Global Markets Research

Fixed Income

Auction Calendar 2022

*There will be a total of 36 auctions (comprising 18 equal issuances of both MGS and GII) in 2022 compared to the 37 auctions in 2021 (comprising of 19 MGS and 18 GII Bond issuances). **To recap, gross MGS/GII supply in 2021 was RM160.0b and was very much in line with our earlier projection of RM160.5b for the year** with net issuances of RM86.8b (2020: RM75.4b).*

*As we progress to 2022, we note that total maturities continue to be higher and sizeable at ~RM78.2b (2021: RM73.7b). Gross MGS/GII supply is expected to rise to circa RM167.0b (net of projected RM9.0b SPK bond switch). On a net MGS/GII supply perspective, the estimated net supply of circa RM88.5b is slightly more than the RM86.3b in 2021 but remains elevated compared to previous years. We expect increasing challenges for the coming year as volatility and headwinds persist with regards to the faster pace of asset-tapering in the US followed by a hawkish stance; taking into account that bond yields were generally quite close to the bottom of the rate cycle. **Whilst the short-end has priced in earlier rate adjustments and seem steadier, we opine that the local govvies curve may steepen**. The table below summarizes our projected sizes for upcoming MGS/GII auctions in 2022.*

MGS/GII scheduled issuance pipeline for 2022

MGS/GII issuance pipeline in 2022

No	Stock	Tenure (yrs)	Tender Month	Quarter	Projected Issuance Size (RM mil)	Private Placement X
1	5-yr reopening of MGS (Mat on 11/26)	5	Jan	Q1	5,000	
2	10.5-yr new Issue of MGS (Mat on 7/32)	10	Jan	Q1	4,500	
3	15-yr Reopening of GII (Mat on 07/36)	15	Jan	Q1	4,500	
4	5-yr Reopening of GII (Mat on 09/27)	5	Feb	Q1	4,500	
5	30-yr Reopening of MGS (Mat on 06/50)	30	Feb	Q1	4,500	X
6	7-yr Reopening of GII (Mat on 10/28)	7	Feb	Q1	4,500	
7	15-yr Reopening of MGS 04/37	15	Mar	Q1	4,500	
8	20-yr Reopening of MGII 09/41	20	Mar	Q1	4,500	X
9	3-yr Reopening of MGS 03/25	3	Mar	Q1	5,000	
10	10.5-yr New Issue of MGII (Mat on 10/32)	10	Apr	Q2	4,000	
11	20.5-yr New Issue of MGS (Mat on 10/42)	20	Apr	Q2	5,000	X
12	15-yr Reopening of MGII 07/36	15	Apr	Q2	4,000	X
13	7-yr New Issue of MGS (Mat on 04/29)	7	Apr	Q2	4,500	
14	30-yr New Issue of MGII (Mat on 05/52)	30	May	Q2	5,000	X
15	10-yr Reopening of MGS (Mat on 07/32)	10	May	Q2	5,000	
16	3-yr Reopening of MGII 10/25	3	May	Q2	4,500	
17	15-yr Reopening of MGS 04/37	15	Jun	Q2	4,000	X
18	5-yr Reopening of MGII 09/27	5	Jun	Q2	4,000	
19	30-yr Reopening of MGS 06/50	30	Jun	Q2	4,000	X
20	10-yr Reopening of MGII (Mat on 10/32)	10	Jul	Q3	5,000	X
21	20-yr Reopening of MGS (Mat on 10/42)	20	Jul	Q3	5,000	X
22	7-yr Reopening of MGII 07/29	7	Jul	Q3	5,000	
23	5-yr Reopening of MGS 11/27	5	Aug	Q3	5,000	
24	20-yr Reopening of MGII 09/41	20	Aug	Q3	5,000	X
25	15-yr Reopening of MGS 04/37	15	Aug	Q3	5,000	X
26	3-yr Reopening of MGII 10/25	3	Sep	Q3	4,500	
27	7-yr Reopening of MGS (Mat on 04/29)	7	Sep	Q3	5,000	
28	15.5-yr New Issue of MGII (Mat on 03/38)	15	Sep	Q3	5,000	
29	3-yr Reopening of MGS 03/25	3	Oct	Q4	5,000	
30	10-yr Reopening of MGII (Mat on 10/32)	10	Oct	Q4	5,000	X
31	20-yr Reopening of MGS (Mat on 10/42)	20	Oct	Q4	5,000	X
32	7-yr Reopening of MGII 07/29	7	Nov	Q4	4,500	
33	5-yr Reopening of MGS 11/27	5	Nov	Q4	4,500	
34	30-yr Reopening of MGII (Mat on 05/52)	30	Nov	Q4	4,000	X
35	10-yr Reopening of MGS (Mat on 07/32)	10	Dec	Q4	4,500	
36	3-yr Reopening of MGII 10/25	3	Dec	Q4	4,500	
	Gross MGS/GII supply in 2022				167,000	

Source: BNM, HLB Global Markets Research

Projected Gross MGS/GII supply for 2022

As we progress to 2022, we expect the Federal Government's fiscal consolidation to continue facing challenges in meeting the reduced targeted fiscal deficit target of 6.0% of GDP; given the realistic growth target and revenue projection which may have some upside. From a positive however, it is narrower than 2021's revised estimate deficit of 6.5% of GDP. The Federal Government revenue is expected to increase to RM234.0b in 2022, up 5.9% from the revised RM221b in 2021. This is primarily due to higher tax revenue collection via both CITA and PITA totaling RM77.9b (2021: RM72.1b). Development expenditure is expected to ramp up to a record high of RM74.5b; along with the expected rise in operating expenditure as the government realizes the importance of pump-priming the economy going forward. (Note: Budget 2021 was calibrated based on oil price assumption of $68/barrel versus revised amounts to $66/barrel for next year).

FEDERAL GOVT REVENUE & EXPENDITURE RM (Billion)	2020	2021e	2022f
Revenue	225.1	221.0	234.0
Operating Expenditure	224.6	219.6	233.5
Current balance Surplus/(Deficit)	0.5	1.4	0.5
Gross Development Expenditure	51.4	62.0	75.6
less: loan recoverables	1.3	0.8	0.6
Net Development Expenditure	49.5	59.8	74.5
Misc: COVID-19 Fund	38.0	39.0	23.0
Overall surplus/(deficit)	87.5	(98.8)	(97.5)
Fiscal Deficit as a % of GDP	**6.2**	**6.5**	**6.0**

Source: MOF Fiscal Outlook 2022, HLBB Global Markets Research

Expect higher gross MGS/GII supply in 2022, circa RM167.0b amid MGS/GII maturities next year worth RM78.2b

RM (Billion)	2020	2021e	2022f
Federal Govt deficit	87.6	98.8	97.5
MGS/GII Maturities	73.4	73.7	78.2
Projected SPK switch	-	(6.0)	(9.0)
1MDB cash proceeds	(10.5)	-	-
Misc. (adjustments)	(2.0)	0.5	-
PETRONAS special dividend	-	(7.0)	-
Net Govt Bond Supply (MGS/GII)	75.1	86.3	88.5
Gross Supply (MGS+ GII only)	**148.8**	**160.0**	**166.7**

Source: MOF Fiscal Outlook 2022, BPAM, HLBB Global Markets Research

For 2022, we project our initial **gross MGS/GII supply to be higher at circa ~RM167b (**accompanied by a 6% increase in sizeable maturities of about RM78.2b as per the table above**); versus RM160.0b actual issuance for 2020**. We take cognizance of the following in arriving at the abovementioned figures:

- The potential switch of RM9.0b of SPK maturing next July into government-guaranteed bonds such as LPPSA to stem direct government debt issuances and also to take advantage in all likelihood; the strong demand for these re-classified bonds.

- There is no scheduled maturity nor will there likely be expected to be FCY loans or bonds in 2022, following the rollover of USD800m maturity in July 2021 with a higher successful issuance of USD1.2b. **This is partly due to the possibility of** unavailable limits under the self-imposed rule of RM35b FCY debt by the government.
- Outstanding bills issuances amounts to a whopping RM30.0b as at the time of writing compared to RM15.5b as at end-2020. We opine that further issuances may be possible to "replace" the SPK switch in July.
- The outstanding repayment of the balance of USD1.4b by Goldman Sachs to the Malaysian government pertaining to 1MDB is slim as details remain sketchy at this juncture)

However, on a net MGS/GII supply perspective, the estimated net supply of circa RM88.5b is slightly higher than previous year (2021: RM86.3b and 2020: RM75.1b) but should still augur well in terms of supply/demand metrics. 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 2022 versus maturities: Our key takeaways….

Based on the maturity profiles tables below; the maturity profile reflects a "flattish" pattern for the first nine (9) months with maturities in Q42022 easing off. **The issuance supply for 2022 is slightly targeted towards the longer tenures i.e. 15Y with slight reduction seen in the 5-7Y sector.**

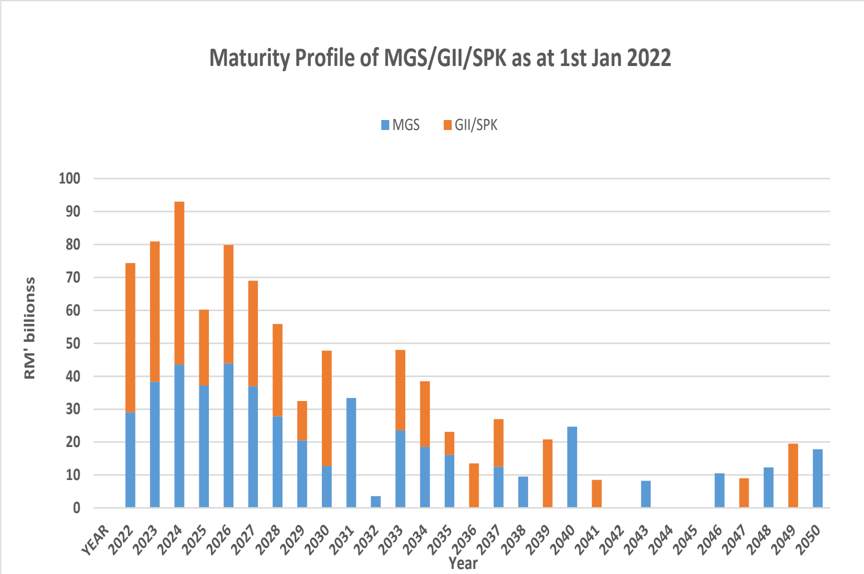
There is an increase in the number of issuances for the 15Y sector from five (5) to six (6) followed by a corresponding reduction in the number of 5Y and 7Y tenures issuances from six (6) to five (5) each, seen from the previous year potentially in view of expected demand for this part-of the curve especially by offshore institutions, local pension funds and also lifers. Nevertheless there have also been attempts to spread and smoothen out the maturity profile to include 2032, 2036, 2037 and also the proposed new issuance of 15Y GII maturing in 2038; since the current maturity profile weighs heavy on the shorter-end of the curve i.e. 2022-2031. **We project quarterly issuances to be equally spread out within the first nine (9) months with smaller print for 4Q2022: -**

Q1-RM41.5b
Q2-RM44.0b
Q3-RM44.5b
Q4-RM37.0b

Re-investments from scheduled bond maturities may be expected to be ploughed back in line with the GOM's commendable ongoing initiatives in addressing the nation's fiscal position amid a stable Ringgit. **The 50/50 ratio between MGS/GII funding mix** by GOM is constructive for sovereign yield curve purposes and may surprise on the upside given foreigners preference and current substantial holdings of MGS at ~RM187.1b; representing 39.3% of overall outstanding issuances of RM476.2b.

Quarter	2022	Stock	Monthly Maturity (RM'm)	Quarterly Maturity (RM'm)
	JAN			
1	FEB			
	MAR	MGS 3/22 & GII 3/22	11,400 & 6,800	18,200
	APR	GII 4/22	11,000	
2	MAY			
	JUN			11,000
	JUL	SPK 7/22 & GII 7/22	9,000 + 10,000	
3	AUG	MGS 8/22	10,500	
	SEP	MGS 9/22	11,000	40,500
	OCT			
4	NOV	GII 11/22	8,500	
	DEC			8,500
	Total		78,200	78,200

Source: BPAM, Bloomberg, HLBB Global Markets Research



Source: BPAM, Bloomberg, HLBB Global Markets Research

Number of Issuances			
Tenure	**2021**	**2022**	**Change**
3Y	5	5	0
5Y	6	5	-1
7Y	6	5	-1
10Y	6	6	0
15Y	5	6	1
20Y	5	5	0
30Y	4	4	0
Total	**37**	**36**	**3**

Source: BPAM, Bloomberg, HLBB Global Markets Research

MGS/GII tenders in 2021 were generally muted amid rising global bond yields with average BTC ratio lower at 2.07x

Government bond tenders in 2021 ended the year on a weaker average BTC ratio of 2.07x as opposed to the 2.22x in 2020. Worthy of note was the strong interest from the maiden issuances of both 15Y, 20Y GII bond auctions in 2021. Several major global events that included the lingering COVID-19 pandemic and its variant i.e. Delta, Omicron, taper tantrum in the US which cause global bond yields to spike and bottlenecks in supply chain logistics resulting in impact on inflation and economy; together with the changes in the country's leadership bore major impact on bond yields. Nevertheless, the removal of Malaysia from the watchlist with continued weightage for MYR sovereign bonds in FTSE Russell WGBI, coupled with the A3 (Moody's), A-/ (S&P) ratings from both international agencies augured well, with commendable interest garnered by both onshore and off-shore investors.

Nevertheless, we expect increasing challenges for the coming year as volatility and headwinds persist with regards to the faster pace of asset-tapering in the US followed by a hawkish stance; **taking into account that bond yields were generally quite close to the bottom of the rate cycle. Whilst the short-end has priced in earlier rate adjustments and seem steadier, we opine that the local govvies curve may steepen despite mitigation from continued presence of foreign institutional investor appetite in view of favorable yield differentials and decent liquidity for bonds. Similarly the presence of wide, diversified local institutional investor base will also be a telling factor in 2022**.

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