

Global Markets Research

Fixed Income : Auction Calendar

Re-opening of 30-year GII 5/52 prints BTC of 2.557x

Post-announcement, WI opened at 4.35/4.25% with total trades circa RM50m being printed between 4.35-33% area; before closing tighter yet slightly higher at 4.37/33%. This auction saw decent YTD submission of bids at RM7.67b, resulting in a solid BTC ratio of 2.557x when compared to its equivalent opening in April (with a BTC ratio of 2.153x). The total offering of RM5.0b (consisting of RM3.0b auction + RM2.0b private placement) was slightly higher than our forecast. Summary of tender results were:

Bid to Cover: 2.557x

High: 4.378%

Average: 4.362%

Low: 4.318%

Cut-off: 61.54%

This 30Y GII auction sprung a surprise in terms of demand metrics despite the larger-than-expected issuance size and outstanding amount of RM18.0b. We note the existence of some relative value when compared to MGS 3/53 with neutral-to-positive term premium at this juncture...

The short tail of 1.6bps reflected solid bidding metrics with demand seen from insurance companies, GLIC's and pension funds. The yield offered at 4.362% is ~7bps higher compared to its last equivalent auction which notched an average 4.294% in March. **Despite the element of illiquidity for this bond, we accord slight positive valuation for now taking cognizance of its historical annualized mean spreads between the generic Islamic and conventional 30Y benchmarks (adjusted for duration) which is ~5-8bps** (Note: the 30Y conventional benchmark equivalent MGS 3/53 was last done at 4.24% levels). **From a term premium perspective, we adopt a neutral-to-slightly positive bias in the 30Y sector.** Up next is the re-issue of 5Y MGS 4/28 with a projected issuance size of RM5.0b.

| 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 MGS (Mat on 08/43) | 20 | May | Q2 | 23/5/2023 | 5,000 | 3,000 | 2,500 | 75,500 | 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 | 1.201 | 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 | 5,500 | | 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 | | 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 | 94,500 | 21,000 | 101,000 | PROJECTED TOTAL ISSUANCE SIZE = 168-172b | | | | |

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