

Global Markets Research

Fixed Income : Auction Calendar

Re-opening of 10-year GII 10/32 prints BTC of 2.093x

Post-announcement, WI opened wide at 4.12/4.09% and subsequently transacted between 4.14-08% levels in huge amounts circa ~RM290m. Eventually bid/offer spreads narrowed with WI settling at 4.14/12% prior to closing. This inaugural auction for 2023 saw the total submission of bids @ RM9.42b; resulting in a BTC ratio of 2.093x and much stronger than its earlier equivalent auction recently in October (total bids of RM6.09b and a BTC ratio of 1.739x). The total offering of RM4.5b was in line with our recent forecast, with total projected issuances for the year pegged at circa RM172.0b. Summary of tender results were:

Bid to Cover: 2.093x
 High: 4.147%
 Average: 4.135%
 Low: 4.109%
 Cut-off: 58.33%

This 10Y GII auction (the first for the year), saw wide participation from various categories of institutions in search of liquidity despite the current narrow spread of ~140bps against OPR...

The short tail of a mere 1.2bps was reflective of wide participation; mainly from inter-bank participants, insurance companies, GLC's and asset management companies. The yield offered for the bond at 4.135% is ~37bps lower than its last equivalent auction which averaged 4.506% in October 2022. **We are mildly positive from a term premium perspective and deem this benchmark to be slightly undervalued at this juncture;** when compared to the 10Y conventional benchmark equivalent MGS 7/32 which was last done at 4.00% levels (Note: the historical annualized mean spreads between the generic Islamic and conventional 10Y benchmarks along with actual benchmarks unadjusted for duration are between 7-10bps).

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	6/1/2022	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		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								
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 2022						172,000	4,500	-	4,500	PROJECTED TOTAL ISSUANCE SIZE = 172,000,000				

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