

Global Markets Research

Fixed Income : Auction Calendar

Re-issuance of 3-year GII 10/25 prints BTC of 3.632x

Post-announcement, WI opened wide at 3.70/65% and tightened to 3.60/53%. RM120m worth of trades were reportedly done and taken between 3.60-54% levels; before closing at 3.55/50% levels. This auction saw total submission of bids amounting to record YTD high of RM18.16b, amid the recent improvement in demand seen resulting in lower yields. This auction saw BTC ratio notch way above our much-watched 2.0x handle and thumped its similar previous auction exercise held in December 2021 (BTC ratio: 1.412x, total bids: RM6.35b). The total offering of RM5.0b was slightly higher than our earlier forecast. Summary of tender results were:

Bid to Cover: 3.632x
 High: 3.550%
 Average: 3.539%
 Low: 3.511%
 Cut-off: 100.00%

This 3Y GII auction which is a favorite among inter-bank institutions for liquidity purposes, saw solid participation despite its slightly expensive valuation along the curve at this juncture...

The short tail of 1.1bps was reflective of strong participation mainly from both onshore and offshore financial institutions. The yield offered for the re-issuance of this previous off-the-run bond at 3.539% is ~75bps significantly higher than its last auction which averaged 2.787% in December 2021. This benchmark is **perceived to be fairly valued** when compared to the 3Y conventional benchmark equivalent MGS 3/25 which was last done at 3.45% levels (Note: the historical annualized mean spread between the generic Islamic and conventional 3Y benchmarks unadjusted for duration is 4-5bps). Duration-wise, the 3Y sector is seen to offer slightly lesser value relative to the 5Y at this juncture. Up next on the calendar is the re-opening of 15Y MGS 4/37 with our projected issuance size of RM4.0b.

| 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 Reopening 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 | | 4,000 | | X | | | | | | |
| 18 | 5-yr Reopening of MGII 09/27 | 5 | Jun | Q2 | | 4,000 | | | | | | | | |
| 19 | 30-yr Reopening of MGS 06/50 | 30 | Jun | Q2 | | 4,000 | | X | | | | | | |
| 20 | 10-yr Reopening of MGII (Mat on 10/32) | 10 | Jul | Q3 | | 5,000 | | X | | | | | | |
| 21 | 20-yr Reopening of MGS (Mat on 10/42) | 20 | Jul | Q3 | | 5,000 | | X | | | | | | |
| 22 | 7-yr Reopening of MGII 07/29 | 7 | Jul | Q3 | | 5,000 | | | | | | | | |
| 23 | 5-yr Reopening of MGS 11/27 | 5 | Aug | Q3 | | 5,000 | | | | | | | | |
| 24 | 20-yr Reopening of MGII 09/41 | 20 | Aug | Q3 | | 5,000 | | X | | | | | | |
| 25 | 15-yr Reopening of MGS 04/37 | 15 | Aug | Q3 | | 5,000 | | X | | | | | | |
| 26 | 3-yr Reopening of MGII 10/25 | 3 | Sep | Q3 | | 4,500 | | | | | | | | |
| 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 | 62,000 | 10,500 | 72,500 | PROJECTED TOTAL ISSUANCE SIZE = 167,000,000 | | | | |

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