

Global Markets Research

Fixed Income : Auction Calendar

New Issuance of 5-year GII 7/28 prints BTC of 3.395x

Post-announcement, WI opened wide at 3.75/3.52% and subsequently tightened to 3.65/60% and transacted at 3.65% on opening day. It continued to be in demand and transacted at lower yields of between 3.62-59% levels with amounts totaling RM50m over three days. This 3rd auction for 2023 saw total submission of bids @ RM16.98b; a record high in recent years and resulted in a solid BTC ratio of 3.395x (stronger than its earlier equivalent auction in June last year (total bids of RM14.10b and a BTC ratio of 3.133x). The total offering consisting of RM5.0b was in line with our forecast. Summary of tender results were:

Bid to Cover: 3.395x
 High: 3.61%
 Average: 3.599%
 Low: 3.58%
 Cut-off: 80.77%

This 5Y GII auction saw strong participation from institutional investors for their trading books: valuation remains decent for now despite its sharply lower spread versus mean spread of ~155bps against OPR...

The short tail of a mere 1.1bps was reflective of solid demand and participation mainly from GLC's, insurance companies, pension funds and asset management companies. The yield offered for this bond at 3.599% is ~56bps sharply lower than its last equivalent auction which averaged 4.155% in June 2022. **We are slightly positive from both term premium perspective and relative value** when compared to the 5Y conventional benchmark equivalent MGS 11/27 which was last done at 3.509% levels (Note: the historical annualized mean spreads between the generic Islamic and conventional 5Y benchmarks and actual benchmarks unadjusted for duration are 7bps and 2bps each. **Hence, we deem this benchmark to be trading at a slight discount at this juncture.**

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	13/1/2022	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	27/1/2022	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		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 2023						172,000	12,500	2,500	15,000	PROJECTED TOTAL ISSUANCE SIZE = 172,000,000				

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