

Global Markets Research

Fixed Income : Auction Calendar

Re-opening of 10-year MGS 7/32 prints BTC of 1.67x

Post-announcement, WI opened at 3.94/90% with quotes moving higher. Subsequently, trades circa RM150m were printed between 4.07-3.995% range on Day 2 and 3 before finally succumbing to 4.10/06% closing on Day 3. This auction saw average submission of bids at RM7.52b, yet resulted in a decent BTC ratio of 1.67x (almost similar when compared to its earlier equivalent auction recently in December with a BTC ratio of 1.707x). The total offering consisting of RM4.5b was in line with our forecast. Summary of tender results were:

Bid to Cover: 1.67x
 High: 4.089%
 Average: 4.066%
 Low: 4.035%
 Cut-off: 28.33%

This 10Y MGS auction attracted decent participation; especially from inter-banks and insurance companies; relative valuation to Islamic benchmark and term structure perspective looks slightly attractive at this juncture...

The relatively long-tail of 2.3bps reflected average participation with demand mainly from inter-bank institutions and insurance companies. The yield offered at 4.066% is almost similar compared to its last equivalent auction which notched an average 4.063% in December 2022. **We deem this bond to be slightly UNDERVALUED from both a relative value perspective at this juncture** based on comparison to the 10Y Islamic benchmark equivalent GII 10/32 which was last done at 4.10% levels. (Note: the historical annualized mean spreads between the generic Islamic and conventional 10Y benchmarks AND actual benchmarks unadjusted for duration are between 7-8bps). **Also, from a term premium structure perspective, the 10Y sector offers value.** Up next is the re-opening involving the re-issue of 7Y GII 9/30 with our projected issuance size at RM4.5b

MGS/GII issuance pipeline in 2023															
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	10-yr reopening of MGII (Mat on 10/32)	10	Jan	Q1	6/1/2023	4,500	4,500		4,500	2.093	4.109	4.135	4.147	58.3%	
2	15-yr Reopening of MGS (Mat on 6/38)	15	Jan	Q1	13/1/2023	4,500	3,000	2,500	10,000	2.825	4.110	4.151	4.160	73.3%	
3	5.5-yr New Issue of MGII (Mat on 07/28)	5	Jan	Q1	27/1/2023	5,000	5,000		15,000	3.395	3.580	3.599	3.610	80.8%	
4	7-yr Reopening of MGS (Mat on 04/30)	7	Feb	Q1	3/2/2023	4,500	5,000		20,000	2.460	3.610	3.656	3.660	25.0%	
5	20.5-yr New Issue of MGII (Mat on 08/43)	20	Feb	Q1	13/2/2023	5,000	2,500	2,500	25,000	2.662	4.257	4.291	4.308	87.5%	
6	3-yr Reopening of MGS (Mat on 07/26)	3	Feb	Q1	20/2/2023	4,500	5,500		30,500	1.691	3.438	3.458	3.472	10.0%	
7	15-yr Reopening of MGII 03/38	15	Feb	Q1	27/2/2023	5,000	3,000	2,500	36,000	1.986	4.160	4.177	4.188	27.8%	
8	10-yr Reopening of MGS 07/32	10	Mar	Q1	3/3/2023	4,500	4,500		40,500	1.670	4.035	4.066	4.089	28.3%	
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									
22	10-yr Reopening of MGII (Mat on 08/33)	10	Oct	Q4		4,500									
22	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 2023						172,000	33,000	7,500	36,000	PROJECTED TOTAL ISSUANCE SIZE = 168-172k					

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