

Global Markets Research

Fixed Income : Auction Calendar

Re-opening of 20-year MGG 5/40 prints BTC of 2.224x

Post-announcement, WI opened at 3.80/73% with levels eventually drifting higher to 3.96/92% with several estimated trades totaling RM50m done between 3.90-80% levels. This auction was stronger-than-expected; notching a BTC ratio above the 2.0x handle with total bids amounting to YTD low of RM4.45b and saw better interest when compared to its earlier auction (bids totaling RM5.88b on a mere BTC ratio of 1.469x in August 2020). The total offering of RM4.0b was slightly lower than our total forecast issuance of RM4.5b due to the reduced private placement. Summary of tender results are as follows:-

Bid to Cover: 2.224x

High : 4.01%

Average : 3.969%

Low : 3.901%

Cut off : 90.00 %

This 20y MGS auction saw support emanating likely from the lower private placement that prompted larger investment institutions to participate directly in the said auction...

The longer tail of a mere -4.1bps reflects average appetite as this benchmark is preferred by life insurance companies or even pension funds that prefer a longer-term outlook to hedge their liabilities. The average yield at 3.969% is way higher compared to its similar auction which was awarded at 3.24% in August last year under the current interest rate regime. When duration-adjusted, this benchmark **is deemed to be fairly valued** compared to the Islamic equivalent i.e. 20Y benchmark GII 9/39 yield which was last done at 4.03% levels today (We note that the yearly historical mean spread between the Islamic and conventional 7Y benchmarks is ~6-7bps). Up next on the calendar is the reopening of 7Y GII 9/27 for which we are also penciling in a total projected issuance size of RM3.5b.

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	17/2/2021	2,000	2,000	2,000	17,000	2.224	3.901	3.969	4.010	90.0%
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		31,000			PROJECTED TOTAL ISSUANCE SIZE = 152,500			

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