

**Fixed-Income Report**

**Feb 20<sup>th</sup> – 24<sup>th</sup>/2017**

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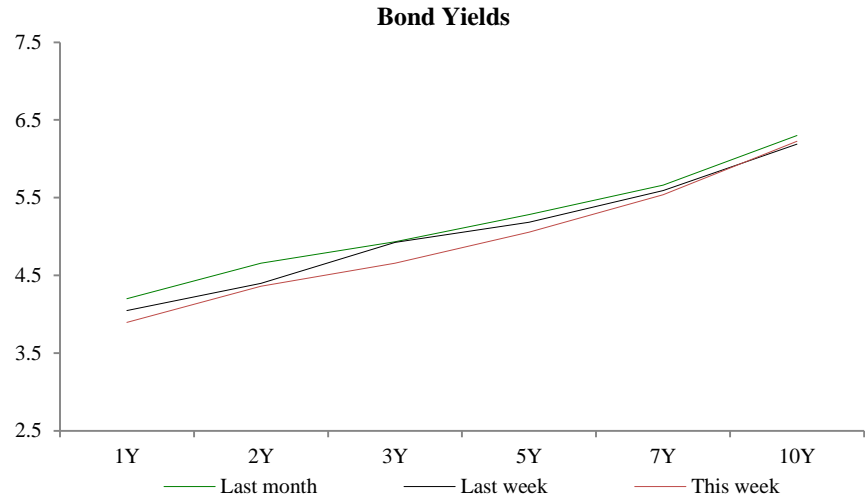
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**Round-up**

**Primary market was stable compared to last week.  
Active trading in secondary market.  
Yield curve shifted downward marginally.**



Source: Bloomberg, VCBS

■ VND7,542 bn (-0.37% wow) worth of bond was issued by ST and VDB. VND45,196 bn (-9.78% wow) was traded on the secondary market

■ **Interbank rates cooled down though still settled at a high level.** In details, ON – 3M rates respectively posted at 3.383%, 3.825%, 4.3%, 4.6% and 4.72%, according to Bloomberg data.

■ Next week, we believe that interbank rate may press lower marginally. The reason to support a bear side is that the outstanding of reverse repo will run out soon. However, the liquidity in the system is less ample compared to same period last year shall prevent interbank rate from a deep fall.

■ **Yield curve moved downward marginally.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y and 10Y bond yields posted at 3.895% (-15.5bps), 4.36% (-4 bps), 4.657% (-12.9 bps), 5.055% (-12.9 bps), 5.537% (-5.3 bps) and 6.225% (+3.5 bps) respectively.

■ **Next week yield curve shall shift sideway down as yields may struggle to find the balance after fluctuating strongly in the last three weeks. Also, we do not realize any specific effect, which strongly affect yield curve at least in the short-term.**

## Bond Market

### Primary Market

**The amount of bond issued experienced a minor change compared to last week.**

**VND7,542 bn (-0.37% wow) worth of bond was issued.**

VND7,542 bn (-0.37% wow) worth of bond was issued. In details, the State Treasury issued VND5,992 bn, and the remaining VND1,550 bn belonged to VDB this week. The average registering-to-offering ratio posted at 296.43%. The winning-to-offering ratio was 93.11%, which was higher than last week.

For ST-Bond, 5Y, 7Y and 15Y winning rates stayed at 5.02% (-0 bps); 5.39% (-4 bps) and 7.12% (-8 bps) respectively. It can be clearly seen that the winning rates was marginally tick down week by week.

For VDB-Bond, 10Y and 15Y winning rates located at 6.55% (-10 bps) and 7.59% (-4 bps) respectively.

No VBSP-bond was mobilized in February.

The amount of bond mobilized through primary market was stable compared to last week. The issuers seemed not to rush to mobilize funds and they have stuck to the plan of slowly pull back winning rate.

### Secondary Market

**Trading volume decreased slightly. Yield curve shift downward marginally.**

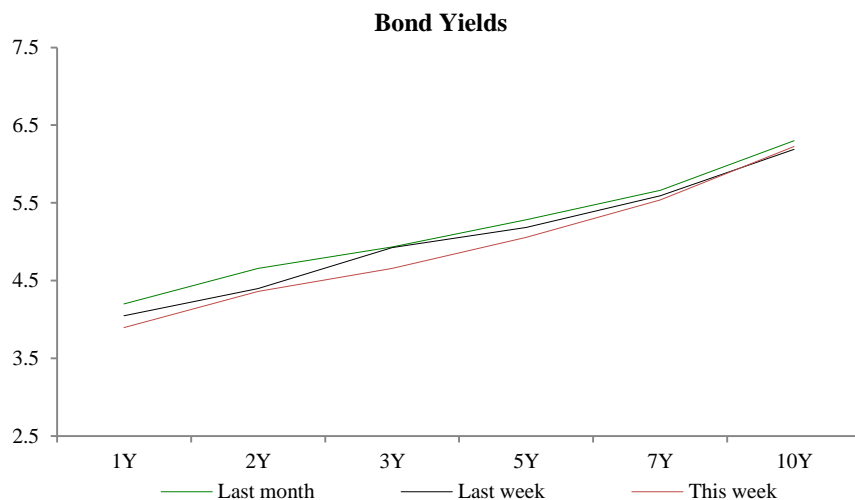
**VND45,196 bn (-9.78% wow) was traded on the secondary market**

VND45,196 bn (-9.78% wow) was traded on the secondary market. Outright and repo values were at VND27,360 bn and VND17,836 bn respectively. For outright activity, ST-Bond kept dominating trading volume with 90.18% while the rest belonged to VDB bonds. On the contrary to last week, repo activity appeared to cool down. However, repo rates pushed up roughly 1%, recorded at 3.5% - 4.8% from the band of 2.0% - 4.6% last week. Repo rate stayed closed to interbank rates, which heated up this week.

**Yield curve moved downward marginally.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y and 10Y bond yields posted at 3.895% (-15.5bps), 4.36% (-4 bps), 4.657% (-12.9 bps), 5.055% (-12.9 bps), 5.537% (-5.3 bps) and 6.225% (+3.5 bps) respectively.

Yield curve rebounded from the upward shift last week. Therein, noticeably yields at short-term tenors remained sensitive to interbank rate.

**Next week yield curve shall shift sideway down as yields may struggle to find the balance after fluctuating strongly in the last three weeks. Also, we do not realize any specific effect, which may strongly affect yield curve at least in the short-term.**



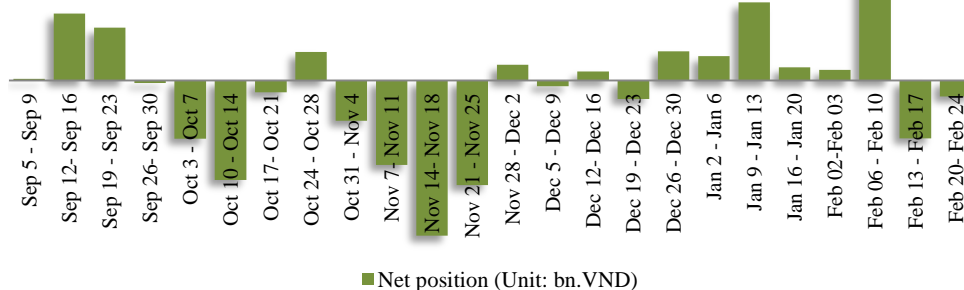
Source: Bloomberg, VCBS

**Foreign investors net sold VND305 bn this week.**

Foreign investors net sold two weeks in a row. In detail, VND305 bn was sold this week. Except for 2Y-3Y tenors, FIs recorded their net sold at almost all tenors. Therein, they kept selling 1Y bond.

We believe that at the present foreign investors will not disburse strongly on the market as exchange rates risk still remained. Hence, we do not expect any extra ordinary moves of this group in the next period.

**Foreign Investment in the secondary market 2016-2017**



Source: HNX, VCBS

**INTEREST RATE**

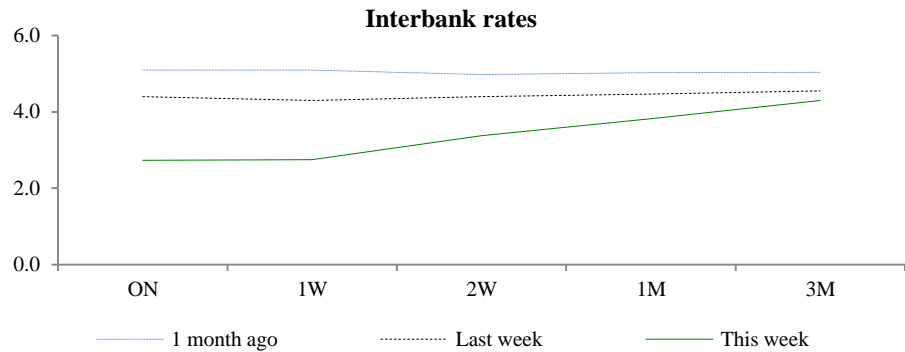
**Interbank Rates**

**Interbank rates cooled off though still settled at a high level.**

**Interbank rates cooled down though still settled at a high level.** In details, ON – 3M rates respectively posted at 3.383%, 3.825%, 4.3%, 4.6% and 4.72%, according to Bloomberg data. It can be clearly seen that interbank rate pulled back as credit institutions have completed their hedging approach toward exchange rates risk. However, the rates still hovered at a quite high level as (1) another VND61,000 bn worth of reverse repo matured this week. Moreover, (2) exchange rate though did not surge, still traded at a high

level around 22,800 VND/USD for ask price. (3) Last but not least, credit growth in the first two months in some banks was higher than last year's figures, which may impact inflow to bond market.

Next week, we believe that interbank rate may press lower marginally. The reason to support a bear side is that the outstanding of reverse repo will run out soon. However, the fact that liquidity in the system is less ample compared to same period last year shall prevent interbank rate from a deep fall. Consequently, the ON rates next week shall be 2%-3%.

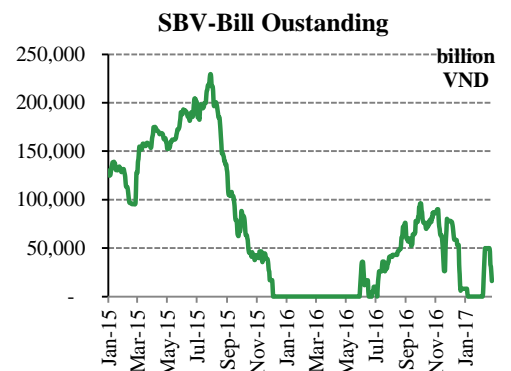
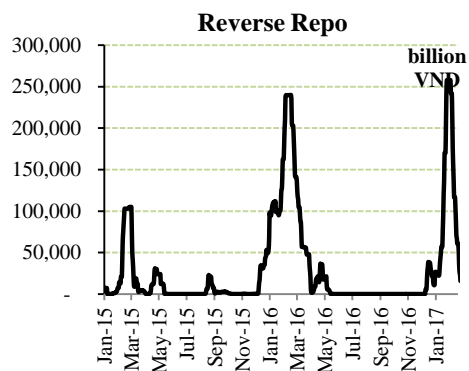


Source: Bloomberg, VCBS

**Open Market Operation**

**SBV net withdrew VND11,083 bn this week.**

SBV net-withdrew VND11,083 bn via OMO channels this week. The amount came from both outright and repo activity. For repo, VND60,698 bn was due while only VND15,715 bn was newly offered. For outright, SBV issued VND16,000 bn for 7-day bill and 14-day bill. The accepted ticked up slightly to 1.9% - 2.5%. Meanwhile, VND49,900 bn SBV-bill matured this week.



Source: Bloomberg, VCBS

**END.**

## APPENDICES

### Bond Auctions

Auction date	Tenor	Offering volume	Registering volume	Winning volume	Ceiling rate (%)	Winning rate (%)	Winning/Offering	No. of bidders	Issuer
<b>ST bills</b>									
<b>Government and government-backed bonds</b>									
22-Feb-17	5Y	2000	3943	1442	0	5.02	72.10%	14	ST
22-Feb-17	7Y	2000	5101	2000	0	5.39	100.00%	10	ST
22-Feb-17	15Y	1500	6379	1500	0	7.12	100.00%	14	ST
21-Feb-17	15Y	550	1230	550	0	7.59	100.00%	5	VDB
21-Feb-17	10Y	1000	3100	1000	0	6.55	100.00%	6	VDB

### Secondary Market

Issuer	Week 13-17 Feb		Week 20-24 Feb	
	Value	Value share	Value	Value share
<b>Outright</b>				
ST	20,997	95.8%	24,675	90.19%
VDB	920	4.2%	2,686	9.82%
VBSP	-	0.00%	-	-
Others	-	0.00%	-	0.00%
<i>Subtotal (1)</i>	21,917	100.00%	27,360	-
<b>Repo</b>				
Repo	28,175	82.23%	17,836	65.41%
Reserve Repo	6,089	17.77%	9,433	34.59%
<i>Subtotal (2)</i>	34,264	100.00%	27,269	-
<b>ST bills</b>				
Outright	-	-	-	-
Repo	-	-	-	-
<i>Subtotal (3)</i>	-	-	-	-
<b>Total (1)+(2)+(3)</b>	<b>56,163</b>		<b>54,629</b>	

### Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
01/09-10/13	23,342	57,141	34799	57,141	0	0	0	0
01/16-01/20	0	109,030	109,030	161,171	0	0	0	0
01/23-01/27	15,412	103,260	87,848	254,019	0	0	0	0
01/30-02/03	16,105	0	(16,105)	237,914	0	0	0	0
02/06-02/10	126,990	1,843	(125,147)	112,768	0	49,900	49,900	49,900
02/13-02/17	70,023	17,953	(52,070)	60,698	0	0	0	49,900
<b>02/20-02/24</b>	<b>60,698</b>	<b>15,715</b>	<b>(44,983)</b>	<b>15,715</b>	<b>49,900</b>	<b>16,000</b>	<b>(33,900)</b>	<b>16,000</b>

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