

Global Markets Research
Fixed Income

Auction Calendar 2021- A Revisit

The government has announced numerous stimulus packages in 2021 which required different level of funding requirements, of which the last two (PEMERKASA+ and PEMULIH), have yet to be reflected in our projected MGS/GII issuance sizes, which we have delayed given the fluidity of the situation. The state of flux in the economy arising from the varying degrees of movement restrictions throughout the country, has also caused challenges in the revision of revenue and expenditure projections for 2021. Nevertheless, today's revisit takes into account additional funding totaling RM15b, comprising RM5b from PEMERKASA+ and RM10b from PEMULIH. **Hence our take is that the estimated net MGS/GII supply will rise to circa RM160.5b (net of projected RM6.0b SPK bond switch + special dividend of RM7.0b) from our earlier estimate of RM152.5b.** The table below summarizes our projected sizes for upcoming MGS/GII auctions in 2021.

MGS/GII revised actual issuance to-date and projected pipeline for 2021

No	Stock	Tenure (yrs)	Tender Month	Quarter	Tender Date	Projected Issuance Size (RM mil)	Actual Auction Issuance (RM mil)	Actual Private Placement	Total Issuance YTD	BTC (times)	Low	Average	High	Cut-off
1	7-yr reopening of MGS (Mat on 06/28)	7	Jan	Q1	6/1/2021	3,500	3,500		3,500	2.026	2.406	2.449	2.463	50.0%
2	15.5-yr new Issuance of GII (Mat on 7/36)	15	Jan	Q1	14/1/2021	4,500	3,000	1,500	8,000	2.917	3.385	3.447	3.475	95.5%
3	10-yr Reopening of MGS (Mat on 04/31)	10	Jan	Q1	21/1/2021	4,000	4,000		12,000	1.992	2.684	2.714	2.730	91.7%
4	5-yr Reopening of GII (Mat on 03/26)	5	Feb	Q1	3/2/2021	4,500	4,500		16,500	2.067	2.230	2.252	2.260	63.2%
5	20-yr Reopening of MGS (Mat on 05/40)	20	Feb	Q1	17/2/2021	4,500	2,000	2,000	20,500	2.224	3.901	3.969	4.010	90.0%
6	7-yr Reopening of GII (Mat on 09/27)	7	Feb	Q1	24/2/2021	3,500	3,500		24,000	2.196	2.792	2.806	2.824	82.5%
7	30-yr Reopening of MGS (Mat on 06/50)	30	Mar	Q1	5/3/2021	4,000	2,000	2,000	28,000	2.023	4.443	4.486	4.549	20.0%
8	10-yr Reopening of GII (Mat on 10/30)	10	Mar	Q1	11/3/2021	4,000	4,000		32,000	1.799	3.500	3.561	3.589	15.0%
9	5-yr Reopening of MGS (Mat on 09/25)	5	Mar	Q1	22/3/2021	4,500	4,500		36,500	1.789	2.751	2.764	2.783	30.0%
10	20.5-yr New Issue of GII (Mat on 09/41)	20	Mar	Q1	30/3/2021	4,500	2,000	2,000	40,500	2.575	4.390	4.417	4.435	85.7%
11	7-yr Reopening of MGS (Mat on 06/28)	7	Apr	Q2	7/4/2021	4,000	4,500		45,000	1.590	2.933	2.963	2.981	30.0%
12	15-yr Reopening of GII (Mat on 7/36)	15	Apr	Q2	14/4/2021	4,000	2,500	2,000	49,500	2.545	3.975	4.010	4.034	96.0%
13	3-yr Reopening of MGS (Mat on 06/24)	3	Apr	Q2	21/4/2021	4,000	4,500		54,000	2.086	2.346	2.363	2.373	62.4%
14	30-yr Reopening of GII (Mat on 11/49)	30	May	Q2	7/5/2021	4,000	2,000	2,000	58,000	2.433	4.540	4.568	4.581	30.0%
15	15-yr Reopening of MGS (Mat on 05/35)	15	May	Q2	19/5/2021	4,500	2,500	2,000	62,500	2.445	3.930	3.956	3.970	21.4%
16	5-yr Reopening of GII (Mat on 03/26)	5	May	Q2	28/5/2021	4,000	4,500		67,000	2.003	2.700	2.728	2.739	100.0%
17	10-yr Reopening of MGS (Mat on 04/31)	10	Jun	Q2	8/6/2021	4,500	4,500	500	72,000	1.966	3.287	3.313	3.333	87.0%
18	3-yr Reopening of GII (Mat on 10/24)	3	Jun	Q2	22/6/2021	4,500	4,500		76,500	2.001	2.330	2.341	2.350	58.2%
19	20-yr Reopening MGS (Mat on 05/40)	20	Jun	Q2	29/6/2021	4,000	2,000	2,000	80,500	2.651	4.223	4.254	4.268	86.0%
20	15-yr Reopening of GII (Mat on 07/36)	15	Jul	Q3	14/7/2021	4,500	2,500	2,000	85,000	3.056	3.969	3.982	3.992	96.0%
21	5-yr Reopening of MGS (Mat on 11/26)	5	Jul	Q3	22/7/2021	4,000	5,000		90,000	1.505	2.585	2.616	2.644	47.8%
22	10-yr Reopening of GII (Mat on 10/30)	10	Jul	Q3	30/7/2021	4,000	3,500	2,000	95,500	3.403	3.273	3.286	3.297	2.1%
23	30-yr Reopening of MGS (Mat on 06/50)	30	Aug	Q3	5/8/2021	4,500	2,000	2,000	99,500	2.280	4.259	4.289	4.300	55.3%
24	7-yr Reopening of GII (Mat on 10/28)	7	Aug	Q3	17/8/2021	4,500	4,500		104,000	1.980	3.145	3.163	3.178	100.0%
25	3-yr Reopening of MGS (Mat on 06/24)	3	Aug	Q3	25/8/2021	4,000	5,000		109,000	1.950	2.338	2.355	2.363	90.0%
26	20-yr Reopening of GII (Mat on 09/41)	20	Sep	Q3	2/9/2021	4,500	2,500	2,000	113,500	2.687	4.165	4.178	4.191	87.3%
27	10-yr Reopening of MGS (Mat on 04/31)	10	Sep	Q3	14/9/2021	4,500	4,000	1,500	119,000	1.606	3.270	3.292	3.310	20.0%
28	5-yr Reopening of GII (Mat on 03/26)	5	Sep	Q3	29/9/2021	4,000	4,000		123,000	2.133	3.000	3.025	3.040	90.0%
29	7-yr Reopening of MGS (Mat on 06/28)	7	Oct	Q4		4,000								
30	30-yr Reopening of GII (Mat on 11/49)	30	Oct	Q4		4,500		X						
31	5-yr Reopening of MGS (Mat on 11/26)	5	Oct	Q4		4,000								
32	10-yr Reopening of GII (Mat on 10/30)	10	Oct	Q4		4,500		X						
33	15-yr Reopening of MGS (Mat on 05/35)	15	Nov	Q4		5,000		X						
34	3-yr Reopening of GII (Mat on 10/24)	3	Nov	Q4		4,000								
35	20-yr Reopening of MGS (Mat on 05/40)	20	Nov	Q4		4,500		X						
36	7-yr Reopening of GII (Mat on 08/28)	7	Dec	Q4		3,500								
37	3-yr Reopening of MGS (Mat on 06/24)	3	Dec	Q4		3,500								
Gross MGS/GII supply in 2021						160,500	97,500	25,500	123,000	PROJECTED TOTAL ISSUANCE SIZE = 160,500				

Source: BNM, HLB Global Markets Research

Earlier rationale to maintain gross MGS/GII supply for 2021

Earlier in the year and even until the release of the 2nd stimulus package i.e. PEMERKASA in March this year which required a fiscal injection of RM11.0b, we were able to maintain our projection of RM152.5b gross issuances due to the various available funding avenues such as:

1. Earlier bills issuances of easily RM9b coupled with the excess proceeds of USD1.3b USD Sukuk against maturity of USD800m. This along with oil gains then of ~RM2b was deemed to be sufficient to cater for the above stimulus
2. Availability of KWAN fund of RM5.0b maintained by BNM.
3. Increase in dividends from GLC's
4. Optimization/re-allocation of funds for expenditure from various ministries/agencies.
5. Additional dues of USD1.4b equivalent in the form of asset disposals from Goldman Sachs due to 1MDB (i.e. USD3.9b less USD2.5b received last year).
6. Other proceeds from fines of RM2.83b paid by a local bank and RM330m by an accounting firm

Current rationale to increase gross MGS/GII supply for 2021

However as we progress further from September to December 2021, we expect the Federal Government's fiscal consolidation to continue facing challenges despite the commencement or kick-starting of economic activities arising from the ongoing lifting of movement restrictions. The Federal Government's additional spending is expected to increase the fiscal deficit to 6.5-7.0% of GDP (2020: 6.2%) whilst also awaiting pending parliamentary approval in October for the increase in statutory debt ceiling from 60% to 65%. (As at June 2021: 56.8%). **Meanwhile, the overall deficit for the Federal government is expected to ramp up to a record high of RM99.8b** (please see table below), resulting in gross government bond supply to jump from earlier projected RM152.2b to about RM160.5b.

Expect higher gross MGS/GII supply in 2021, circa RM160.5b amid ongoing MGS/GII maturities worth RM73.7b

RM (Billion)	2020 Actual	2021 Initial	2021 Revised
MGS/GII Maturities	73.4	73.7	73.7
Overall Federal Govt surplus/(deficit)	87.6	84.8	99.8
Gross Govt Bond Supply (MGS/GII)	148.8	152.5	160.5
Net Govt Bond Supply (MGS/GII)	75.4	78.8	86.8
Projected SPK switch	-	6.0	6.0
1MDB cash proceeds	10.0	5.6	-
Miscellaneous receipts	2.2	-	-
PETRONAS special dividend	-	-	7.0
Gross Supply (MGS+ GII only)	148.8	152.5	160.5

Source: MOF Fiscal Outlook 2021, BPAM, HLBB Global Markets Research

Quarter	2021	Stock	Monthly Maturity (RM'm)	Quarterly Maturity (RM'm)
1	JAN			
	FEB	MGS2/21	3,500	
	MAR	GII 3/21	9,500	13,000
2	APR	GII 4/21	12,500	
	MAY			
	JUN			12,500
3	JUL	MGS 7/21	13,500	
	AUG	GII 8/21	7,000	
	SEP	MGS 9/21	11,700	32,200
4	OCT	SPK 10/21	6,000	
	NOV	MGS 11/21	10,000	
	DEC			16,000
	Total		73,700	73,700

Source: BPAM, Bloomberg, HLBB Global Markets Research

Our key takeaways...

For 2021, we have now revised our projected **gross MGS/GII supply higher from RM152.5b to RM160.5b (as per the table above)** taking cognizance of:

1. Initial Federal government deficit of RM84.8b + PEMERKASA fiscal injection of RM5.0b + PEMULIH fiscal injection of RM10.0 giving rise to projected net federal deficit of RM99.8b.
2. Potential auction switch from SPK maturities of RM6.0b to govt-guaranteed bond issuances and
3. Proposed increase of another RM7.0b dividend payment by Petronas i.e. from RM18b to RM25b for 2021.
4. We have discounted the purported 1MDB proceeds of USD1.4b from asset disposals due to the operative nature of the accounts which are believed to be kept separate from the government's accounts.

Hence from note (1) above and also from a net MGS/GII supply perspective, the estimated net government bond supply (MGS/GII) is expected to rise from RM78.8b to RM86.8b (due to the additional requirement for the last two stimulus packages of RM10b + RM5b announced as of to-date) should still augur well in terms of supply/demand metrics as current 2021 YTD BTC ratio of 2.13x remain decent when compared to the entire 2020's average BTC ratio of 2.22x. In addition to that, the current foreign holdings of government bonds (i.e. MGS + GII + SPK) is perched at the high of RM226.1b, representing 25.2% of total holdings, reflecting still healthy demand for local bonds.

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