

Global Markets Research

Fixed Income : Auction Calendar

Re-opening of 15-year GII 3/38 prints BTC of 1.986x

Post-announcement, WI opened at 4.13/09% with quotes moving slightly higher. Subsequently, trades circa RM70m were printed between 4.175-17% area before finally closing at 4.175/16% levels on Day 3. This auction saw lowest YTD total submission of bids at RM5.96b, yet resulted in a decent BTC ratio of 1.986x (way lower than its earlier equivalent auction in September last year with a BTC ratio of 2.38x). The total offering consisting of RM5.5b was higher than our forecast. Summary of tender results were:

Bid to Cover: 1.986x

High: 4.188%

Average: 4.177%

Low: 4.160%

Cut-off: 27.78%

This 15Y GII auction saw strong participation; mainly from inter-banks and insurance companies; relative valuation to conventional benchmark may not be compelling at this juncture but looking attractive from term structure perspective...

The short tail of 1.1bps was surprisingly reflective of strong demand mainly from inter-bank institutions and insurance companies. The yield offered at 4.177% is ~49bps lower than its last equivalent auction which debut at an average 4.662% in September 2022. **We are NEUTRAL on this bond from a relative value perspective at this juncture** based on comparison to the 15Y conventional benchmark equivalent MGS 6/38 which was last done at 4.137% levels. (Note: the historical annualized mean spreads between the generic Islamic and conventional 15Y benchmarks and actual benchmarks unadjusted for duration are between 4-5bps). However, **from a term premium structure perspective, the 15Y sector is deemed attractive**. Up next is the re-opening of 10Y MGS 7/32 with our projected gross 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	6/1/2022	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	3/2/2022	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	13/2/2022	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	20/2/2022	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	27/2/2022	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		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	28,500	7,500	36,000	PROJECTED TOTAL ISSUANCE SIZE = 172,000,000						

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1223/1

Fax: 603-2081 8936

Email: HLMarkets@hlbb.hongleong.com.my

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.