | 5,000                            | 3,500                            | 1,500               | 48,300                 | 2.171       | 3.210 | 3.235   | 3.269 | 50.0%   |
| 15                                | 10-yr Reopening of MGS (Mat on 08/29)   | 10           | May          | Q2      | 21/5/2020   | 4,500                            | 4,500                            |                     | 52,800                 | 1.732       | 2.777 | 2.799   | 2.820 | 43.5%   |
| 16                                | 3-yr Reopening of GII (Mat on 05/23)    | 3            | Jun          | Q2      | 3/6/2020    | 4,500                            | 4,500                            |                     | 57,300                 | 2.502       | 2.285 | 2.306   | 2.318 | 50.0%   |
| 17                                | 30-yr New Issue of MGS (Mat on 06/50)   | 30           | Jun          | Q2      | 12/6/2020   | 5,000                            | 3,000                            | 2,500               | 60,300                 | 2.167       | 4.013 | 4.065   | 4.098 | 78.0%   |
| 18                                | 20-yr Reopening GII (Mat on 09/39)      | 20           | Jun          | Q2      | 29/6/2020   | 5,000                            | 3,500                            | 2,000               | 63,800                 | 2.055       | 3.707 | 3.761   | 3.797 | 100.0%  |
| 19                                | 3-yr Reopening of MGS (Mat on 03/23)    | 3            | Jul          | Q3      | 9/7/2020    | 5,000                            | 5,000                            |                     | 68,800                 | 2.512       | 1.987 | 2.002   | 2.010 | 15.7%   |
| 20                                | 10-yr Reopening of GII (Mat on 10/30)   | 10           | Jul          | Q3      | 16/7/2020   | 5,000                            | 5,000                            |                     | 73,800                 | 2.591       | 2.650 | 2.665   | 2.679 | 90.9%   |
| 21                                | 15-yr Reopening of MGS (Mat on 07/34)   | 15           | Jul          | Q3      | 23/7/2020   | 5,000                            | 5,000                            |                     | 78,800                 | 2.105       | 2.950 | 2.970   | 2.985 | 13.7%   |
| 22                                | 7-yr Reopening of GII (Mat on 09/27)    | 7            | Aug          | Q3      | 1/8/2020    | 5,000                            | 4,000                            |                     | 82,800                 | 2.045       | 2.265 | 2.280   | 2.285 | 76.5%   |
| 23                                | 20-yr Reopening of MGS (Mat on 05/40)   | 20           | Aug          | Q3      | 13/8/2020   | 5,500                            | 4,000                            | 1,500               | 86,800                 | 1.469       | 3.200 | 3.240   | 3.273 | 20.0%   |
| 24                                | 15-yr Reopening of GII (Mat on 11/34)   | 15           | Aug          | Q3      | 26/8/2020   | 5,500                            | 4,000                            | 1,000               | 90,800                 | 1.423       | 2.995 | 3.032   | 3.080 | 38.0%   |
| 25                                | 7-yr Reopening of MGS (Mat on 05/27)    | 7            | Sep          | Q3      | 3/9/2020    | 5,000                            | 3,500                            |                     | 94,300                 | 1.538       | 2.254 | 2.291   | 2.340 | 63.3%   |
| 26                                | 30-yr Reopening of GII (Mat on 11/49)   | 30           | Sep          | Q3      | 17/9/2020   | 5,000                            | 3,000                            | 500                 | 97,300                 | 1.358       | 3.985 | 4.178   | 4.351 | 90.0%   |
| 27                                | 5-yr Reopening of MGS (Mat on 09/25)    | 5            | Sep          | Q3      | 29/9/2020   | 4,000                            | 5,000                            |                     | 102,300                | 2.803       | 2.360 | 2.389   | 2.405 | 33.0%   |
| 28                                | 3-yr Reopening of GII (Mat on 05/23)    | 3            | Oct          | Q4      | 5/10/2020   | 4,000                            | 4,500                            |                     | 106,800                | 3.093       | 1.973 | 1.981   | 1.986 | 80.0%   |
| 29                                | 10.5-yr New Issue of MGS (Mat on 04/31) | 10           | Oct          | Q4      | 14/10/2020  | 5,000                            | 5,000                            |                     | 111,800                | 1.994       | 2.600 | 2.632   | 2.652 | 40.9%   |
| 30                                | 5-yr Reopening of GII (Mat on 03/26)    | 5            | Oct          | Q4      | 27/10/2020  | 4,500                            | 5,000                            |                     | 116,800                | 1.996       | 2.191 | 2.204   | 2.213 | 97.1%   |
| 31                                | 30-yr Reopening of MGS (Mat on 06/50)   | 30           | Nov          | Q4      |             | 4,000                            |                                  | X                   |                        |             |       |         |       |         |
| 32                                | 7-yr Reopening of GII (Mat on 09/27)    | 7            | Nov          | Q4      |             | 4,000                            |                                  |                     |                        |             |       |         |       |         |
| 33                                | 15-yr Reopening of MGS (Mat on 07/34)   | 15           | Nov          | Q4      |             | 4,000                            |                                  |                     |                        |             |       |         |       |         |
| 34                                | 10-yr Reopening of GII (Mat on 10/30)   | 10           | Dec          | Q4      |             | 4,500                            |                                  | X                   |                        |             |       |         |       |         |
| Gross MGS/GII supply in 2020      |   |              |              |         |             | 150,300                          | 116,800                          | 17,000              |                        |             |       |         |       |         |

**Hong Leong Bank Berhad**

Fixed Income &amp; 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](mailto:HLMarkets@hlbb.hongleong.com.my)**DISCLAIMER**

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