

Global Markets Research

Fixed Income : Auction Calendar

Re-opening of 15-year MGS 7/34 prints BTC of 1.481x

Post-announcement, WI was quoted at 3.25/15% and subsequently cheapened ~13bps to 3.37/32% levels before close with trades given and printed at 3.37%. This auction was weaker-than-expected; notching a BTC ratio below the 1.5x handle with total bids amounting to the 2nd lowest YTD of RM4.44b and sharply below its recent similar reopening in July (BTC ratio of 2.105x with bids amounting to RM10.5b). The offering of RM3.0b was below our forecast issuance. The summary of tender results are as follows:-

Bid to Cover: 1.481x

High : 3.500%

Average : 3.432%

Low : 3.348%

Cut off : 30.00 %

The auction failed to ignite institutional interest under the current low interest rate environment; with a low BTC ratio of 1.481x for the year; garnering total sum of bids of a mere RM4.44b.....

The long tail of ~7bps reflected poor appetite in this longer-tenure bond presently by both local institutional investors and foreign funds. Although the outstanding issuance is relatively large at RM18.5b, the average yield at 3.43% was attractive compared to its similar auction which was awarded at 2.97% recently in July. Nevertheless this auction failed to ignite interest under the current low yield environment. Nevertheless this benchmark is **seen attractive** compared to the Islamic equivalent i.e. 15Y benchmark GII 11/34 which was surprisingly offered and taken at 3.31% levels today. (We note that the yearly historical mean spread between the Islamic and conventional 15Y benchmark is ~+7bps). Up next on the calendar is the re-opening of 10Y GII 10/30 for which we are penciling in a projected issuance of RM4.5b.

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	12/11/2020	4,000	3,000	500	119,800	1.994	3.950	4.049	4.130	2.4%
32	7-yr Reopening of GII (Mat on 09/27)	7	Nov	Q4	13/11/2020	4,000	4,000		123,800	1.616	2.490	2.521	2.541	68.8%
33	15-yr Reopening of MGS (Mat on 07/34)	15	Nov	Q4	27/11/2020	4,000	3,000		126,800	1.481	3.348	3.432	3.500	30.0%
34	10-yr Reopening of GII (Mat on 10/30)	10	Dec	Q4		4,500		X						
Gross MGS/GII supply in 2020						147,500	126,800	17,500						

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