

Global Markets Research
Fixed Income : Auction Calendar
Re-opening of 7-year MGS 6/28 prints BTC of 2.026x

Post-announcement, WI was opened wide at 2.40/35% and subsequently drifted higher to 2.46/42% levels with nil trades. This auction was stronger-than-expected; notching a BTC ratio above the 2.0x handle with total bids amounting to RM7.09b and saw better response compared to its reopening in September 2020 (BTC ratio of only 1.538x with bids amounting to RM5.38b). The offering of RM4.0b was in line with our forecast issuance of RM3.5b. The summary of tender results are as follows:-

Bid to Cover: 2.026x

High : 2.463%

Average : 2.449%

Low : 2.406%

Cut off : 50.00 %

The maiden auction for the year was surprisingly solid with institutional support from mainly lifers and inter-bank participants despite earlier concerns over a prominent pension fund's perceived lack of trading activity going forward....

The short tail of ~1.4bps reflected strong appetite mainly by local institutional investors, namely lifers and inter-bank participants. With an outstanding issuance amount of RM15.0b, the average yield at 2.449% was attractive compared to its similar auction which was awarded at 2.291% in September last year under the current low yield climate. Nevertheless this benchmark is seen fairly valued compared to the Islamic equivalent i.e. GII 7Y benchmark 9/27 yields which was last done at 2.50% levels today (We note that the yearly historical mean spread between the Islamic and conventional 7Y benchmarks is ~4bps). Up next on the calendar is the new issuance of 15Y GII 7/36 for which we are 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 Issuance 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		3,000		1,500						
3	10-yr Reopening of MGS (Mat on 04/31)	10	Jan	Q1		4,000								
4	5-yr Reopening of GII (Mat on 03/26)	5	Feb	Q1		4,500								
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						

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.