

Fixed-Income Report

Apr 17th – 21st/2017

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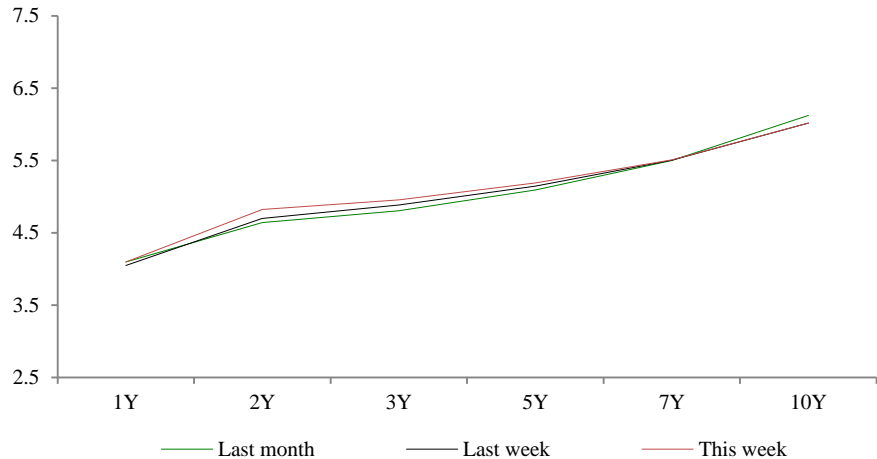
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Round-up

**High demand for long-term bond in primary market.
Active trading in secondary market.
Yield curve became more flattened.**

Bond Yields



Source: Bloomberg, VCBS

■ **VND6,340 bn (-6.9% wow) worth of bond was issued.** VND47,765 bn (+25.63% wow) was traded on the secondary market.

■ **Yield curve became more flattened as short-term bond yield ticked up while long-term ones were stable or experienced minor change.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y and 10Y bond yields posted at 4.1% (+5bps), 4.825% (+12.7 bps), 4.957% (+7.1 bps), 5.193% (+4.5 bps), 5.512% (+0.8 bps) and 6.02% (+0 bps) respectively

■ The fact that interbank rate kept hover at a high level shall result in an upward force in short-term bond yields next weeks. Therefore, yield curve will tend to be more flattened in the next period.

■ **Interbank rates closed at a high level after temporarily cooled down.** In details, ON – 3M rates respectively posted at 4.6%, 4.7%, 4.642%, 4.742% and 4.85%, according to Bloomberg data.

Bond Market

Primary Market

The amount of bond issued pressed lower frictionally compared to last week.

VND6,340 bn (-6.9% wow) worth of bond was issued.

VND6,340 bn (-6.9% wow) worth of bond was issued. All the amount issued belonged to State Treasury (ST). Note that VBSP and VDB did not issue bond in April. The average registering-to-offering ratio posted at 2,68 times. The winning-to-offering ratio was 86.26%, which was higher than last week.

For ST-Bond, 5Y, 10Y, 20Y and 30Y winning rates stayed at 5.12% (+2 bps); 5.99% (-0 bps); 7.2 (-16 bps) and 7.68% (-11 bps) respectively. It can be clearly seen that the winning rates in long-term bond pressed lower significantly while 5Y bond winning rates tick up slightly.

Demand for 5Y bond was dwindle. Except for a low of 33% winning to offering rate in this bond, other types of bond were successfully issued without difficulty. Even, demand was high for 30Y bond (the registering-to offering ratio was roughly 353%). It seemed that issuance body will keep issuing 30Y bond in upcoming weeks.

Secondary Market

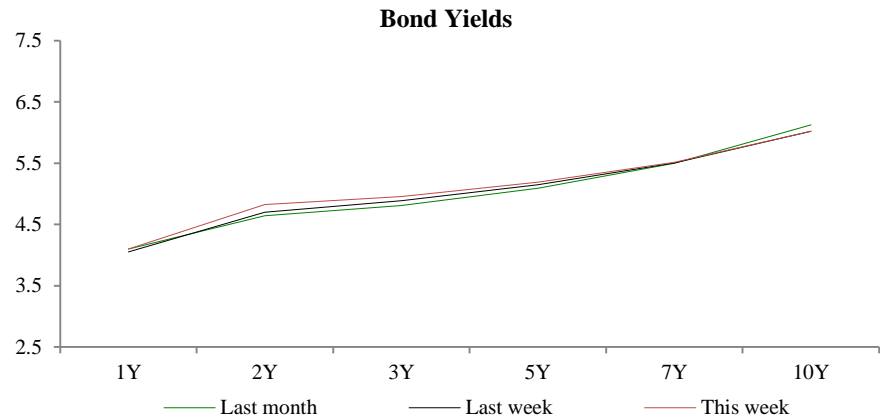
Trading volume once again pressed higher. Yield curve shift downward frictionally.

VND47,765 bn (+25.63% wow) was traded on the secondary market

VND47,765 bn (+25.63% wow) was traded on the secondary market. Outright and repo values were at VND19,956 bn and VND27,808 bn respectively. For outright activity, ST-Bond kept dominating trading volume with 86.6% while the rest belonged to VDB. The active trading in secondary market was due to a boom in outright activity.

Yield curve became more flattened as short-term bond yields ticked up while long-term ones were stable or experienced minor change. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y and 10Y bond yields posted at 4.1% (+5bps), 4.825% (+12.7 bps), 4.957% (+7.1 bps), 5.193% (+4.5 bps), 5.512% (+0.8 bps) and 6.02% (+0 bps) respectively. We believe that interbank rates hovered at a high level for a long period of time, resulted in an upward force on short-term bond yield.

The fact that interbank rate kept hover at a high level shall result in an upward force in short-term bond yields next weeks. Therefore, yield curve will tend to be more flattened in the next period.

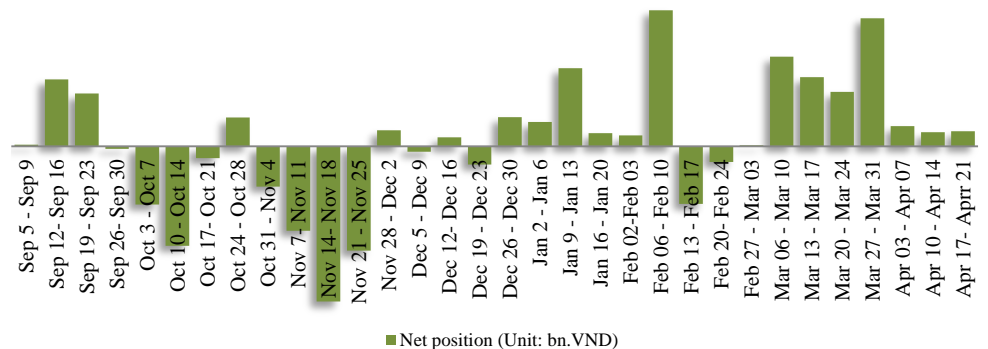


Source: Bloomberg, VCBS

Foreign investors net buy VND291 bn this week.

Foreign investors net bought seven weeks in a row. In detail, VND291 bn was bought this week. We still anticipated that the net-buy value from the foreign still remain in Q2. This week, FIs showed their favor for short-term bond (2Y) with the net buy value of VND465 bn.

Foreign Investment in the secondary market 2016-2017



Source: HNX, VCBS

INTEREST RATE

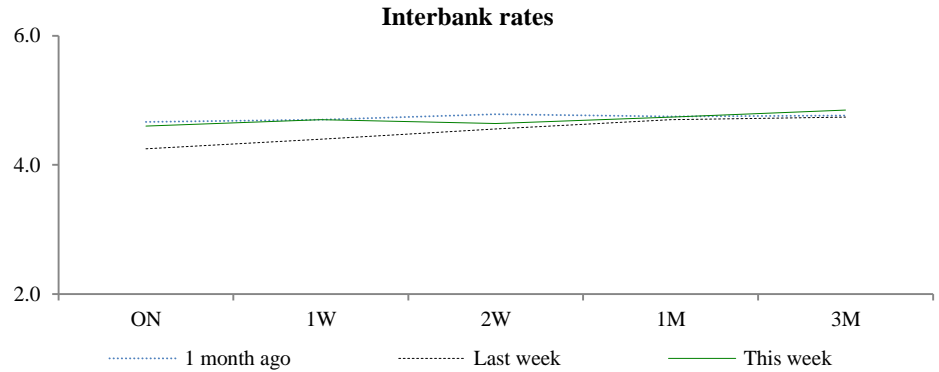
Interbank Rates

After temporarily cooled down, Interbank rates once again bounced back and settle at a higher level.

Interbank rates closed at a higher level after temporarily cooled down. In details, ON – 3M rates respectively posted at 4.6%, 4.7%, 4.642%, 4.742% and 4.85%, according to Bloomberg data.

As mentioned in the [latest report](#), we believe that the SBV management effort helped to ease liquidity in banking system at least in the short-term. Right after short-term effect faded away, interbank rate once again rebounded to a higher level.

Next week, we believe that interbank rate may still remain unchanged at a high level as at the present, there was no specific factor to support abundant liquidity in banking system.

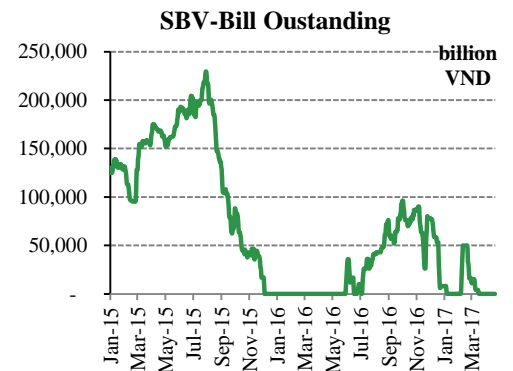
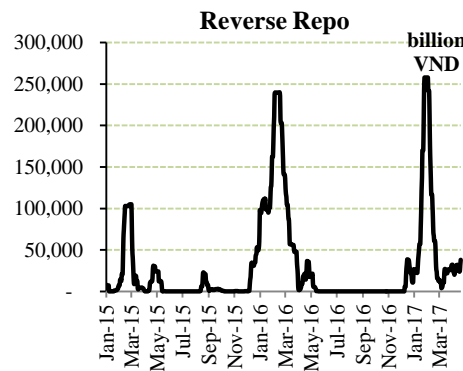


Source: Bloomberg, VCBS

Open Market Operation

SBV net injected VND9,977 bn this week.

SBV net-injected VND9,977 bn via OMO channels this week. The amount only came from reverse repo activity. VND28,023 bn was due while VND38,000 bn was newly offered. SBV shall maintain the plan of using Reverse repo to manage market through OMO channel. Liquidity was not abundant.



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
ST bills									
Government and government-backed bonds									
20-Apr-17	5Y	1500	2101	500	0	5.12	33.33%	11	ST
20-Apr-17	30Y	2600	9142	2590	0	7.68	99.62%	9	ST
20-Apr-17	20Y	1300	4876	1300	0	7.2	100.00%	10	ST
20-Apr-17	10Y	1950	3591	1950	0	5.99	100.00%	10	ST

Secondary Market

Issuer	Week 10-14 April		Week 17-21 April	
	Value	Value share	Value	Value share
Outright				
ST	12,645	87.30%	17,175	86.06%
VDB	1,702	11.75%	2,781	13.94%
VBSP	138	0.95%	-	0.00%
Others	-	0.00%	-	0.00%
<i>Subtotal (1)</i>	14,485	100.00%	19,956	100.00%
Repo				
Repo	27,099	49.24%	27,808	60.89%
Reserve Repo	27,935	50.76%	17,863	39.11%
<i>Subtotal (2)</i>	55,034	100.00%	45,671	100.00%
ST bills				
Outright	-	-	-	-
Repo	-	-	-	-
<i>Subtotal (3)</i>	-	-	-	-
Total (1)+(2)+(3)	69,519		65,627	

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
02/20-02/24	60,698	15,715	(44,983)	15,715	49,900	16,000	(33,900)	16,000
02/27-03/03	15,715	10,860	(4,855)	10,860	7,000	6,100	(900)	15,100
03/06-03/10	10,860	10,542	(318)	10,542	11,100	0	(11,100)	4,000
03/13-03/27	10,542	22,375	11,833	22,375	4,000	0	(4,000)	0
03/20-03/24	22,375	25,689	3,314	25,689	0	0	0	0
03/27-03/31	25,689	32,000	6,311	32,000	0	0	0	0
04/03-04/07	32,000	24,000	(8,000)	24,000	0	0	0	0
04/10-04/14	24,000	28,023	4,023	28,023	0	0	0	0
04/17-04/21	28,023	38,000	9,977	28,000	0	0	0	0

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