

Global Markets Research
Fixed Income

Auction Calendar 2024

There will be a total of 37 auctions (comprising 19 issuances of GII and 18 issuances of MGS) in 2024; similar to the number of MGS/GII issuances which also totaled 37 in 2023. To recap, gross MGS/GII supply in 2023 was RM185.0b (2022: RM174.1b) and surprisingly exceeded on the upside compared to our earlier projection of between RM173-178b for the year with lower net issuances of RM79.9b (2022: RM93.2b).

As we progress to 2024, we note that total maturities continue to be substantially higher and sizeable at ~RM93.0b (2023: RM80.9b). Gross MGS/GII supply is expected to rise to circa RM179b (no SPK bond switch and miscellaneous receipts expected). We expect lesser challenges on the fixed income space for the coming year as lower volatility is expected following expectations to the end of earlier pace and magnitude of interest rate hikes (to stem inflationary pressures both in the US and in Malaysia) coupled with a more stable MYR. Whilst we opine that the shorter-ends may have some room to richen due to peak terminal rate adjustments, the longer-ends may see a tussle between heavier primary issuances versus possible duration extension requirements by portfolio managers and traders alike. The table below summarizes our projected sizes for upcoming MGS/GII auctions in 2024.

MGS/GII scheduled issuance pipeline for 2024

MGS/GII issuance pipeline in 2024						
No	Stock	Tenure (yrs)	Tender Month	Quarter	Projected Issuance Size (RM mil)	Private Placement
1	10-yr Reopening of MGII 8/33	10	Jan	Q1	5,000	
2	30-yr Reopening of MGS 3/53	30	Jan	Q1	5,000	*
3	5-yr Reopening of MGII 7/28	5	Jan	Q1	4,500	
4	7-yr Reopening of MGS 4/31	7	Feb	Q1	4,500	
5	20-yr Reopening of MGII 8/43	20	Feb	Q1	5,000	*
6	3-yr Reopening of MGS 5/27	3	Feb	Q1	4,500	
7	15-yr Reopening of MGII 9/39	15	Mar	Q1	5,000	*
8	10-yr Reopening of MGS 11/33	10	Mar	Q1	4,500	
9	30-yr New Issue of MGII (Mat on 3/54)	30	Mar	Q1	5,000	*
10	5-yr Reopening of MGS 8/29	5	Apr	Q1	5,000	
11	7.5-yr New Issue of MGII (Mat on 10/31)	7	Apr	Q2	5,000	
12	15-yr New Issue of MGS (Mat on 4/39)	15	Apr	Q2	5,000	*
13	3-yr Reopening of MGII 9/26	3	Apr	Q2	5,000	
14	20-yr New Issue of MGS (Mat on 05/44)	20	May	Q2	5,500	*
15	15-yr Reopening of MGII 9/39	15	May	Q2	5,000	*
16	7-yr Reopening of MGS (4/31)	7	May	Q2	5,000	
17	20-yr Reopening of MGII 8/43	20	Jun	Q2	5,000	*
18	3-yr Reopening of MGS 5/27	3	Jun	Q2	4,500	
19	30-yr Reopening of MGII 3/54	30	Jun	Q2	5,000	*
20	5-yr Reopening of MGS 8/29	5	Jul	Q2	4,500	
21	10-yr Reopening of MGII 11/34	10	Jul	Q3	4,500	
22	15-yr Reopening of MGS 4/39	15	Jul	Q3	5,000	*
23	7-yr Reopening of MGII 10/31	7	Aug	Q3	5,000	
24	30-yr Reopening of MGS 3/53	30	Aug	Q3	5,000	*
25	5-yr Reopening of MGII 7/29	5	Aug	Q3	4,500	
26	10-yr Reopening of MGS 7/34	10	Aug	Q3	5,000	
27	20-yr Reopening of MGII 8/43	20	Sep	Q3	4,500	*
28	7-yr Reopening of MGS 4/31	7	Sep	Q3	4,500	
29	30-yr Reopening of MGII 3/54	30	Sep	Q3	5,000	*
30	3-yr Reopening of MGS 5/27	3	Oct	Q4	4,500	
31	10-yr Reopening of MGII 11/34	10	Oct	Q4	4,500	
32	20-yr Reopening of MGS 5/44	20	Oct	Q4	5,000	*
33	7-yr Reopening of MGII 10/31	7	Oct	Q4	5,000	
34	15-yr Reopening of MGS 4/39	15	Nov	Q4	5,000	*
35	5-yr Reopening of MGII 7/29	5	Nov	Q4	4,500	
36	10-yr Reopening of MGS 7/34	10	Nov	Q4	5,000	
37	3-yr Reopening of GII 9/27	3	Dec	Q4	4,500	
Gross MGS/GII supply in 2024					178,500	TBA

* Private Placement; TBA - To Be Announced

Source: BNM, HLB Global Markets Research

Projected Gross MGS/GII supply for 2024

As we progress to 2024, we expect the Federal Government's fiscal consolidation to gather steam from a positive perspective, as the projected deficit 4.3% of GDP is narrower than 2023's expectations of 5.0% of GDP. However, we expect the government to face some challenges in meeting the reduced targeted fiscal deficit target of 4.3% of GDP; given the potential cautious economic outlook in 2024 and expenditures required in 2024. However, The Federal Government's revenue is expected to inch 1.5% higher to RM307.6b, from the revised RM303.2b in 2023. This is primarily due to the expected 6.4% rise in tax revenue especially from CITA (thus offsetting the lower non-tax revenue fall due mainly to the lower PETRONAS dividend expectations totaling RM32.0b (2023: RM40.0b, 2022: RM50b; however, PITA is set to rise slightly by 6% from RM20.5b to RM21.8b). Development expenditure (DE) is expected to fall to RM90b in 2024 from a record high of RM97.0 in 2023; with a corresponding small rise in operating expenditure (OPEX) as the government is intent in attributing lower allocation for subsidies, in line with its rationalization of subsidies for an equitable distribution of resources as well as moderation in commodity prices (Note: Budget 2023 was calibrated based on oil price assumption of \$90/barrel versus revised amounts to \$80/barrel for next year).

FEDERAL GOVT REVENUE & EXPENDITURE	2022	2023E	2024F
RM (Billion)			
Revenue	294.4	303.2	307.6
Operating Expenditure	292.7	300.1	303.8
Current balance Surplus/(Deficit)	1.7	3.1	3.8
Gross Development Expenditure	71.6	97.0	90.0
less: loan recoverables	1.4	0.7	0.8
Net Development Expenditure	70.2	96.3	89.2
Misc: COVID-19 Fund	31.0	-	-
Overall surplus/(deficit)	(99.5)	(93.2)	(85.4)
Fiscal Deficit as a % of GDP	5.6	5.0	4.3

Source: MOF Fiscal Outlook 2024, HLBB Global Markets Research

Expect lower gross MGS/GII supply in 2024, at RM178.4b amid MGS/GII maturities next year worth RM90.3b

RM (Billion)	2022	2023E	2024F
Federal Govt deficit	99.5	93.2	85.4
MGS/GII Maturities	78.2	80.9	93.0
Projected SPK switch	(9.0)	-	-
Misc. cash receipts (inc PETRONAS special dividend)	-	-	-
Net Govt Bond Supply (MGS/GII)	93.3	93.2	79.9
Gross Supply (MGS+ GII only)	171.5	174.1	178.4

Source: MOF Fiscal Outlook 2024, BPAM, HLBB Global Markets Research

For 2024, we project our initial **gross MGS/GII supply to be slightly lower at circa RM179.0b** (accompanied however by a steep 15.0% y/y increase and sizeable maturities of about RM93.0b as per the table above); **versus the surprisingly high actual issuances of RM185.0b revised lately for 2023**. We have taken cognizance of the following in arriving at the abovementioned figures:

- The earlier thoughts of potential switch of RM3.6b of SPK maturing next March and April into government-guaranteed bonds is **unlikely** to materialize as was in 2023.
- We also do not foresee further special dividends from PETRONAS to alleviate funding requirements.
- There are no announcements of sustainability bonds in the pipeline either.
- There is no scheduled maturity nor will there likely be expected to be FCY loans or bonds in 2024. **This augurs well as the total outstanding FCY debt issuances in USD and YEN remains well-within** the self-imposed rule of RM35b by GOM.
- Outstanding bills (MITB and MTB) issuances amounts to RM20.0b as at the time of writing compared to the staggering RM31.0b as at end-Dec 2022. We opine that funding requirements are pushed to longer-tenured issuances despite the slightly higher OPEX requirements.

However, on a net MGS/GII supply perspective, the estimated net supply of circa RM79.9b is low when compared to previous years (2023: RM93.2b and 2022: RM93.3b) and will augur well in terms of supply/demand metrics from diversity and depth of investment institutions. The Government of Malaysia's (GOM) funding requirements are projected to be primarily funded onshore via issuances of MGS/GII.

MGS/GII Issuance pipeline in 2024 versus maturities: Our key takeaways....

Based on the maturity profiles tables below; **the maturity profile reflects a “bell-curve” with peak maturities in the middle i.e.; 2Q2024 and 3Q2024. The issuance supply for 2024 is seen to embrace longer duration i.e.; 15Y tenure with corresponding reduction seen in the 5Y sector.**

The mere change in the number of issuances from the 5Y (from 6 to 5) to 15Y tenure (from 4 to 5) seems to be the only difference y/y and corresponds to marginal lengthening of non-weighted duration to ~12.6-years versus previous year's 12.3 years. We expect potentially improved demand expected for the 10-20Y part of the curve by participants such as local institutions i.e.; pension funds, lifers, asset management companies and offshore entities. There is an attempt to smoothen out the maturity profile extending out from 2029 as the current maturity profile weighs heavy on the shorter-end of the curve i.e.; 2024-2028. **We project quarterly issuances to be skewed towards the middle of the year with heavy issuances in both 2Q2024 and 3Q2024 (akin to a bell-curve maturity), whilst tapering off in the final quarter:**

Q1-RM43.0b

Q2-RM50.0b

Q3-RM47.5b

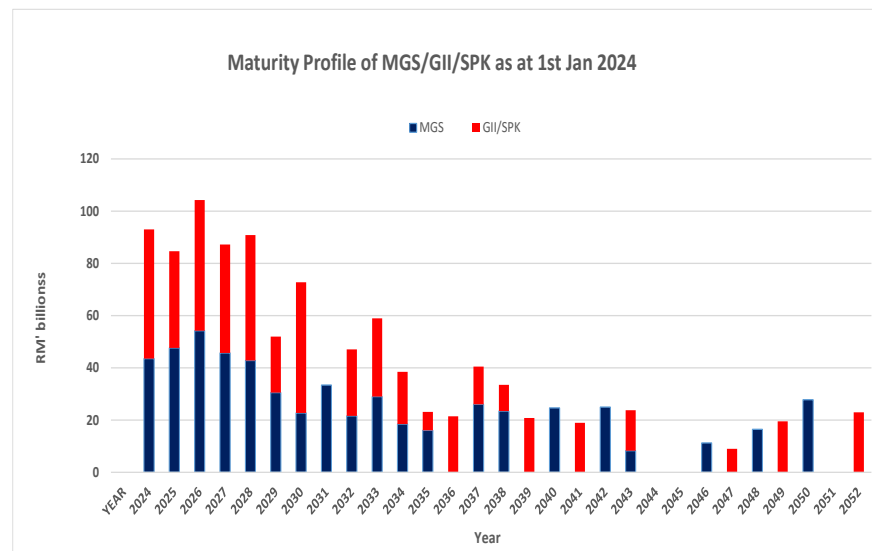
Q4-RM38.0b

Re-investments from scheduled bond maturities are expected to be rolled back in line with the GOM's ongoing initiatives in addressing the nation's fiscal and monetary policies amid a more stable Ringgit going forward as peak terminal rates are deemed to have been achieved in the US. **The slightly lower 48/52 ratio between MGS/GII funding mix** by GOM is deemed constructive for sovereign yield curve purposes and to enhance liquidity of Sukuk and is expected to surprise on the upside given the upscale in foreign holdings of GII which jumped 19% or RM8.4b to RM52.9b as at end-Nov 2023 (MGS saw YTD increase of 7% or RM13.5b to RM203.0b). This represents

35.0% of overall outstanding issuances of RM579.9b for MGS and 10.0% of overall outstanding issuances of GII of RM527.3b as at end-November 2023.

Quarter	2024	Stock	Monthly Maturity (RM'm)	Quarterly Maturity (RM'm)
1	JAN			
	FEB	SPK 2/24	5,500	
	MAR			5,500
2	APR			
	MAY	GII 5/24	12,500	
	JUN	MGS 6/24	21,500	34,000
3	JUL	MGS 7/24	11,020	
	AUG	GII 8/24	12,000	
	SEP	MGS 9/24	11,000	34,020
4	OCT	GII 10/24	19,500	
	NOV			19,500
	DEC			19,500
	Total		93,020	93,020

Source: BPAM, Bloomberg, HLBB Global Markets Research



Source: BPAM, Bloomberg, HLBB Global Markets Research

Number of Issuances			
Tenure	2023	2024	Change
3Y	5	5	0
5Y	6	5	-1
7Y	6	6	0
10Y	6	6	0
15Y	4	5	1
20Y	5	5	0
30Y	5	5	0
Total	37	37	0

Source: BNM, HLBB Global Markets Research

We expect lesser challenges for the coming year as volatility and headwinds may dwindle following potential rate-cuts expectations in the US which will trigger continued demand for fixed income securities. The risks to the above are further geopolitical tensions (if any) or deepening of existing Israel-Hamas conflict and Russia-Ukraine war and deterioration of key US banking entities. Whilst we opine that the shorter-ends have priced in earlier rate adjustments and have little room for strong gains, we opine that theme to “long-duration” may witness flattening of the govies curve with the long-ends better-bid due to possible global recessionary concerns.

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