

Fixed-Income Report

Aug 06th-10th/2018

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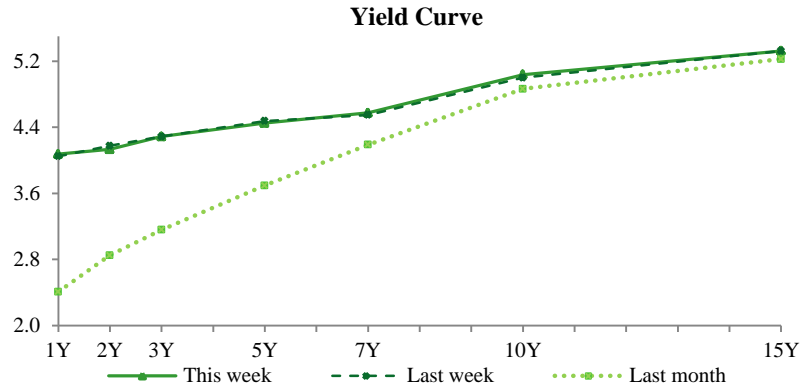
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Round-up

**Winning rates inched up.
Yield curve was almost unchanged.
Interbank rate pressed higher this week.**



Source: Bloomberg, VCBS

- VND 3,950 bn was mobilized this week. VND 40,012 bn (+29,38% wow) was traded on the secondary market.
- Bond yields experienced minor change this week. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.075% (+2.5 bps), 4.133% (-4.2 bps), 4.288% (+0 bps), 4.45% (-2.5 bps), 4.575% (+2.5 bps), 5.038% (+3.8 bps), and 5.325% (0 bps) respectively.
- Interbank rate pressed higher last week after temporary cooled down last week. . In details, ON – 3M rates respectively posted at 3.914%, 4.3%, 4.4%, 4.229% and 4.3% according to Bloomberg data.
- Foreign investors net bought roughly VND 113 bn this week, after five weeks selling in consecutive.
- SBV net injected VND 9,196 bn via OMO channel.

VCBS Commentary Aug 13th – 17th

- In the upcoming week, We believe that after ticking up strongly, bond yield shall fluctuate in a tight band to regain balance.
- As mentioned in previous report, till now exchange rate in free market has not cooled down yet. Hence, we did not change our view that cost of capital in money market shall settle at a higher level at least in the remaining of Q3.2018. However, interbank rates next week may pull back slightly this week because, SBV has stopped issued 140days-bills and support liquidity through OMO.

Bond Market

Primary Market

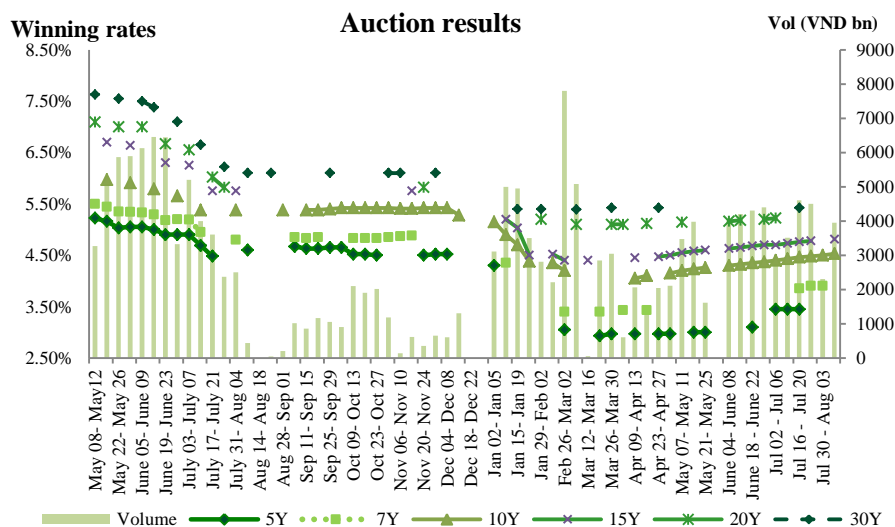
Winning rates inched up. Only 10Y and 15Y tenor were successfully mobilized.

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VND 3,950 bn was mobilized this week. Two tenors of 10Y- and 15Y- were issued with an increase in winning yield by 3 bps compared to last auction 4.53% (+3bps) and 4.81% (+3bps). The remaining tenors (5Y- and 7Y-) were failed to be issued.

The registered volume to offering volume ratio for all tenors is 5.10x, 2.10x, 1.73x, and 1.60x. The winning rate for these two tenors was 10Y- and 15Y- bond were successfully issued in the additional issuance session with the amount of 600 bn each tenor.

VBSP failed to mobilize bond this week.



Source: HNX, VCBS

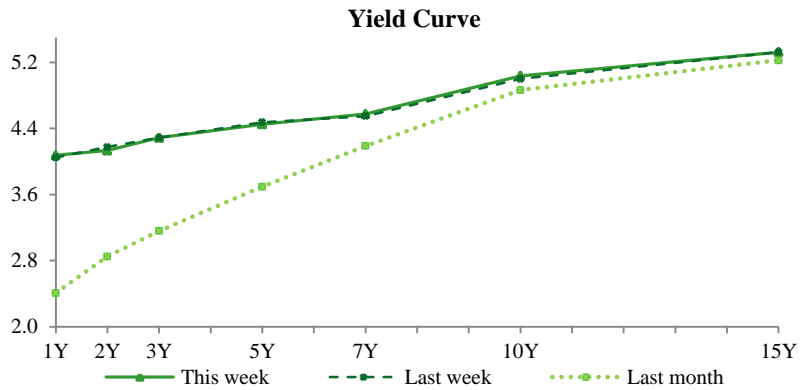
Secondary Market

Outrights activities was still in laggard status

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VND 40,012 bn (+29,38% wow) was traded on the secondary market. Outright and repo values were at VND 16,992 bn and VND 23,020 bn respectively. Therein, both outright and repo activities remained at a low level especially outright. Therein regarding outright, ST-Bond kept dominating trading volume with 95%. Remarkably, **this week a large proportion of bond trading (66%) belonged to short-term bond (below 5Y tenors).**

Bond yields experienced minor change this week. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.075% (+2.5 bps), 4.133% (-4.2 bps), 4.288% (+0 bps), 4.45% (-2.5 bps), 4.575% (+2.5 bps), 5.038% (+3.8 bps), and 5.325% (0 bps) respectively.



Source: Bloomberg, VCBS

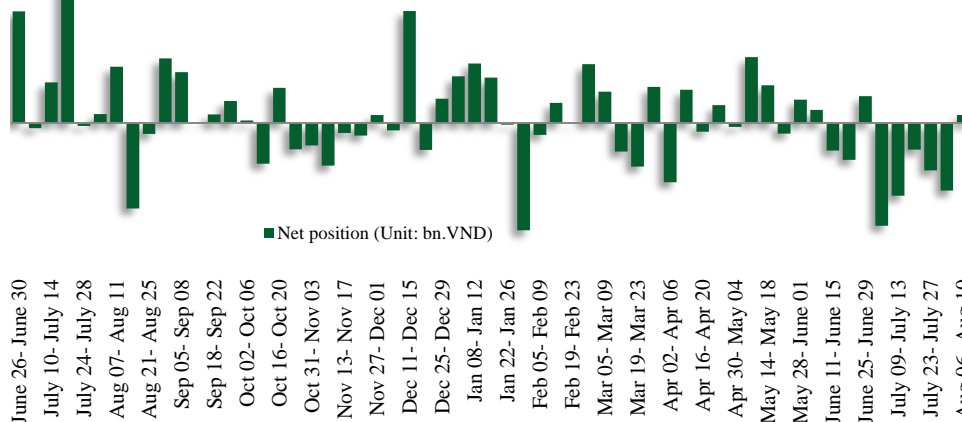
On August 2, 2018 the Governor of the State Bank of Vietnam (SBV) issued Directive No.04/CT-NHNN on continuing to effectively implement the key tasks and solutions of the banking sector in the last 6 months of 2018. Therein, some key points were (1) Actively manage in a flexible and synchronous manner the monetary policy instruments to stabilize the monetary market & the forex market, contributing to the macroeconomic stability and controlling the inflation within the target; (2) Strictly control the credit growth rate and credit quality of the whole sector as well as each CI in accordance with the set objectives and orientations; Not consider to adjust the credit growth targets; Focusing credits for production and business, priority areas; strictly control credits in the areas of potential risks such as real estate, securities, BOT, BT in transport, etc; (3) Continue to flexibly manage the exchange rates in line with the market supply and demand developments, the macro-balance and the inflation control; synchronously implement the foreign exchange management solutions to stabilize the forex market, restrict the dollarization and gold hoarding within the national territory. Strictly control the lendings in foreign currencies, gradually reduce and develop a roadmap to stop lending in foreign currencies. Through this directive, the administrative body gave out clear message on exchange rate and inflation issues in the remaining time of 2018.

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Foreign Investment in the secondary market 2017-2018



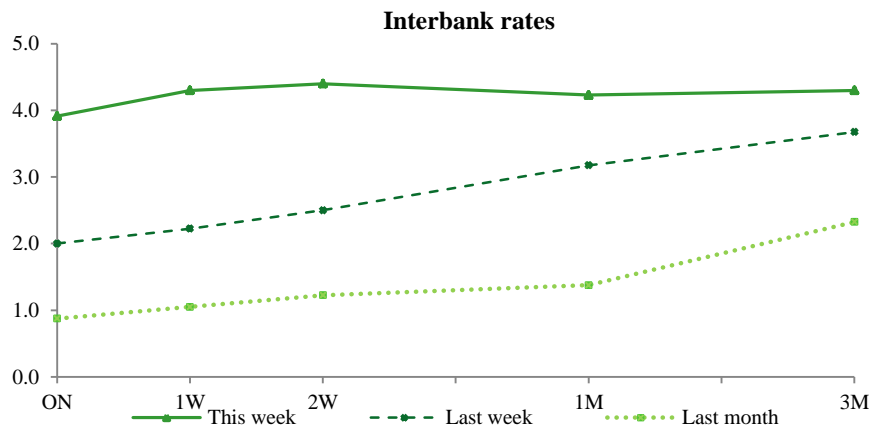
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rate pressed higher last week after temporary cooled down last week.

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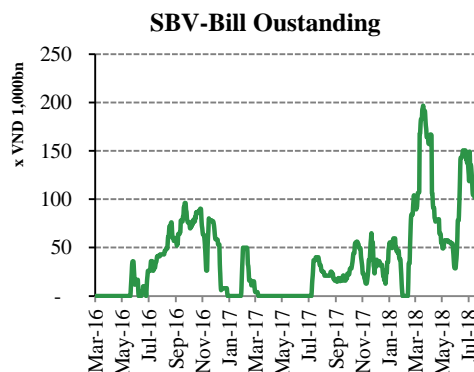
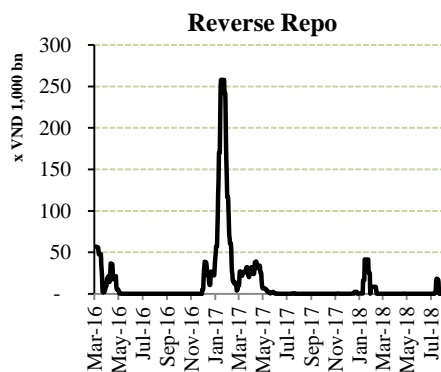
Source: Bloomberg, VCBS

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Open Market Operation

SBV net injected VND 9,196 bn via OMO channel.

SBV net injected VND 9,196 bn via OMO channel. This week there was VND 8,500 bn worth SBV –Bills matured while VND 3,400 bn was offered. SBV still supported liquidity in banking system after net withdrew roughly VND 60,000 bn last week. Notably, from 08th August, SBV no longer issued 140-days Bills. However the rate for 7-day bills unchanged at 2%.



Source: Bloomberg, VCBS

END.

APPENDICES

Bond Auctions

Auction date	Tenor	Offering volume	Registering volume	Winning volume	Register to Offering Ratio	Winning rate (%)	Winning/Offering	Issuer
ST bills								
Government and government-backed bonds								
08-Aug-18	15Y	2,600	3,800	1,800	1.46	4.81	69.23%	ST
08-Aug-18	7Y	500	1,050	-	2.10	-	0.00%	ST
08-Aug-18	10Y	2,600	4,050	2,150	1.56	4.53	82.69%	ST
08-Aug-18	5Y	500	2,551	-	5.10	-	0.00%	ST

Secondary Market

Issuer	Week 30 July- 03 Aug		Week 06-10 Aug	
	Value	Value share	Value	Value share
Outright	13,719	97.18%	16,327	96.09%
	292	2.07%	612	3.60%
	106	0.75%	53	0.31%
	-	0.00%	-	0.00%
Repo	14,117	100.00%	16,992	100.00%
Outright	16,810	46.74%	23,020	60.19%
Repo	19,153	53.26%	15,228	39.81%
Subtotal (3)	35,963	100.00%	38,248	100.00%
ST bills	-	-	-	-
	-	-	-	-
	-	-	-	-
Total (1)+(2)+(3)	50,080		55,240	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
03/26-03/30	0	0	0	0	5,500	14,000	8,500	191,210
04/02-04/06	0	2	0	2	43,000	15,700	(27,300)	163,910
04/09-04/13	0	0	0	0	58,100	60,980	2,880	166,790
04/16-04/20	0	0	0	0	76,110	200	(75,910)	90,880
04/23-04/27	0	0	0	0	14,000	1,700	(12,300)	78,580
05/01-05/05	0	170	170	0	15,700	1,700	(14,000)	64,580
05/07-05/11	170	0	(170)	0	60,980	45,740	(15,240)	49,340
05/14-05/18	0	0	0	0	200	8,400	8,200	57,540
05/21-05/25	0	0	0	0	1,700	0	(1,700)	55,840
05/28-06/01	0	0	0	0	1,700	0	(1,700)	54,140
06/04-06/08	0	0	0	0	45,740	20,300	(25,440)	28,700
06/11-06/15	0	0	0	0	8,400	57,800	49,400	78,100
06/18-06/22	0	0	0	0	0	65,100	65,100	143,200
06/25-06/29	0	19	0	19	0	7,300	7,300	150,499
07/02-07/06	0	0	0	0	20,300	7,510	(12,790)	137,709
07/09-07/13	0	0	0	0	55,800	10,571	(45,229)	92,480
07/16-07/20	0	993	993	993	31,200	0	(31,200)	61,281
07/23-07/27	993	17,000	16,007	17,000	3,200	0	(3,200)	58,081
07/30-08/03	17,000	0	(17,000)	0	6,010	48,960	42,950	104,430
08/06-08/10	0	4,096	4,096	4,096	8,500	3,400	(5,100)	95,930

DISCLAIMER

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