

Global Markets Research

Fixed Income : Auction Calendar

Re-opening of 20-year GII 8/43 prints a strong BTC of 3.037x

Post the tender announcement, WI opened at 4.20/10%. It was traded at the 4.16% level and was quoted at 4.17/12% before the auction cut-off. This auction saw a large submission of bids totaling RM9.11b, resulting in a BTC ratio of 3.037x at an average yield of 4.163%. This came in notably higher than the 1.99x BTC in its previous re-opening in August, which registered an average yield of 4.285%. The total offering of RM5.0b for this re-opening sale (inclusive of RM2.0b private placement) was in line with the recent issue sizes for 2024 thus far, and in line with our projection. Summary of tender results are as follows:

Bid to Cover: 3.037x

High: 4.171%

Average: 4.163%

Low: 4.144%

Cut-off: 6.94%

This 20Y GII reopening witnessed strong demand, with BTC much higher compared to its previous reopening. Bond looks set to perform post auction.

The short tail of a 0.8bps was reflective of the strong demand metrics with interest led by development financial institutions. The yield offered at 4.163% is ~12bps lower compared to its last re-opening in August which cleared at 4.285%. The historical mean spread between the generic Islamic and conventional 20Y benchmarks over the last year has been around 4-5bps, so at the current 6.8bps, valuations look attractive, and the bond is likely to perform decently post auction. From a term premium perspective, the 20Y sector of the GII curve looks slightly rich, with the current GII 15s20s spread at 15.3bps which compares to an average of 16.3bps over the last year. Up next is the reopening of 3Y MGS 5/27 later this month, with a projected issuance size of RM4.5b.

MGS/GII issuance pipeline in 2024															
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 8/33	10	Jan	Q1	5/1/2024	5,000	5,000		5,000	2.445	3.880	3.908	3.920	83.3%	
2	30-yr Reopening of MGS 3/53	30	Jan	Q1	12/1/2024	5,000	3,000	2,000	10,000	2.990	4.223	4.243	4.250	84.8%	
3	5-yr Reopening of MGII 7/28	5	Jan	Q1	19/1/2024	4,500	5,000		15,000	4.402	3.610	3.620	3.624	51.3%	
4	7-yr Reopening of MGS 4/31	7	Feb	Q1	5/2/2024	4,500	5,000		20,000	2.155	3.760	3.779	3.790	6.9%	
5	20-yr Reopening of MGII 8/43	20	Feb	Q1	14/2/2024	5,000	3,000	2,000	25,000	3.037	4.144	4.163	4.171	60.0%	
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	21,000	4,000	-	PROJECTED TOTAL ISSUANCE = RM174-179b					

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.