

Global Markets Research

Fixed Income : Auction Calendar

Re-opening of 3-year GII 10/25 prints BTC of 1.836x

Post-announcement, WI opened at 3.55/3.45% and subsequently narrowed to 3.48/45% levels. Subsequently WI opened higher today and was taken at between 3.48-47% levels, and finally given at 3.48% before close with total ~RM200m worth of trades. Although this auction saw total submission of bids amounting to RM9.18bb, the BTC ratio of 1.836x pales in comparison to its earlier equivalent auction in May at 3.632x with record total bids of RM18.2b. The total offering of RM5.0b (RM2.5b auction + RM2.5b private placement) was a tad higher than our forecast, with actual YTD issuance size now pegged at RM123.5b. Summary of tender results were:

Bid to Cover: 1.836x
 High: 3.483%
 Average: 3.474%
 Low: 3.450%
 Cut-off: 66.4%

The decent sum of bids garnered plus commendable spread to conventional bonds however is eclipsed from term premium perspective...

The short tail of 0.9bps was reflective of average demand by inter-bank participants, mainly Principal Dealers. The yield offered for the bond at 3.474% is a ~7bps lower than its last equivalent auction which averaged 3.539% in May 2022. This benchmark may be **seen to reflect cheaper-than-expected valuation** when compared to the 3Y conventional benchmark equivalent MGS 3/25 which was last done at 3.383% levels (Note: the historical annualized mean spread between the actual Islamic and conventional 3Y benchmarks unadjusted for duration is circa 4bps). **Nevertheless, it may not be a compelling buy proposition from a term premium perspective** along the yield curve. Up next on the calendar is the re-opening of 7Y MGS 7/25 with our projected issuance size of RM4.5b.

MGS/GII issuance pipeline in 2022															
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	5-yr reopening of MGS (Mat on 11/26)	5	Jan	Q1	6/1/2022	5,000	5,000		5,000	2.329	3.235	3.273	3.290	39.4%	
2	10.5-yr new Issue of MGS (Mat on 7/32)	10	Jan	Q1	13/1/2022	4,500	4,500		9,500	2.044	2.615	3.582	3.598	51.6%	
3	15-yr Reopening of GII (Mat on 07/36)	15	Jan	Q1	28/1/2022	4,500	3,000		12,500	2.574	4.147	4.161	4.180	30.0%	
4	5-yr Reopening of GII (Mat on 09/27)	5	Feb	Q1	7/2/2022	4,500	5,000		17,500	1.733	3.470	3.495	3.512	47.6%	
5	30-yr Reopening of MGS (Mat on 06/50)	30	Feb	Q1	14/2/2022	4,500	2,500	2,500	22,500	2.423	4.488	4.505	4.520	34.1%	
6	7-yr Reopening of GII (Mat on 10/28)	7	Feb	Q1	21/2/2022	4,500	4,500		27,000	1.750	3.587	3.612	3.629	50.0%	
7	15-yr Reopening of MGS 04/37	15	Mar	Q1	4/3/2022	4,500	3,000		30,000	1.986	4.048	4.064	4.078	87.6%	
8	20-yr Reopening of MGII 09/41	20	Mar	Q1	17/3/2022	4,500	2,500	2,500	35,000	1.884	4.375	4.401	4.427	88.0%	
9	3-yr Reopening of MGS 03/25	3	Mar	Q1	30/3/2022	5,000	5,500		40,500	1.666	3.210	3.239	3.255	69.2%	
10	10.5-yr New Issue of MGII (Mat on 10/32)	10	Apr	Q2	6/4/2022	4,000	4,500		45,000	2.503	4.165	4.193	4.203	30.7%	
11	20.5-yr New Issue of MGS (Mat on 10/42)	20	Apr	Q2	12/4/2022	5,000	2,500	2,500	50,000	1.918	4.653	4.696	4.730	32.0%	
12	15-yr Reopening of MGII 07/36	15	Apr	Q2	21/4/2022	4,000	2,500	2,500	55,000	1.879	4.750	4.826	4.869	50.0%	
13	7-yr New Issue of MGS (Mat on 04/29)	7	Apr	Q2	28/4/2022	4,500	5,000		60,000	2.196	4.470	4.504	4.520	96.8%	
14	30-yr New Issue of MGII (Mat on 05/52)	30	May	Q2	12/5/2022	5,000	2,500	500	63,000	2.570	5.255	5.357	5.400	49.0%	
15	10-yr Reopening of MGS (Mat on 07/32)	10	May	Q2	23/5/2022	5,000	4,500		67,500	2.598	4.243	4.294	4.310	10.0%	
16	3-yr Re-issuance of MGII 10/25	3	May	Q2	30/5/2022	4,500	5,000		72,500	3.632	3.511	3.539	3.550	100.0%	
17	15-yr Reopening of MGS 04/37	15	Jun	Q2	8/6/2022	4,000	3,000	2,500	78,000	2.211	4.565	4.599	4.618	4.6%	
18	5-yr Reopening of MGII 09/27	5	Jun	Q2	22/6/2022	4,000	4,500		82,500	3.133	4.135	4.155	4.167	100.0%	
19	30-yr Reopening of MGS 06/50	30	Jun	Q2	29/6/2022	4,000	2,500	2,500	87,500	2.459	4.930	4.959	4.974	30.0%	
20	10-yr Reopening of MGII (Mat on 10/32)	10	Jul	Q3	14/7/2022	5,000	3,500	2,500	93,500	3.105	4.090	4.117	4.129	58.3%	
21	20-yr Reopening of MGS (Mat on 10/42)	20	Jul	Q3	21/7/2022	5,000	2,500	2,500	98,500	2.656	4.585	4.598	4.607	37.0%	
22	7-yr Re-issuance of MGII 07/29	7	Jul	Q3	28/7/2022	5,000	4,500		103,000	2.403	3.900	3.917	3.927	43.3%	
23	5-yr Re-issuance of MGS 11/27	5	Aug	Q3	4/8/2022	5,000	5,000		108,000	2.044	3.770	3.798	3.808	38.3%	
24	20-yr Reopening of MGII 09/41	20	Aug	Q3	12/8/2022	5,000	3,000	2,500	113,500	2.742	4.383	4.410	4.435	81.4%	
25	15-yr Reopening of MGS 04/37	15	Aug	Q3	29/8/2022	5,000	2,500	2,500	118,500	2.244	4.210	4.249	4.272	85.0%	
26	3-yr Reopening of MGII 10/25	3	Sep	Q3	14/9/2022	4,500	5,000		123,500	1.836	3.450	3.474	3.483	66.4%	
27	7-yr Reopening of MGS (Mat on 04/29)	7	Sep	Q3		5,000									
28	15.5-yr New Issue of MGII (Mat on 03/38)	15	Sep	Q3		5,000									
29	3-yr Reopening of MGS 03/25	3	Oct	Q4		5,000									
30	10-yr Reopening of MGII (Mat on 10/32)	10	Oct	Q4		5,000		X							
31	20-yr Reopening of MGS (Mat on 10/42)	20	Oct	Q4		5,000		X							
32	7-yr Reopening of MGII 07/29	7	Nov	Q4		4,500									
33	5-yr Reopening of MGS 11/27	5	Nov	Q4		4,500									
34	30-yr Reopening of MGII (Mat on 05/52)	30	Nov	Q4		4,000		X							
35	10-yr Reopening of MGS (Mat on 07/32)	10	Dec	Q4		4,500									
36	3-yr Reopening of MGII 10/25	3	Dec	Q4		4,500									
Gross MGS/GII supply in 2022						167,000	98,000	25,500	123,500	PROJECTED TOTAL ISSUANCE SIZE = 167,000,000					

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