

Global Markets Research

Fixed Income : Auction Calendar

Re-opening of 20-year MGS 10/42 prints BTC of 1.772x

Post-announcement, WI opened at 4.42/4.32% with levels drifting higher pressured by the recent spike in global bond yields. There were no WI trades seen printed with WI closing higher at 4.54/4.46%. This auction saw muted submission of bids totaling RM6.20b, resulting in a BTC ratio way below the 2.0 handle @ 1.772x (and below its recent re-opening in June with a BTC ratio of 1.877x). The total offering of RM5.5b (via RM3.5b auction +RM2.0b private placement) was higher than our forecast. Summary of tender results are as follows:

Bid to Cover: 1.772x

High: 4.521%

Average: 4.487%

Low: 4.455%

Cut-off: 50.00%

This 20Y MGS auction chalked weak bidding metrics considering the rather huge combined issuance size of RM5.5b. However, the tight spread versus 30Y MGS plus adequate liquidity in terms of large outstanding issuance of RM19.5b may be construed as slightly positive...

The relatively long tail of 3.4bps reflected muted demand metrics with interest however from diverse participants like pension funds, GLIC's and asset management companies. The yield offered at 4.487% is ~ 30bps higher compared to its last equivalent auction which notched an average 4.195% in June. **We opine that the bond reflects some value from relative valuation perspective, taking note of the historical annualized mean spreads between the generic Islamic and conventional 20Y benchmarks which is 3-6bps** (Note: the 20Y Islamic benchmark equivalent GII 8/43 was last done higher at 4.48%) and tighter-than-usual spreads versus 30Y MGS. **From a term premium perspective, the 20Y MGS however is decent, with average liquidity seen in both standard and odd-lots.** Up next is the re-issue of 10Y GII 8/33 with a projected issuance size of 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	14/3/2023	4,500	5,000		45,500	1.586	3.760	3.792	3.814	100.0%
10	30-yr New Issue of MGS 03/53	30	Mar	Q1	30/3/2023	5,000	2,500	2,500	50,500	1.970	4.370	4.457	4.489	65.5%
11	10-yr Reopening of MGII (Mat on 10/32)	10	Apr	Q2	7/4/2023	4,500	4,500		55,000	2.367	3.922	3.936	3.948	15.0%
12	5-yr New Issue of MGS (Mat on 04/28)	5	Apr	Q2	19/4/2023	5,000	5,000		60,000	2.434	3.500	3.519	3.528	72.4%
13	30-yr Reopening of MGII 05/52	30	Apr	Q2	26/4/2023	4,500	2,500	2,500	65,000	2.153	4.270	4.294	4.308	51.8%
14	7-yr Reopening of MGS (Mat on 04/30)	7	May	Q2	11/5/2023	4,500	5,000		70,000	2.183	3.590	3.604	3.615	81.7%
15	20-yr Reopening of MGII (Mat on 08/43)	20	May	Q2	23/5/2023	5,000	3,000	2,500	75,000	1.747	4.155	4.182	4.207	28.0%
16	15-yr Reopening of MGS (Mat on 06/38)	15	May	Q2	30/5/2023	4,500	3,000	1,500	80,000	2.201	3.990	4.023	4.033	48.4%
17	3-yr Reopening of MGII 09/26	3	Jun	Q2	7/6/2023	4,500	4,500		84,500	1.759	3.420	3.435	3.447	15.6%
18	20-yr Reopening of MGS 10/42	20	Jun	Q2	21/6/2023	4,500	3,000	2,500	90,000	1.877	4.168	4.195	4.208	11.8%
19	5-yr Reopening of MGII 07/28	5	Jun	Q2	28/6/2023	5,000	5,000		95,500	1.813	3.657	3.677	3.691	100.0%
20	10-yr Reopening of MGS 11/33	10	Jul	Q2	13/7/2023	4,500	5,500		101,000	2.641	3.830	3.860	3.868	50.3%
21	7-yr Reopening of MGII (Mat on 09/30)	7	Jul	Q3	20/7/2023	4,500	5,000		106,000	2.295	3.760	3.788	3.798	65.0%
22	3-yr Reopening of MGS (Mat on 07/26)	3	Jul	Q3	30/7/2023	4,500	4,500		110,500	1.908	3.455	3.483	3.498	75.9%
23	30-yr Reopening of MGII 05/52	30	Aug	Q3	7/8/2023	4,500	3,000	2,000	115,500	2.557	4.318	4.362	4.378	61.5%
24	5-yr Reopening of MGS 04/28	5	Aug	Q3	14/8/2023	5,000	5,000		120,500	1.718	3.630	3.647	3.662	41.7%
25	20-yr Reopening of MGII 08/43	20	Aug	Q3	22/8/2023	5,000	3,000	2,000	125,500	1.992	4.240	4.285	4.301	62.5%
26	15-yr Reopening of MGS 06/38	15	Aug	Q3	29/8/2023	4,500	3,000	1,000	129,500	2.118	4.030	4.049	4.062	20.0%
27	3-yr Reopening of MGII 09/26	3	Sep	Q3	12/9/2023	4,500	4,500		134,000	2.167	3.528	3.539	3.546	40.3%
28	30-yr Reopening of MGS (Mat on 03/53)	30	Sep	Q3	21/9/2023	5,000	3,500	1,500	139,000	1.897	4.415	4.454	4.475	100.0%
29	5-yr Reopening of MGII (Mat on 07/28)	5	Sep	Q3	27/9/2023	5,000	5,000		144,000	1.954	3.795	3.808	3.820	15.4%
30	20-yr Reopening of MGS 10/42	20	Oct	Q4	28/9/2023	4,500	3,500	2,000	149,500	1.772	4.455	4.487	4.521	50.0%
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 2023						172,000	122,000	27,500	149,500	PROJECTED TOTAL ISSUANCE SIZE = 168-172b				

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