




Global Markets Research
Fixed Income

Auction Calendar 2023

There will be a total of 37 auctions (comprising 19 issuances of GII and 18 issuances of MGS) in 2023 compared to the 36 auctions in 2022 (comprising of 18 equal issuances of MGS and GII bond issuances). **To recap, gross MGS/GII supply in 2022 was RM171.5b and surprisingly exceeded on the upside compared to our earlier projection of RM167.0b for the year with net issuances of RM93.3b (2021: RM86.3b).**

As we progress to 2023, we note that total maturities continue to be marginally higher and sizeable at ~RM80.9b (2022: RM78.2b). **Gross MGS/GII supply is expected to rise to circa RM172.0b (net of projected RM3.6b SPK bond switch and miscellaneous receipts).** The estimated net supply of MGS/GII circa RM91.5b is a lower than the RM93.3b in 2022. We expect increasing challenges for the coming year as volatility may persist as the combined effects of the pace and magnitude of interest rate hikes (to stem inflationary pressures both in the US and in Malaysia); interspersed with potential recessionary conditions anticipated in the later part of 2023. **Whilst we opine that the shorter-ends have priced in earlier rate adjustments and may drift slightly lower eventually, we opine that the local govvnies curve may flatten with the long-ends better-bid due to creeping global recessionary fears.** The table below summarizes our projected sizes for upcoming MGS/GII auctions in 2023.

MGS/GII scheduled issuance pipeline for 2023

MGS/GII issuance pipeline in 2023						
No	Stock	Tenure (yrs)	Tender Month	Quarter	Projected Issuance Size (RM mil)	Private Placement
1	10-yr reopening of MGII (Mat on 10/32)	10	Jan	Q1	4,500	
2	15-yr Reopening of MGS (Mat on 6/38)	15	Jan	Q1	4,500	
3	5.5-yr New Issue of MGII (Mat on 07/28)	5	Jan	Q1	5,000	
4	7-yr Reopening of MGS (Mat on 04/30)	7	Feb	Q1	4,500	
5	20.5-yr New Issue of MGII (Mat on 08/43)	20	Feb	Q1	5,000	
6	3-yr Reopening of MGS (Mat on 07/26)	3	Feb	Q1	4,500	
7	15-yr Reopening of MGII 03/38	15	Feb	Q1	5,000	
8	10-yr Reopening of MGS 07/32	10	Mar	Q1	4,500	
9	7-yr Reopening of MGII 09/30	7	Mar	Q1	4,500	
10	30-yr New Issue of MGS 03/53	30	Mar	Q1	5,000	
11	10-yr Reopening of MGII (Mat on 10/32)	10	Apr	Q2	4,500	
12	5-yr New Issue of MGS (Mat on 04/28)	5	Apr	Q2	5,000	
13	30-yr Reopening of MGII 05/52	30	Apr	Q2	4,500	
14	7-yr Reopening of MGS (Mat on 04/30)	7	May	Q2	4,500	
15	20-yr Reopening of MGII (Mat on 08/43)	20	May	Q2	5,000	
16	15-yr Reopening of MGS (Mat on 06/38)	15	May	Q2	4,500	
17	3-yr Reopening of MGII 09/26	3	Jun	Q2	4,500	
18	20-yr Reopening of MGS 10/42	20	Jun	Q2	4,500	
19	5-yr Reopening of MGII 07/28	5	Jun	Q2	5,000	
20	10-yr Reopening of MGS 11/33	10	Jul	Q2	4,500	
21	7-yr Reopening of MGII (Mat on 07/30)	7	Jul	Q3	4,500	
22	3-yr Reopening of MGS (Mat on 07/26)	3	Jul	Q3	4,500	
23	30-yr Reopening of MGII 05/52	30	Aug	Q3	4,500	
24	5-yr Reopening of MGS 04/28	5	Aug	Q3	5,000	
25	20-yr Reopening of MGII 08/43	20	Aug	Q3	5,000	
26	15-yr Reopening of MGS 06/38	15	Aug	Q3	4,500	
27	3-yr Reopening of MGII 09/26	3	Sep	Q3	4,500	
28	30-yr Reopening of MGS (Mat on 03/53)	30	Sep	Q3	5,000	
29	5-yr Reopening of MGII (Mat on 07/28)	5	Sep	Q3	5,000	
30	20-yr Reopening of MGS 10/42	20	Oct	Q4	4,500	
31	10-yr Reopening of MGII (Mat on 08/33)	10	Oct	Q4	4,500	
32	7-yr Reopening of MGS (Mat on 04/30)	7	Oct	Q4	5,000	
33	30-yr Reopening of MGII 05/52	30	Nov	Q4	4,500	
34	5-yr Reopening of MGS 04/28	5	Nov	Q4	5,000	
35	7-yr Reopening of MGII (Mat on 09/30)	7	Nov	Q4	4,500	
36	3-yr Reopening of GII (Mat on 09/26)	3	Dec	Q4	4,000	
37	10-yr Reopening of MGS 11/33	10	Dec	Q4	4,000	
Gross MGS/GII supply in 2022					172,000	TBA

TBA - To Be Announced

Source: BNM, HLB Global Markets Research

Projected Gross MGS/GII supply for 2023

As we progress to 2023, we expect the Federal Government's fiscal consolidation to face challenges in meeting the reduced targeted fiscal deficit target of 5.5% of GDP; given the potential cautious economic outlook especially in 2H2023 as the recent rate hikes filters into the economy. However, from a positive perspective, it is narrower than 2022's projected deficit of 5.8% of GDP. The Federal Government's revenue is expected to fall to R M272.6b in 2023, down 4.4% from the revised RM285.2b in 2022. This is primarily due to plunge in non-tax revenue expected mainly from the lower PETRONAS dividend totaling RM35.0b (2022: RM50.0b) and PITA. Development expenditure (DEVEX) is expected to spike higher to a record high of RM94.3b; but a divergence is seen in the fall in operating expenditure (OPEX) as the government is intent in attributing lower allocation for subsidies and social assistance, in line with its targeted subsidy mechanism for an equitable distribution of resources as well as moderation in commodity prices (Note: Budget 2022 was calibrated based on oil price assumption of \$100/barrel versus revised amounts to \$90/barrel for next year).

FEDERAL GOVT REVENUE & EXPENDITURE	2021	2022E	2023F
RM (Billion)			
Revenue	223.8	285.2	272.6
Operating Expenditure	231.5	284.7	272.3
Current balance Surplus/(Deficit)	2.2	0.5	0.2
Gross Development Expenditure	64.3	71.8	95.0
Add: gross lending	1.0	1.4	1.4
less: loan recoverables	1.0	0.6	0.7
Net Development Expenditure	63.3	71.2	94.3
Misc: COVID-19 Fund	37.7	28.8	5.0
Overall surplus/(deficit)	(98.7)	(99.5)	(99.1)
Fiscal Deficit as a % of GDP	6.4	5.8	5.5

Source: MOF Fiscal Outlook 2022, HLBB Global Markets Research

Expect higher gross MGS/GII supply in 2023, at RM172.4b amid MGS/GII maturities next year worth RM80.9b

RM (Billion)	2021a	2022e	2023f
Federal Govt deficit	98.7	99.5	99.1
MGS/GII Maturities	73.7	78.2	80.9
Projected SPK switch	(6.0)	(9.0)	(3.6)
Misc. cash receipts (inc PETRONAS special dividend)	-	(2.0)	(4.0)
Net Govt Bond Supply (MGS/GII)	86.3	93.3	91.5
Gross Supply (MGS+ GII only)	160.0	171.5	172.4

Source: MOF Fiscal Outlook 2022, BPAM, HLBB Global Markets Research

For 2023, we project our initial **gross MGS/GII supply to be slightly higher at circa RM172.0b** (accompanied by a lower 3.5% y/y increase; yet sizeable maturities of about RM80.9b as per the table above); **versus RM171.5b actual issuance for 2022**. We have taken cognizance of the following in arriving at the abovementioned figures:

- The potential switch of RM3.6b of SPK maturing next March and April into government-guaranteed bonds like LPPSA etc. to limit direct government debt

issuances; and to take advantage of the continued strong demand for these re-classified bonds.

- A sum of US\$3bn is provided for the redemption of 1Malaysia Development Berhad (1MDB) maturing bond in March 2023
- There is no scheduled maturity nor will there likely be expected to be FCY loans or bonds in 2023, following the rollover of maturities and subsequent issuances totaling USD1.3b earlier in April 2021. **This augurs well as the total outstanding FCY debt issuances remains well-within** the self-imposed rule of RM35b by the government.
- Outstanding bills (MITB and MTB) issuances amounts to a staggering RM34.0b as at the time of writing compared to RM30.0b as at end-2021. We opine that further issuances may be possible to “replace” the SPK switch or even cover shortfall in OPEX requirements.
- The low projected OE is attributable to lower allocation for subsidies and social assistance, as mentioned, in line with the government’s targeted subsidy mechanism for an equitable distribution of resources as well as moderation in commodity prices.

However, on a net MGS/GII supply perspective, the estimated net supply of circa RM91.5b is average when compared to previous years (2022: RM93.3b and 2021: RM86.3b) and will augur well in terms of supply/demand metrics from diversity and depth of investment institutions. The Government of Malaysia’s (GOM) funding requirements are projected to be primarily funded onshore via issuances of MGS/GII.

MGS/GII Issuance pipeline in 2023 versus maturities: Our key takeaways....

Based on the maturity profiles tables below; the maturity profile reflects an elevated “” pattern for the first six (6) months with peak maturities in Q22023 tapering-off in Q42023. **The issuance supply for 2023 is slightly targeted towards two (2) bands i.e.; the 5-7Y belly plus the long-end i.e.; 30Y tenure with corresponding reduction see in the 15Y sector.**

The increase in the number of issuances for the 5-7Y sector from ten (10) to twelve (12) followed by a slight increase in the 30Y sector as well corresponds to the reduction in number of 15Y tenure issuances from six (6) to four (4) each, seen from the previous year potentially in view of better demand for this part-of the curve especially by inter-bank participants, offshore institutions, and local institutions such as pension funds and lifers. There have been attempts to smoothen out the maturity profile extending out from 2027 as the current maturity profile weighs heavy on the shorter-end of the curve i.e.; 2023-2027. **We project quarterly issuances to be front-loaded with heavy issuances also seen in the 3Q2023 whilst tapering off in the final quarter:**

Q1-RM47.0b

Q2-RM42.0b

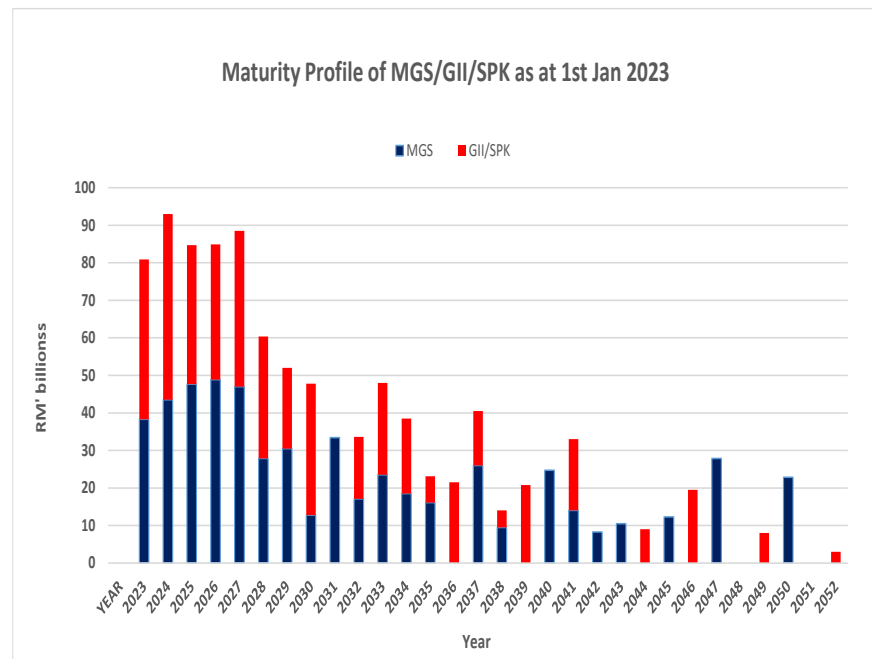
Q3-RM47.0b

Q4-RM36.0b

Re-investments from scheduled bond maturities are expected to be rolled back in line with the confidence in the new GOM's ongoing initiatives in addressing the nation's fiscal and monetary policies amid a much-anticipated stable Ringgit. **The 49/51 ratio between MGS/GII funding mix** by GOM is deemed constructive for sovereign yield curve purposes and is expected to surprise on the upside given the resilience in foreign holdings of both MGS which decreased 3% or RM3.4b y/y (as at Nov 2023) to RM183.7b together with foreign holdings in GII which eased a mere 2% or RM840m to RM39.7b. This represents 34.4% of overall outstanding issuances of RM476.2b for MGS and 8.5% of overall outstanding issuances of GII as at end-November 2023.

Quarter	2023	Stock	Monthly Maturity (RM'm)	Quarterly Maturity (RM'm)
1	JAN			
	FEB			
	MAR	MGS 3/23 & SPK 3/23	19,420 & 1,700	21,120
2	APR	MGS 4/23 & SPK 4/23	8,900 & 1,900	
	MAY	GII 5/23	13,000	
	JUN			23,800
3	JUL	GII 7/23	10,500	
	AUG	MGS 8/23	10,000	
	SEP			20,500
4	OCT	GII 10/23	4,000	
	NOV	GII 11/23	11,500	
	DEC			15,500
	Total		78,200	80,920

Source: BPAM, Bloomberg, HLBB Global Markets Research



Source: BPAM, Bloomberg, HLBB Global Markets Research

Number of Issuances			
Tenure	2022	2023	Change
3Y	5	5	0
5Y	5	6	1
7Y	5	6	1
10Y	6	6	0
15Y	6	4	-2
20Y	5	5	0
30Y	4	5	1
Total	36	37	1

Source: BPAM, Bloomberg, HLBB Global Markets Research

We expect challenges for the coming year as volatility and headwinds may take precedence due to several “unknowns” namely the pace and quantum of interest rate hikes, the impact of the prolonged Russia-Ukraine war and further concerns over potential COVID variants. Add to that the reopening of China’s borders and we have a plethora of factors that are bound to be interesting for bonds. Whilst we opine that the shorter-ends have priced in earlier rate adjustments and may drift slightly lower eventually, we opine that the local govies curve may flatten with the long-ends better-bid due to creeping global recessionary fears.

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