

Fixed-Income Report

November/2016

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Tran Minh Hoang

+84 4 3936 6425 (ext. 112)

tmhoang@vcbs.com.vn

Nguyen Thuy Duong

+84 4 3936 6425 (ext. 117)

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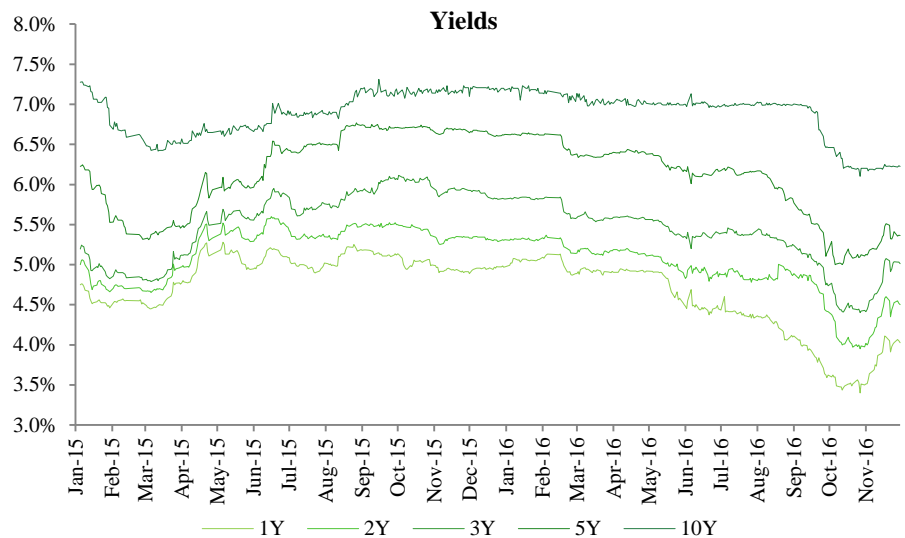
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Round-up

**Active secondary market.
Yield curve shifted upward.**

Yields



Source: Bloomberg, VCBS

■ VND9,061bn (-59.66% mom, -79.82% yoy) worth of bond was mobilized in the primary market. VND145,317 bn (+5.28% mom, +144.39% yoy) was traded on the secondary market.

■ Interbank rates increased significantly in November. SBV net-injected VND7,890 bn via OMO channels this month.

■ **Bond yield shifted upward last month.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y and 10Y bond yields posted at 4.025% (+52.5bps), 4.5% (+52.2 bps), 5.012% (+58.2 bps), 5.363% (+25.5 bps), 5.738% (+14.5 bps) and 6.2% (+2.5 bps) respectively.

■ In the short-term, we expect bond yield to be under pressure due to (1) credit growth may be heated up shortly; (2) liquidity preparation for the year end period; (3) expectation of the upcoming inflation risk and (4) the Government disbursement process might be speeded up by the end of the year. Therefore, bond yield is likely going to inch up next month.

■ However, in the medium and long run, particularly after Tet holiday, the tension would be cooled off and we expect bond yield to experience a correction session then.

Bond Market

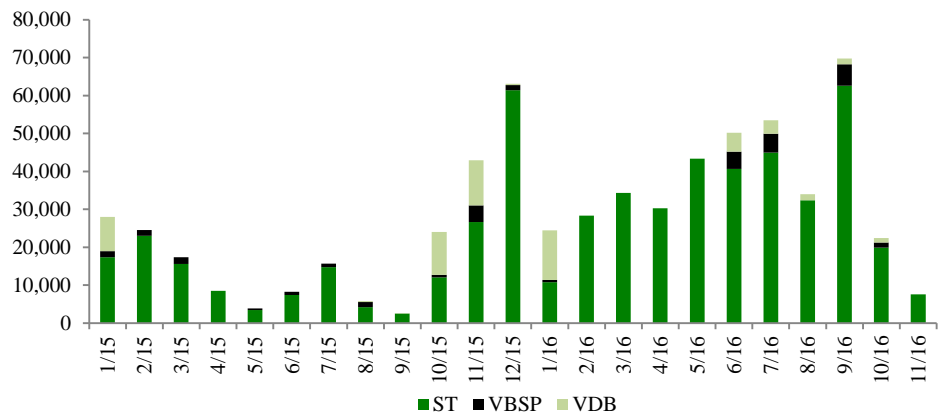
Primary Market

Primary market was active.

VND22,465 bn (+64.31% mom, -9.97% yoy) worth of bond was mobilized in the primary market.

VND9,061bn (-59.66% mom, -79.82% yoy) worth of bond was mobilized in the primary market. Over 83% amount came from State Treasury; VDB was accounted for 6.6% and the rest belonged to VBSP.

The average Registering-to-Offering ratio posted at 124.61% while the Winning-to-Offering ratio was recorded at 38.75%.

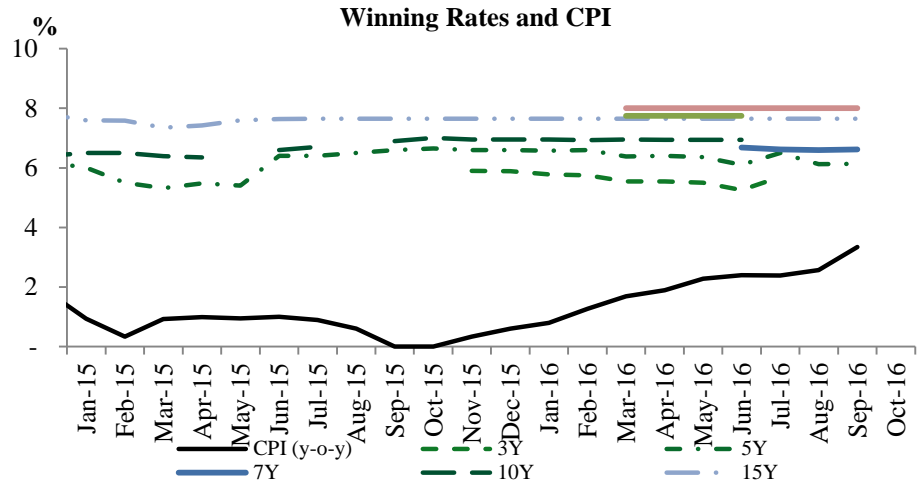


Source: HNX, VCBS

Regarding ST-bond, 5Y, 10Y, 15Y, 20Y and 30Y winning rates stayed at 5.25% (+35bps), 6.1% (-10 bps), 7.2% (+0 bps), 7.71% (-1bps) and 7.98% (+0 bps).

For VDB, 5Y winning rates posted at 5.5% (+85 bps).

Turning to VBSP, 5Y winning rates posted at 5.5% (+35 bps).



Source: HNX, VCBS

ST-Bond issuance plan updates Q3.2016:

In November, by the moderate growth of 5Y tenors by 5 times as compared to October, State Treasury has successfully conquered 2016 plan by 98.86%. However, the progress of hitting the bond issuance limit still seemed to slow down by only achieving 2% growth as compared to October's which stayed at 7%. We suppose this was indeed SBV's approach in consolidating the remaining volumes for December and prepare for the new bond issuance announcement in January 2017.

Tenors	2016 Ammended plan	Q.4 Plan	Issued in Q.4 (30/11/2016)	Issued in Q.3	Issued in Q.1	Issued in Q.2	% Completion
3Y	25,000				12,425	12,717	100.57%
5Y	157,000	3,000	5,575	25,955	49,610	78,284	101.54%
7Y	30,000	6,000	1,700	19,335		4,660	85.65%
10Y	9,000	4,000	2,825	1,000	1,700	2,453	88.64%
15Y	35,000	6,000	2,100	10,677	5,745	13,144	90.47%
20Y	5,000	4,000	2,083	710	344	177	66.28%
30Y	20,000	8,000	13,189	4,917	3,541	2,925	122.86%
Total	281,000	31,000	27,472	62,594	73,365	114,360	98.86%

Source: VCBS

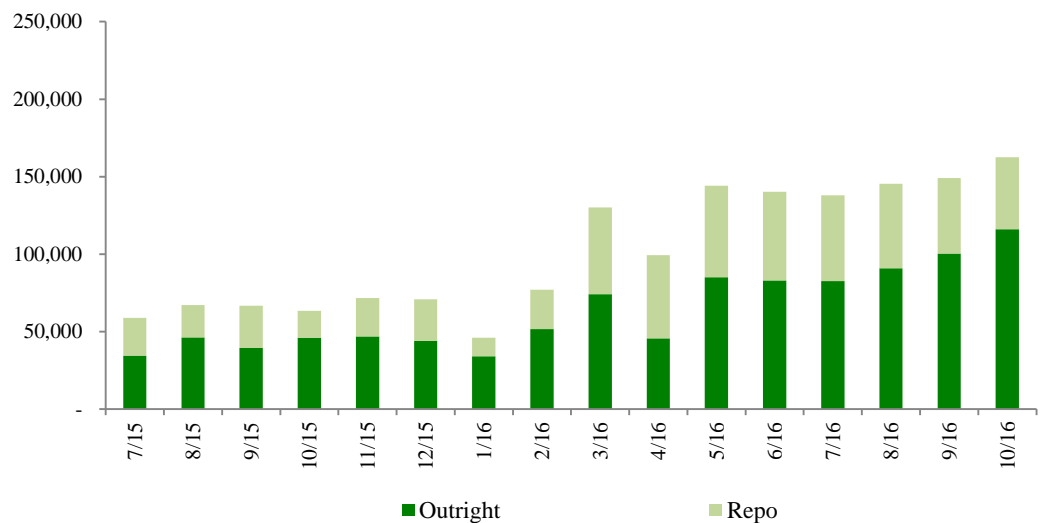
Secondary Market

Active market. Yields curve shifted down and steepened.

VND199,487 bn (+22.7% mom, +178.26% yoy) was traded on the secondary market.

VND199,487 bn (+22.7% mom, +178.26% yoy) was traded on the secondary market. Outright and repo values were recorded at VND131,850 bn and VND67,637 bn. In outright activities, the contribution of short-term, medium-term and long-term bonds followed by 35.33%, 50.58% and 14.07%. ST-Bond remained to be the most liquid, making over 82.23% of the total outright value, 14% went to VDB, 3.6% belonged to VBSP and the rest went to HIFU.

Repo rates increased as compared to that of the previous month, ranging from 0.9% for 2-week tenor to 4.9% for 3-month tenor. However, investors still eyed on outright more than repo activities which indicated for the remaining abundant liquidity in the system.

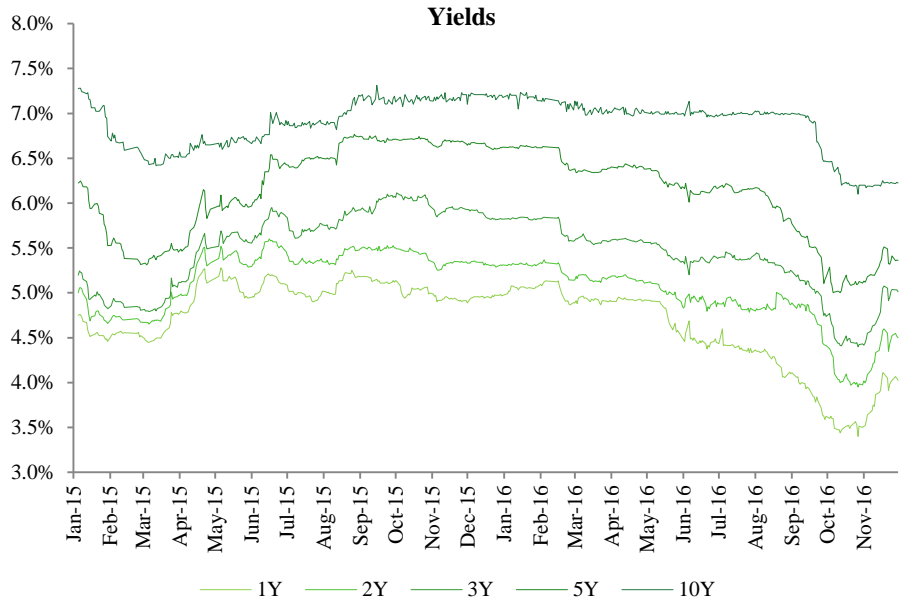


Source: HNX, VCBS

Bond yield shifted upward last month. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y and 10Y bond yields posted at 4.025% (+52.5bps), 4.5% (+52.2 bps), 5.012% (+58.2 bps), 5.363% (+25.5 bps), 5.738% (+14.5 bps) and 6.2% (+2.5 bps) respectively.

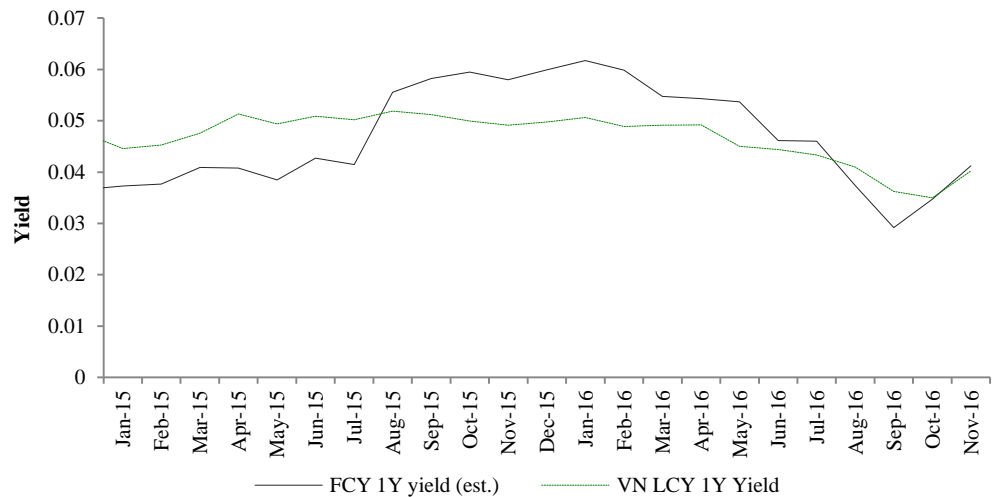
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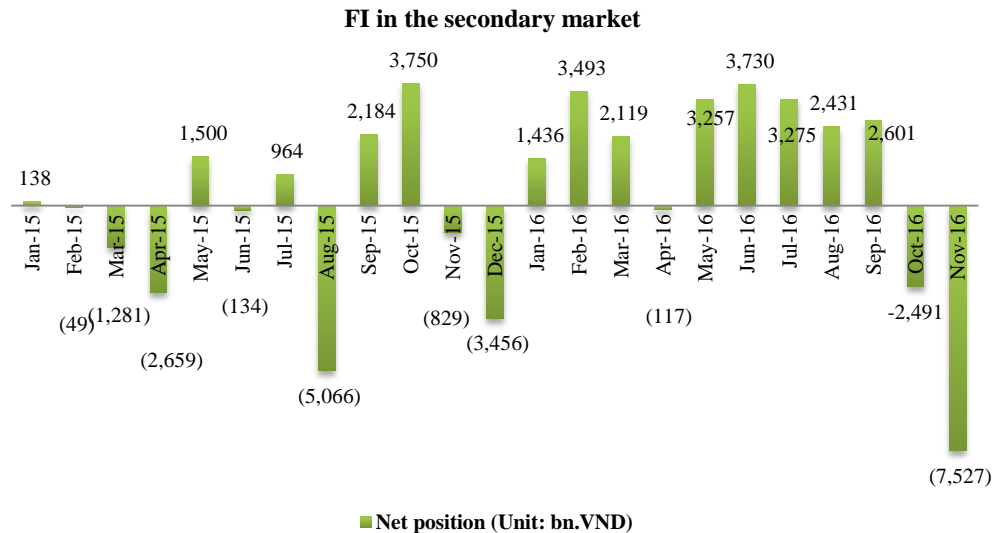
Even though FCY 1Y has raised from 3.47% to 4.12% due to (1) US 1Y slightly improved from 0.642% to 0.775%, (2) CDS boosted up from 0.289% to 0.45% and (3) pressure from higher USD/VND exchange rates, the gap between the est. and real FCY 1Y yield was still tense since VNLCY 1Y has also increased from 3.5% to 4.02%. In overall, there was not much room for potential trading opportunities and foreign currency was slightly more attractive than the local currency last month.



Source: Bloomberg, VCBS

Foreign investors net-sold VND7,527bn in November. The majority was from 3-5Y and 5Y tenors with outstanding net-sells of VND1,832bn and VND1,679bn respectively. Moreover, buying activity was rather modest at VND209bn of 7Y tenor.

We suppose that investors have been focusing on restructuring their portfolios last month because of the recent uncertain global risks.



Source: HNX, VCBS

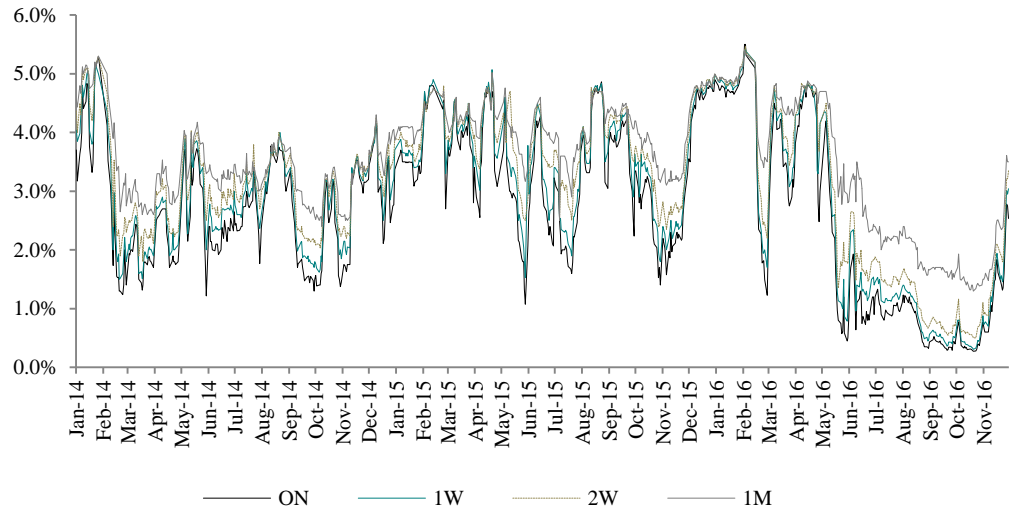
INTERBANK RATES

Interbank Rates

Interbank rates increased significantly in November.

Interbank rates increased significantly in November. In details, ON-3M rates posted at 2.533%, 3.044%, 3.35%, 3.5% and 4.5%, according to Bloomberg data. In November, VND141,889bn worth of ST-Bill will get dued on the OMO market (VND172,999bn in October), while Reverse repo still stayed at VND0 since June. SBV has successfully issued more notes in longer term of 28 days at higher rates ranging from 1.5%-2.5%.

Due to (1) exchange rate risks from the global market, which includes FED's rate hike possibility in December and (2) liquidity preparation for the end of the year, we believe interbank rates are likely to continue to tick up or fluctuate in the current level next month.

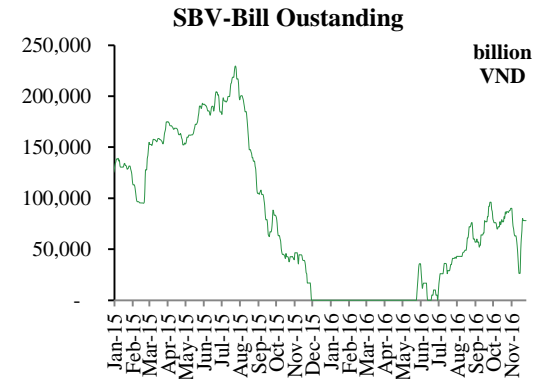
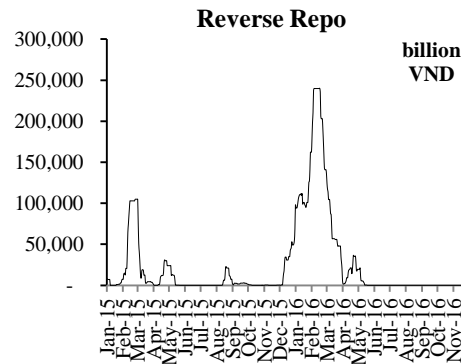


Source: Bloomberg, VCBS

Open Market Operation

SBV net-injected VND7,890 bn via OMO channels this month.

SBV net-injected VND7,890 bn via OMO channels this month. The entire amount came from outright activity. As a result, the outstanding of reverse repo stayed at VND0 bn whereas that of SBV-Bill slightly dropped to VND78,110 bn from VND86,000bn last month. Repo rate stayed at 5%. We suppose as SBV might continuously implement some actions towards market consolidation to assure the balance in market liquidity, therefore, the liquidity would remain to be ample.



Source: Bloomberg, VCBS

APPENDICES

Primary Market

Month	ST										VBSP	VDB	ST-Bill	Total Issued
	Issued Volume	2Y rate	3Y rate	5Y rate	7Y rate	10Y rate	15Y rate	20Y rate	30Y rate	Issued Volume	Issued Volume	Issued Volume		
Jan-16	10,776	N/A	5.78%	6.58%	N/A	N/A	7.65%	N/A	N/A	600	13,050	-	24,426	
Feb-16	28,293	N/A	5.50%	6.29%	N/A	6.93%	7.65%	N/A	N/A	-	-	8,700	36,993	
Mar-16	34,298	N/A	5.55%	6.38%	N/A	9.9%	7.65%	N/A	N/A	-	-	-	34,298	
Apr-16	30,308	N/A	5.52%	6.39%	N/A	6.94%	7.65%	N/A	N/A	-	-	-	30,308	
May-16	43,370	N/A	5.3%	6.18%	N/A	6.94%	7.65%	N/A	N/A	-	-	-	43,370	
June-16	40,682	N/A	5.25%	6.10%	6.68%	6.94%	7.65%	7.75%	8%	4,550	5,000	-	50,232	
July-16	19,152	N/A	N/A	6.14%	6.62%	N/A	7.65%	N/A	8%	1,900	1,600	-	22,652	
Aug-16	32,406	N/A	N/A	6.2%	6.60%	N/A	7.65%	N/A	8%	1,590	-	-	33,996	
Sep-16	11,036	N/A	N/A	N/A	6.2%	6.5%	7.59%	7.73%	7.99%	2,136	-	-	13,672	
Oct-16	19,886	N/A	4.65%	5.4%	5.45%	7.09%	7.68%	7.72%	7.98%	1,350	1,229	-	22,465	
Nov-16	7,587	N/A	N/A	5.25%	N/A	6.1%	7.2%	7.71%	7.98%	874	600	-	9,061	

Secondary Market

Month	Bonds		ST-bills		Total
	Outright	Repo	Outright	Repo	
Aug-15	46,211	20,832	590	-	67,633
Sep-15	39,407	27,340	1,314	-	68,061
Oct-15	46,008	17,429	879	-	64,316
Nov-15	46,849	24,843	-	-	71,692
Dec-15	43,836	26,977	-	-	70,813
Jan-16	33,935	11,971	-	-	45,906
Feb-16	51,621	25,323	-	-	76,944
Mar-16	74,444	56,032	-	-	130,476
Apr-16	45,578	53,702	-	-	82,280
May-16	85,040	59,072	-	-	144,112
June-16	82,889	57,332	-	-	140,221
July-16	82,642	55,284	-	-	138,027
Aug-16	90,800	54,516	-	-	145,317
Sep-16	100,287	48,754	-	-	149,041
Oct-16	116,030	46,556	-	-	162,586
Nov-16	131,850	67,637	-	-	199,487

Open Market Operation

Month	Reverse Repo				Outright (SBV Bills)			
	Due	Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
Jan-16	54,663	118,763	64,100	162,291	0	0	0	0
Feb-16	112,859	86,481	(26,378)	135,913	0	0	0	0
Mar-16	143,535	12,577	(130,958)	4,955	0	0	0	0
Apr-16	55,332	69,179	13,847	19,479	0	0	0	0
May-16	24,819	5,351	(19,468)	11	0	15,999	15,999	15,999
June-16	11	0	(11)	0	40,697	34,698	(5,999)	9,999
July-16	0	0	0	0	45,999	76,999	31,000	41,000
Aug-16	0	0	0	0	94,999	129,998	35,000	75,999
Sep-16	0	0	0	0	139,999	159,998	20,000	95,999
Oct-16	0	0	0	0	172,999	163,000	(9,999)	86,000
Nov-16	0	0	0	0	141,889	133,999	(7,890)	78,110

DISCLAIMER

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VIETCOMBANK SECURITIES COMPANY

12th and 17th floor, Vietcombank Tower, 198 Tran Quang Khai Street, Hanoi, Vietnam

Tel: 84 – 4 – 39 366 990

Fax: 84 – 4 – 39 360 262

<http://www.vcbs.com.vn>

Ha Noi Headquarter	Floor 12th & 17th, Vietcombank Tower, 198 Tran Quang Khai Street, Hoan Kiem District, Hanoi Tel: (84-4)-39366990 ext: 140/143/144/149/150/151
Ho Chi Minh Branch	Floor 1 st and 7 th , Green Star Building, 70 Pham Ngoc Thach Street, Ward 6, District No. 3, Ho Chi Minh City Tel: (84-8)-3820 8116
Da Nang Branch	Floor 12 th , 135 Nguyen Van Linh Street, Thanh Khe District, Da Nang City Tel: (84-511)-3888991 ext: 801/802
Phu My Hung Transaction Unit	Lawrence Sting Building, 801 Nguyen Luong Bang Street, Phu My Hung Urban Zone, District No. 7, Ho Chi Minh City Tel: (84-8)-54136573
Giang Vo Transaction Unit	Floor 1 st , Building C4 Giang Vo, Giang Vo Ward, Ba Dinh District, Hanoi Tel: (84-4)-37265551
Can Tho Representative Office	Floor 1 st , Vietcombank Can Tho Building, 7 Hoa Binh Avenue, Ninh Kieu District, Can Tho City Tel: (84-710)-3750888
Vung Tau Representative Office	Floor 1st, 27 Le Loi Street, Vung Tau City, Ba Ria - Vung Tau Province Tel: (84-64)-3513974/75/76/77/78
An Giang Representative Office	Floor 6 th , Nguyen Hue Building, 9/9 Tran Hung Dao Street, My Xuyen Ward, Long Xuyen City, An Giang Province Tel: (84-76)-3949843
Dong Nai Representative Office	F240-F241 Vo Thi Sau Street, 7 th Block, Thong Nhat Ward, Bien Hoa City, Dong Nai Province Tel: (84-61)-3918815
Hai Phong Representative Office	Floor 2 nd , 11 Hoang Dieu Street, Minh Khai Ward, Hong Bang District, Hai Phong City Tel: (+84-76) 3949 843
Binh Duong Representative Office	314 Binh Duong Route – Phu Hoa Ward – Thu Dau Mot City - Binh Duong Province Tel: (+84-76) 3949 843