

Global Markets Research

Fixed Income : Auction Calendar

Re-opening of 5-year GII 3/26 prints BTC of 2.067x

Post-announcement, WI opened wide at 2.30/15% with levels eventually tightening to 2.25/17% with several trades estimated at ~RM200m done between 2.25-22% levels before finally settling at 2.25%. This auction was stronger-than-expected; notching a BTC ratio above the 2.0x handle with bids amounting to RM9.3b and saw almost similar interest when compared to its earlier auction with bids totaling RM9.98b on a BTC ratio of 1.996x in October 2020. The offering was again in line with our total forecast issuance of RM4.5b. The summary of tender results are as follows:-

Bid to Cover: 2.067x

High : 2.26%

Average : 2.252%

Low : 2.23%

Cut off : 63.16 %

This 5y GII auction saw strong support mainly by inter-bank traders and portfolio managers as the bond provides a decent and consistent spread of ~50bps against the OPR...

The short tail of a mere ~0.8bps reflects strong appetite as this tenure remains a relevant benchmark for inter-bank traders and portfolio managers. The average yield at 2.252% was slightly higher compared to its similar auction which was awarded at 2.204% in October last year under the current low yield environment. Nevertheless this benchmark when duration-adjusted, **displays relative value** compared to the conventional equivalent i.e. 5Y benchmark MGS 9/25 yield which was last done at 2.09% levels today (We note that the yearly historical mean spread between the Islamic and conventional 5Y benchmarks is ~13bps). Up next on the calendar is the reopening of 20Y MGS 5/40 for which we are also penciling in a total projected issuance size of RM4.5b.

| MGS/GII issuance pipeline in 2021 | | | | | | | | | | | | | | |
|-----------------------------------|---|--------------|--------------|---------|-------------|---------------------------------|----------------------------------|-------------------|------------------------|---|-------|---------|-------|---------|
| No | Stock | Tenure (yrs) | Tender Month | Quarter | Tender Date | Projected Auction Size (RM mil) | Actual Auction Issuance (RM mil) | Private Placement | Auction Amt Issued 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 | 3,000 | 3,000 | 1,500 | 6,500 | 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 | | 10,500 | 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 | | 15,000 | 2.067 | 2.230 | 2.252 | 2.260 | 63.2% |
| 5 | 20-yr Reopening of MGS (Mat on 05/40) | 20 | Feb | Q1 | | 2,000 | | 2,500 | | | | | | |
| 6 | 7-yr Reopening of GII (Mat on 09/27) | 7 | Feb | Q1 | | 3,500 | | | | | | | | |
| 7 | 30-yr Reopening of MGS (Mat on 06/50) | 30 | Mar | Q1 | | 2,000 | | 2,000 | | | | | | |
| 8 | 10-yr Reopening of GII (Mat on 10/30) | 10 | Mar | Q1 | | 4,000 | | | | | | | | |
| 9 | 5-yr Reopening of MGS (Mat on 09/25) | 5 | Mar | Q1 | | 4,500 | | | | | | | | |
| 10 | 20.5-yr New Issue of GII (Mat on 09/41) | 20 | Mar | Q1 | | 2,000 | | 2,500 | | | | | | |
| 11 | 7-yr Reopening of MGS (Mat on 06/28) | 7 | Apr | Q2 | | 4,000 | | | | | | | | |
| 12 | 15-yr Reopening of GII (Mat on 7/36) | 15 | Apr | Q2 | | 3,000 | | 1,000 | | | | | | |
| 13 | 3-yr Reopening of MGS (Mat on 06/24) | 3 | Apr | Q2 | | 4,000 | | | | | | | | |
| 14 | 30-yr Reopening of GII (Mat on 11/49) | 30 | May | Q2 | | 2,000 | | 2,000 | | | | | | |
| 15 | 15-yr Reopening of MGS (Mat on 05/35) | 15 | May | Q2 | | 3,000 | | 1,500 | | | | | | |
| 16 | 5-yr Reopening of GII (Mat on 03/26) | 5 | May | Q2 | | 4,000 | | | | | | | | |
| 17 | 10-yr Reopening of MGS (Mat on 04/31) | 10 | Jun | Q2 | | 3,500 | | 1,000 | | | | | | |
| 18 | 3-yr Reopening of GII (Mat on 10/24) | 3 | Jun | Q2 | | 4,500 | | | | | | | | |
| 19 | 20-yr Reopening MGS (Mat on 05/40) | 20 | Jun | Q2 | | 2,000 | | 2,000 | | | | | | |
| 20 | 15-yr Reopening of GII (Mat on 07/36) | 15 | Jul | Q3 | | 3,000 | | 1,500 | | | | | | |
| 21 | 5-yr Reopening of MGS (Mat on 11/26) | 5 | Jul | Q3 | | 4,000 | | | | | | | | |
| 22 | 10-yr Reopening of GII (Mat on 10/30) | 10 | Jul | Q3 | | 2,500 | | 1,500 | | | | | | |
| 23 | 30-yr Reopening of MGS (Mat on 06/50) | 30 | Aug | Q3 | | 2,000 | | 2,500 | | | | | | |
| 24 | 7-yr Reopening of GII (Mat on 08/28) | 7 | Aug | Q3 | | 4,500 | | | | | | | | |
| 25 | 3-yr Reopening of MGS (Mat on 06/24) | 3 | Aug | Q3 | | 4,000 | | | | | | | | |
| 26 | 20-yr Reopening of GII (Mat on 09/41) | 20 | Sep | Q3 | | 3,000 | | 1,500 | | | | | | |
| 27 | 10-yr Reopening of MGS (Mat on 04/31) | 10 | Sep | Q3 | | 3,500 | | 1,000 | | | | | | |
| 28 | 5-yr Reopening of GII (Mat on 03/26) | 5 | Sep | Q3 | | 4,000 | | | | | | | | |
| 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 | | 2,000 | | 2,000 | | | | | | |
| 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 | | 2,000 | | 2,000 | | | | | | |
| 33 | 15-yr Reopening of MGS (Mat on 05/35) | 15 | Nov | Q4 | | 3,000 | | 1,500 | | | | | | |
| 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 | | 2,000 | | 2,000 | | | | | | |
| 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 | | 3,000 | | | | | | | | |
| Gross MGS/GII supply in 2021 | | | | | | 121,000 | | 31,500 | | PROJECTED TOTAL ISSUANCE SIZE = 152,500 | | | | |

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