

**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 govvnies 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).

<b>FEDERAL GOVT REVENUE &amp; EXPENDITURE</b>	<b>2020</b>	<b>2021e</b>	<b>2022f</b>
<b>RM (Billion)</b>			
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)
<b>Fiscal Deficit as a % of GDP</b>	<b>6.2</b>	<b>6.5</b>	<b>6.0</b>

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**

<b>RM ( Billion)</b>	<b>2020</b>	<b>2021e</b>	<b>2022f</b>
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
<b>Gross Supply (MGS+ GII only)</b>	<b>148.8</b>	<b>160.0</b>	<b>166.7</b>

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.**

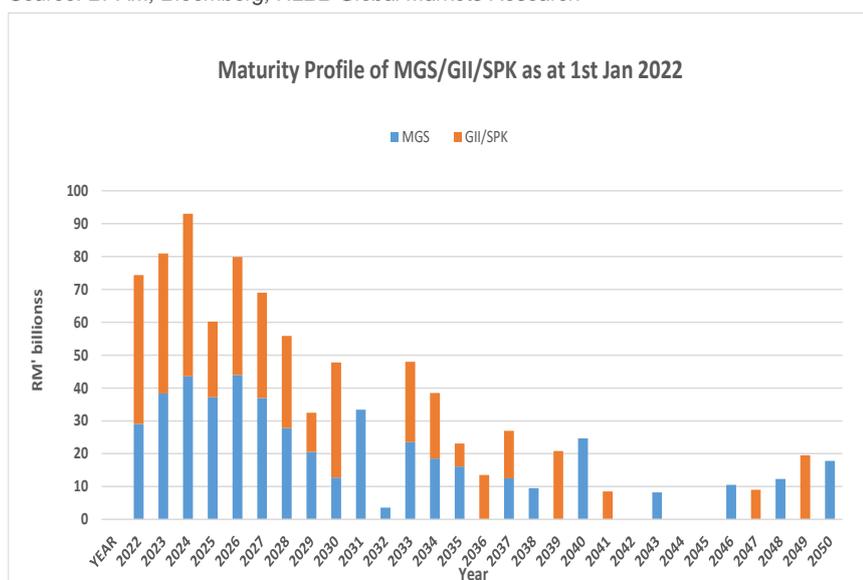
There is an increase in the number of issuances for the 15Y sector from five (5) to six (6) followed by a corresponding reduction in the number of 5Y and 7Y tenures issuances from six (6) to five (5) each, seen from the previous year potentially in view of expected demand for this part-of the curve especially 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)
1	JAN			
	FEB			
	MAR	MGS 3/22 & GII 3/22	11,400 & 6,800	18,200
2	APR	GII 4/22	11,000	
	MAY			
	JUN			11,000
3	JUL	SPK 7/22 & GII 7/22	9,000 + 10,000	
	AUG	MGS 8/22	10,500	
	SEP	MGS 9/22	11,000	40,500
4	OCT			
	NOV	GII 11/22	8,500	
	DEC			8,500
<b>Total</b>			<b>78,200</b>	<b>78,200</b>

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
<b>Total</b>	<b>37</b>	<b>36</b>	<b>3</b>

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 govvnies 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.**

**Hong Leong Bank Berhad**

Fixed Income &amp; Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

Email: [HLMarkets@hbb.hongleong.com.my](mailto:HLMarkets@hbb.hongleong.com.my)**DISCLAIMER**

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. HLBB may, to the extent permitted by law, buy, sell or hold significantly long or short positions; act as investment and/or commercial bankers; be represented on the board of the issuers; and/or engage in 'market making' of securities mentioned herein. 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.