



MARIA MICALLEF

# Market for Malta Government Stocks: 2024 in review

This article provides an overview of the developments in Malta Government Stocks (MGS) throughout 2024, covering both the primary and secondary markets. For the primary market, it compares retail and wholesale investor demand, outlines the Treasury's allotment strategies and categorises participation across the five main investor types. It also examines the return demanded by wholesale investors, focusing on the difference between the Average Weighted Yield (AWY) of their bids and the pricing set for retail investors. It concludes with an overview of the secondary market, including yield movements and top traded securities.

**Table 1**  
**LIST OF 2024 ISSUANCES**

EUR

	Feb. 3.15% MGS 2027 VII 3.35% MGS 2029 V	Mar. 62+ MGSB Issue 2024 <sup>(1)</sup>	Aug. 3.40% MGS 2027 VI F.I. 3.50% MGS 2034 III	Oct. 2.80% MGS 2030 III 3.25% MGS 2034 IV	Totals
<b>Total amount on offer</b>	<b>400,000,000</b>	<b>91,557,600</b>	<b>400,000,000</b>	<b>400,000,000</b>	<b>1,291,557,600</b>
Original Issue	270,000,000	91,557,600	270,000,000	270,000,000	901,557,600
Overallotment Option	130,000,000	-	130,000,000	130,000,000	390,000,000
<b>Total applications</b>	<b>510,895,600</b>	<b>72,224,800</b>	<b>630,936,100</b>	<b>620,350,800</b>	<b>1,834,407,300</b>
Retail	107,995,600	72,224,800	102,436,100	89,850,800	372,507,300
Wholesale	402,900,000	-	528,500,000	530,500,000	1,461,900,000
<b>Total amount allotted</b>	<b>399,145,600</b>	<b>72,224,800</b>	<b>388,436,100</b>	<b>399,350,800</b>	<b>1,259,157,300</b>
Retail <sup>(2)</sup>	107,995,600	72,224,800	102,436,100	89,850,800	372,507,300
Wholesale	291,150,000	-	286,000,000	309,500,000	886,650,000
<b>Bid-to-cover ratio<sup>(3)</sup></b>	<b>1.89</b>	<b>-</b>	<b>2.34</b>	<b>2.30</b>	

Source: Malta Treasury Department.

<sup>(1)</sup> Eligible bondholders of this security were offered to rollover their maturing holdings in the new savings bond issue.

<sup>(2)</sup> Total applications from Retail investors were fully allotted.

<sup>(3)</sup> Bid-to-cover ratio is estimated on the original issue amount.

## Primary Market Developments

In 2024, the Treasury announced that the central government's borrowing requirement would not exceed €1.70 billion. Bids for MGS totalled €1.83 billion during the period, substantially exceeding the €1.29 billion on offer, with €1.26 billion ultimately allotted. MGS offerings featured maturities ranging from three to ten years, with coupon rates varying between 2.80% and 3.50% per annum. Three regular issuances were made available to both retail and institutional investors, alongside the rollover of the 62+ Malta Government Savings Bond (MGSB).

As outlined in Table 1, above, wholesale investors submitted bids amounting to €1.46 billion of which €886.65 million were allotted. All retail applications were fully allotted, for a total of €372.51 million.

Each regular issuance included two bonds, with longer-dated instruments consistently attracting stronger investor interest. This preference may have been influenced by expectations of a declining interest rate environment, which

could encourage investors to consider locking in the prevailing yields for longer durations, given the relatively higher rates offered compared to shorter-term bonds.

This inclination was favourable to the Treasury's allotment strategy, as it consistently allotted a higher percentage of the amount bid by wholesale investors to the comparatively longer-term MGS offered at each issuance.

This allocation becomes clearer when viewed alongside the Treasury's maturity profile depicted in Chart 1 below. Excluding bonds issued in 2024, 77.2% of the MGS outstanding amount will mature within the next ten years, with 43.6% due to mature in the next five years. Despite this concentration, the Treasury proceeded with issuing maturities of up to ten years, likely driven by expectations of further rate

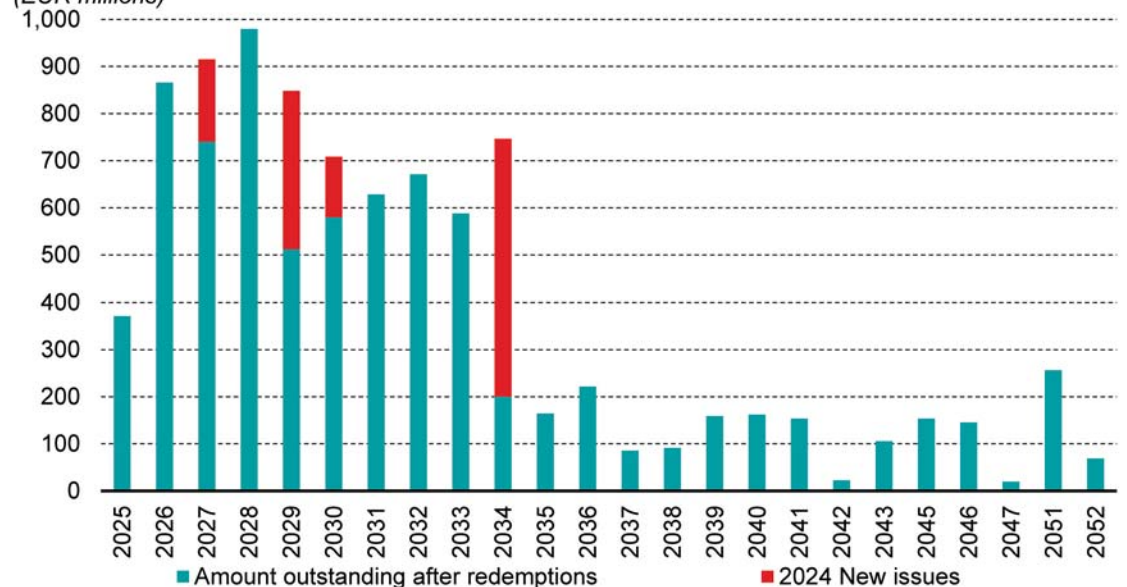
reductions in 2025 and to meet investor demand.

## Participation and allotment by investor category

Chart 2, top right, illustrates investor participation and allotment by category across regular issuances held in 2024, compared to the previous year. In 2024, Financial Companies showed most interest by submitting €1.35 billion, equivalent to 76.4% of the

**Chart 1**  
**MGS TREASURY MATURITY LADDER**

(EUR millions)



Source: Treasury of Malta.

**Chart 2**  
**MGS TOTAL PARTICIPATION BY INVESTOR CATEGORY**  
(EUR millions)



Source: Malta Treasury Department.

**Table 2**  
**2024 COMBINED ISSUANCES: RETAIL PRICE GUIDANCE AND WHOLESALE YIELD REQUIREMENTS**

		Retail issuances		Wholesale issuances		Wholesale AWY vs. Retail yield	Wholesale % Allotment
		Price	YTM	Successful AWP	Successful AWY	Bps	%
		EUR	%	EUR	%	Bps	%
Feb.	3.15% MGS 2027 VII	100.00	3.15	99.38	3.35	20	61.6
	3.35% MGS 2029 V	100.00	3.35	98.04	3.73	38	73.8
Aug.	3.40% MGS 2027 VI F.I.	100.90	3.10	101.37	2.94	-16	48.1
	3.50% MGS 2034 III	100.00	3.50	99.43	3.57	7	57.0
Oct.	2.80% MGS 2030 III	100.00	2.80	99.99	2.80	0	47.9
	3.25% MGS 2034 IV	100.00	3.25	99.89	3.26	1	67.3

Source: Malta Treasury Department.

total regular issuance applications. A total of €182.40 million was applied for by Individuals, while Non-Profit Entities accounted for €129.29 million. It should be noted that the majority of Non-Profit Entities category consists of resident nominees, investors who apply via brokers and do not hold direct accounts with the MSE. The General Government category, mainly referring to government agencies and public sector entities, and Non-Financial Companies together amounted to only €104.75 million. Compared to 2023, only Financial Companies and Non-Financial Companies increased their applications, with the former rising by €228.64 million. Meanwhile, Individuals saw the largest decline, down by €117.05 million.

#### Wholesale investor demand reflected through average-weighted yield trends

In early 2024, bond yields rose in response to strong US economic growth, persistent inflation and delayed expectations for interest rate cuts.

However, yields began to decline from May onwards, as the European Central Bank (ECB) started to ease its monetary policy in June with a 25-basis point (bps) cut and continued to lower rates in September, October and December with the same magnitude. Towards the end of the year, yields rebounded following Donald Trump's return to the US presidency. These developments likely influenced Treasury's coupon decisions and wholesale investors yield expectations.

Table 2, above, provides a comparative analysis of retail yields alongside the successful AWY for the wholesale sector in 2024. In the first issuance of 2024, wholesale investors demanded higher yields with premiums of 20 and 38 basis points over the retail offering. Wholesale investors may have been prompted to demand higher rates of return, following the release of the ECB's January 2024 monetary policy meeting minutes, a day before the wholesale auction. Minutes showed that there was a broad agreement amongst policy makers that rate cuts were still premature.

In the second and third issuances of 2024, the wholesale successful AWY closely tracked the Treasury's price guidance, marking a shift from 2023, when wholesale investors demanded significantly higher premiums over retail yields. It is important to note that wholesale pricing could possibly reflect prevailing market conditions at the time of the auction. For example, during the August issuance signals from the Federal Reserve, hinting at potential monetary easing in September, combined with weak economic data from the eurozone, drove yields lower across the curve. Furthermore, the short-term bond issued in August may have been more appealing to investors, leading to more competitive bids close to the secondary market pricing. Additionally, Treasury's allocation preferences may have also impacted the AWY, possibly preferring to allot more to the medium-term MGS to extend the weighted-average maturity of its MGS debt portfolio.

#### Secondary market turnover

During 2024, on-exchange

trading in MGS reached its highest level in five years, with nominal turnover amounting to €178.51 million, 24.4% higher than that seen in 2023. Activity in MGS transactions accounted for 49.5% of the overall turnover on the MSE. However, when expressed as a percentage of the total outstanding amount, MGS turnover was at just 2.0%.

The top five most actively traded securities together accounted for 35.5% of total turnover. MGS with larger outstanding amounts and high secondary market prices recorded the highest trading volumes. Possibly such bonds still yielded capital gains to its holders which may have led to increased trading. Furthermore, the larger portion of the on-exchange trading occurred throughout the second half of the year, accounting for 63.4% of total turnover. This period was characterised by a general retreat in yields, likely contributing to the heightened activity. This trading activity and movement in yields are presented in Chart 3, below. In the first half of the year, on-exchange trading was mostly subdued, with March and June being notable exceptions. Increased trading during these two months may be explained by an element of decreasing yields observed during both months.

The Central Bank of Malta remained the main participant, responsible for 77.7% of on-exchange turnover, in fulfilment of its role as market maker. This includes trades brokered by the Bank on behalf of public institutional clients. The majority of the Bank's trades were on the buy-side, with sell-side trans-

actions accounting for only 1.9%.

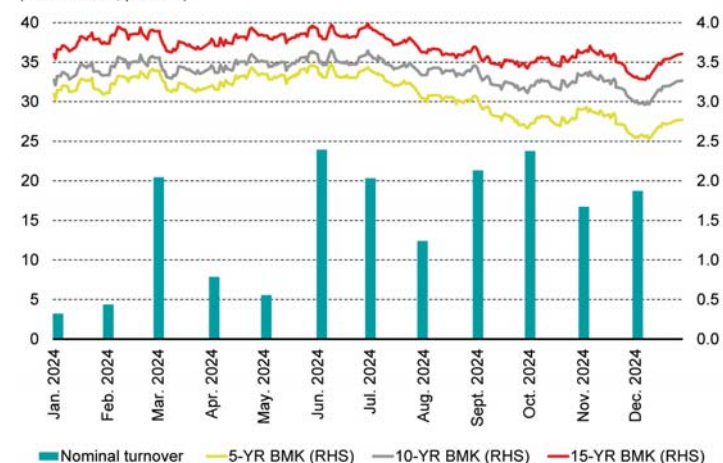
In conclusion, investor interest in MGS remained robust throughout 2024, with total bids significantly exceeding the amount offered. While wholesale investor participation increased retail interest saw a slight decline, when compared to the previous year. This may possibly be attributed to the broader range of maturities and more attractive annual coupon rates available in 2023 compared to 2024. Medium-term maturities were favoured by both investor types, aligning with the Treasury's strategy to manage upcoming debt obligations. Yield spreads between wholesale and retail investors narrowed over the year, indicating a convergence in return expectations.

MGS on-exchange turnover in the secondary market continued to rise, registering the fifth year of growth. Trading was notably concentrated in the second half of the year, possibly influenced by declining yields. The Central Bank of Malta, through its market making role, remained a key market player accounting for the majority of the on-exchange turnover.

Financial companies remained the largest MGS holders, followed by Individual investors, while the General Government category, saw the most significant growth in holdings. Overall, 2024 marked another year of resilient performance, strategic alignment and evolving investor dynamics in the MGS market.

*Maria Micallef is Senior Analyst within the Monetary Operations & Government Securities Office.*

**Chart 3**  
**TRADING ACTIVITY AND MOVEMENTS IN MT YIELDS**  
(EUR millions; per cent)



Sources: Central Bank of Malta; Malta Stock Exchange.