

Fixed-Income Report

Dec/5 – Dec/9/2016

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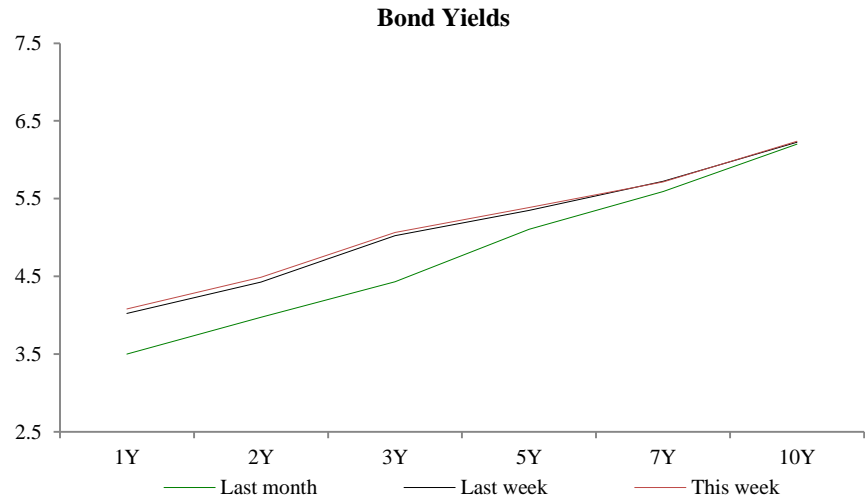
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Round-up

Primary market was less active.

Trading volume improved. Bond yield inched up last week.



Source: Bloomberg, VCBS

- VND 3,500bn (-3.42% wow) worth of bond was issued. VND42,120bn (+11.59% wow) was traded on the secondary market.
- Interbank rates increased significantly last week.
- SBV net-injected VND23,890bn via OMO channels last week.
- Foreign investors net-sold VND107bn last week.
- **Bond yield swung last week.** According to Bloomberg data 1Y, 2Y, 3Y, 5Y, 7Y and 10Y bond yields posted at 4.08% (+5.5 bps), 4.49% (+6.5 bps), 5.066% (+4.3 bps), 5.387% (+3.7 bps), 5.716% (-0.9 bps) and 6.24% (+1.5 bps) respectively.
- In context of (1) high interbank rates and (2) exchange rates may bounce back because of FED's rate hike decision; **we believe that bond yield would be under pressure to shift upward in the upcoming period.**

Bond Market

Primary Market

Primary market was less active.

VND 3,500bn (-3.42% wow) worth of bond was issued.

VND 3,500bn (-3.42% wow) worth of bond was issued. In details, the entire amount belonged to the State Treasury. The average registering-to-offering ratio posted at 138.7%, while the winning-to-offering ratio was recorded at 77.7%.

For ST-Bond, 5Y and 30Y winning rates posted at 5.28% (-22 bps) and 7.98% (+0 bps) last week.

VND42,120bn (+11.59% wow) was traded on the secondary market.

Secondary Market

Trading volume improved. Bond yield swung last week.

VND42,120bn (+11.59% wow) was traded on the secondary market. Outright and repo values were at VND22,656bn and VND19,464bn. For outright, ST-Bond made up more than 87.6% of the total trading volume, VDB was accounted for 5.76%, 6.22% belonged to VBSP and the rest went to HIFU.

Repo rates increased as compared to that of last week, ranging from 3.9%-5% for 2w – 3m tenors which indicated for a less-abundant liquidity in the system.

Bond yield swung last week. According to Bloomberg data 1Y, 2Y, 3Y, 5Y, 7Y and 10Y bond yields posted at 4.08% (+5.5 bps), 4.49% (+6.5 bps), 5.066% (+4.3 bps), 5.387% (+3.7 bps), 5.716% (-0.9 bps) and 6.24% (+1.5 bps) respectively.

In the recent monetary meeting of December, FED has officially raised interest rates by 0.25% based on the fact that US economy has continued to show positive signals of being on-track. In additionally, FED has also foreseen 3 hikes in 2017. As market's expectation before FOMC in Dec, FED made minimal interest rate adjustment. However, the expected timeline for interest rate lifting in 2017 seemed to be more aggressive.

However, FED has also sent out a specific message that implied the monetary policies of 2017 would not be influenced by Trump Presidential policies or the new cabinet but would be highly dependent on the actual effectiveness from those policies to the US economy-which contains the characteristic of time lag. Thus, the higher possibility of rate hike could be considered as a preparation step for the market sentiment.

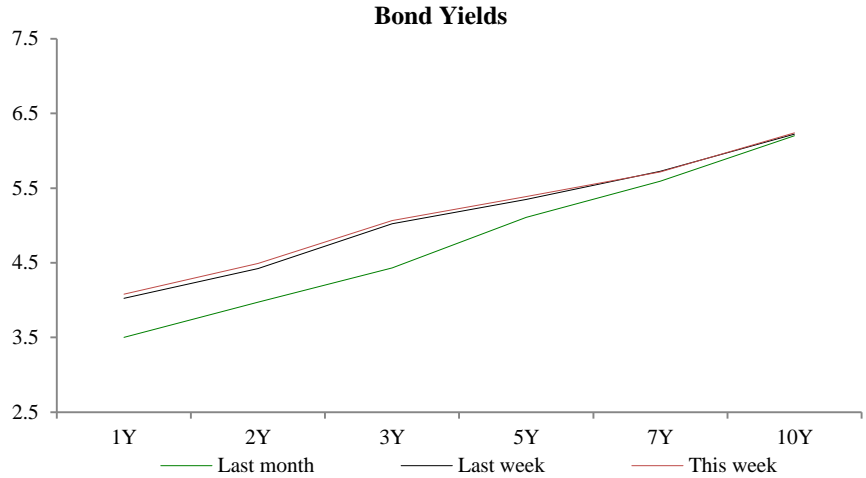
In the short run, FED's orientation of tightening the monetary policy has strengthened USD currency to its highest peak in the last 5 years. For Vietnam market, (1) US Dollar continued to increase; (2) seasonal factor and (3) speculative sentiment would strongly affect the exchange rates movement.

Exchange rates pressure is likely going to hold interbank rates at high level and negatively affect bond yield for the short-term.

Nevertheless, due to (1) target of maintaining the stability of the economy, (2) SBV's orientation of keeping interest rates low and (3) ensuring the appeal in attracting investment, we believe that top priorities of the Government remained to be stabilizing exchange rates and foreign exchange market. Thereby, foreign currency supply still stayed ample so far while the actual demand for foreign currency was rather not abrupt from the same period last year. We suppose SBV still has more fiscal

space to monitor and consolidate the market.

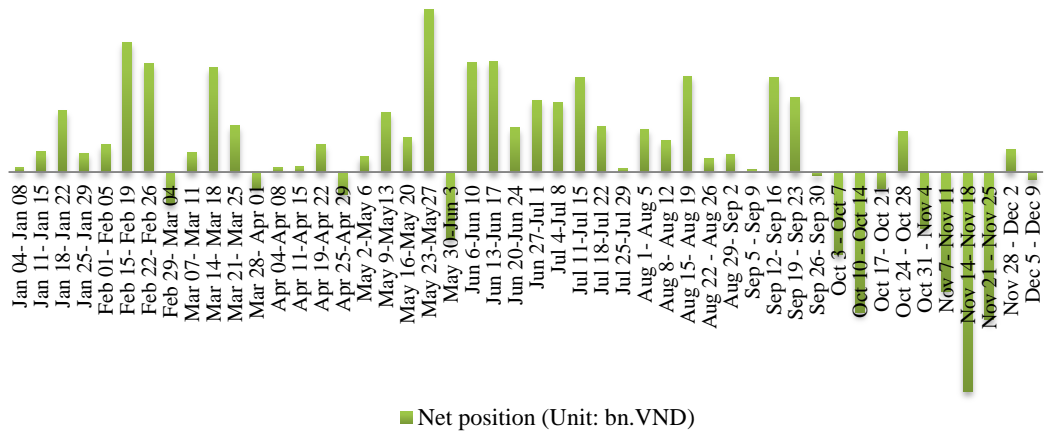
In context of (1) high interbank rates and (2) exchange rates may bounce back because of FED's rate hike decision; **we believe that bond yield would be under pressure to shift upward in the upcoming period.**



Source: Bloomberg, VCBS

Foreign investors net-sold VND107bn last week. Foreign investors net-sold VND107bn last week. Favor switched to 5Y tenor by VND259bn. On the other hand, buying activities swang to 3Y and 3-5Y tenors by VND52bn and VND54bn.

Foreign Investment in the secondary market 2016



Source: HNX, VCBS

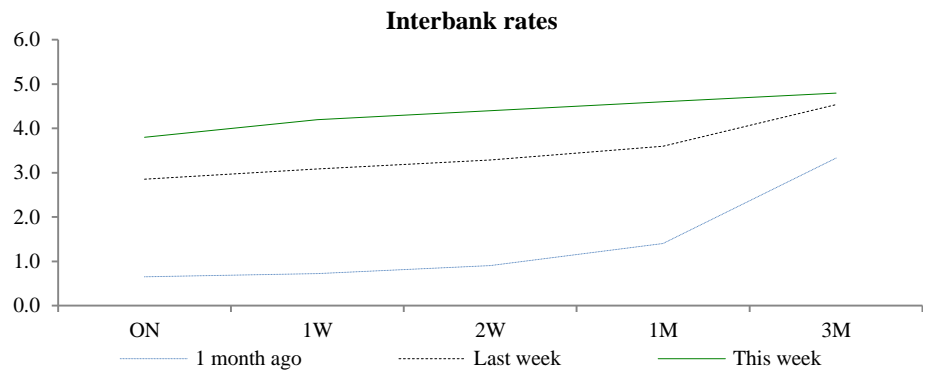
INTEREST RATE

Interbank Rates

Interbank rates increased significantly last week.

Interbank rates increased significantly last week. In details, ON – 3M rates respectively posted at 3.8%, 4.2%, 4.4%, 4.6% and 4.8%. According to Bloomberg data, interestingly, SBV seemed to put a pause on issuing notes and focused on repo activity last week. As interbank rate has escalated, we suppose SBV has used Reserve repo as an alternative method to consolidate the liquidity in the system.

Next week, interbank rate might continue to shift upward mostly due to (1) FED’s rate hike decision and (2) seasonal liquidity preparation during the year end period.



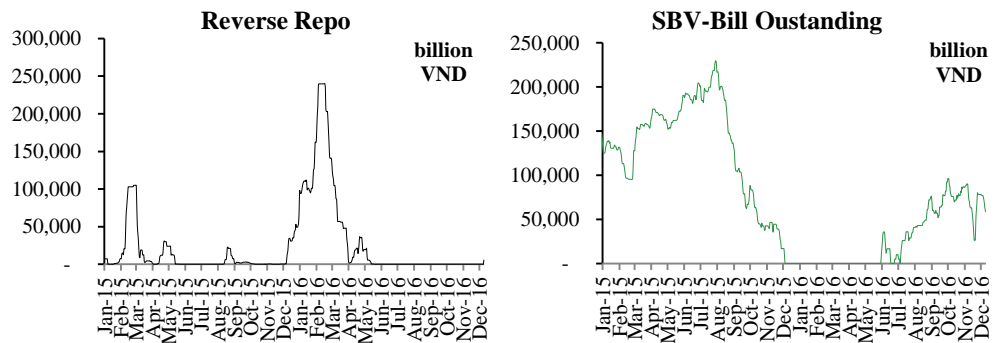
Source: Bloomberg, VCBS

Open Market Operation

SBV net-injected VND23,890bn via OMO channels last week.

SBV net-injected VND23,890bn via OMO channels last week. The amount came from both outright and repo activity. For repo, VND5,490bn was offered while VND0 was dued. Meanwhile, VND18,400bn was dued and no VND was offered in outright activity. As a result, the outstanding of Reverse Repo reached VND5,490bn while that of SBV-bill dropped from VND77,110bn to VND58,710bn from last week.

We think that SBV would continue to implement more actions towards liquidity consolidation to maintain the stable status of liquidity in the system.



Source: Bloomberg, VCBS

END.

APPENDICES

Bond Auctions

Auction date	Issuer	Tenor	Offering volume	Registering volume	Winning volume	Ceiling rate (%)	Winning rate (%)	Winning/Offering	No. of bidders
ST bills									
Government and government-backed bonds									
11/14/2016	VBSP	5	300	300	150	0	5.5	100.00%	1
11/14/2016	VBSP	15	274	200	0	0	0	72.99%	1
11/16/2016	ST	7	1000	1801	0	0	0	180.10%	10
11/16/2016	ST	10	1000	1401	0	0	0	140.10%	3
11/18/2016	VDB	10	1000	435	0	0	0	43.50%	2
11/18/2016	VDB	15	521	800	0	0	0	153.55%	2
11/21/2016	VBSP	5	424	624	0	0	0	0.00%	2
11/23/2016	ST	5	2000	5376	1375	0	5.2	68.75%	14
11/23/2016	ST	15	1000	751	100	0	7.2	10.00%	4
11/23/2016	ST	30	500	507	500	0	7.98	100.00%	4
11/25/2016	VDB	5	1000	350	0	0	0	0.00%	2
11/25/2016	VDB	10	521	130	0	0	0	0.00%	2
11/28/2016	VBSP	5	424	424	424	0	5.5	100.00%	1
11/30/2016	ST	5	3900	7711	3200	0	5.25	82.05%	1
11/30/2016	ST	7	1000	701	0	0	0	0.00%	4
12/7/2016	ST	5	4000	5711	3000	0	5.28	75.00%	13
12/7/2016	ST	30	500	530	500	0	7.98	100.00%	4

Secondary Market

Issuer	Week 11/28-12/2		Week 12/5-12/9	
	Value	Value share	Value	Value share
Outright				
ST	3,200	88.30%	3,500	100.00%
VDB	-	0.00%	-	0.00%
VBSP	424	11.70%	-	0.00%
Others	-	0.00%	-	0.00%
<i>Subtotal (1)</i>	3,624	100.00%	3,500	100.00%
Repo				
Repo	11,999	47.68%	19,464	57.25%
Reserve Repo	13,165	52.32%	14,533	42.75%
<i>Subtotal (2)</i>	25,164	100.00%	33,997	100.00%
ST bills				
Outright	-	-	-	-
Repo	-	-	-	-
<i>Subtotal (3)</i>	-	-	-	-
Total (1)+(2)+(3)	28,788		37,497	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
12/5-12/9	0	5,490	5,490	5,490	18,400	0	(18,400)	58,710
11/28-12/2	0	0	0	0	1,150	100	(1,050)	77,110
11/21-11/25	0	0	0	0	16,740	68,500	51,760	78,160
11/14-11/18	0	0	0	0	43,250	6,560	(36,690)	26,400
11/7-11/11	0	0	0	0	46,750	19,840	(26,910)	63,090

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