

**Fixed-Income Report**

Aug 20<sup>th</sup>-24<sup>th</sup>/2018

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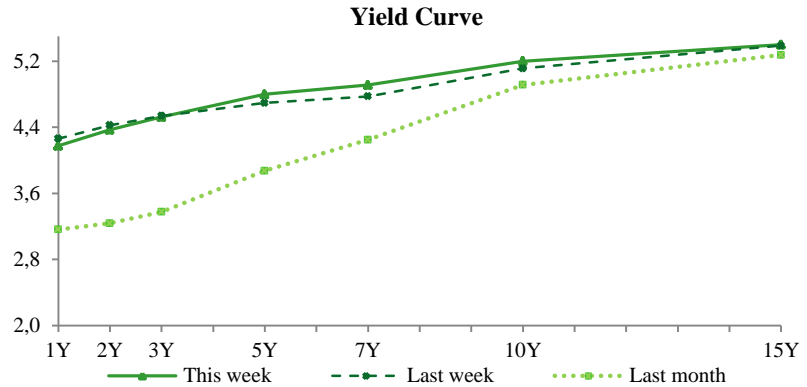
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**Round-up**

**Winning rates inched up.  
Yield curve was almost unchanged.  
Interbank rate settled at a high level.**



Source: Bloomberg, VCBS

- VND 4,410 bn was mobilized this week. VND 24,360 bn (-12.8% wow) was traded on the secondary market.
- Bond yields struggled to find direction this week as short-term bond yields pull back slightly while long term ones ticked up. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.175% (-8.8 bps), 4.37% (-5.5 bps), 4.525% (-1.3 bps), 4.8% (+10.5 bps), 4.912% (+13.7 bps), 5.2% (+8.7 bps), and 5.4% (+1.2 bps) respectively.
- Interbank rate still remained at a high level. In details, ON – 3M rates respectively posted at 4.333%, 4.333%, 4.4%, 4.4% and 4.564% according to Bloomberg data.
- Foreign investors net sold roughly VND 134 bn this week.
- SBV net injected VND 6,893 bn via OMO channel.

**VCBS Commentary Aug 27<sup>th</sup> – 31<sup>st</sup>**

- With the expectation of lower CPI, we expect a short-term downward force with bond yield next week. Nevertheless, we do not change our view of an overall upward force on bond yields in Q3.
- In the upcoming weeks, we do not see factors which can decrease interbank rate considerably. Hence, a higher level of interbank rate shall remain at least in Q3.

**Bond Market**

**Primary Market**

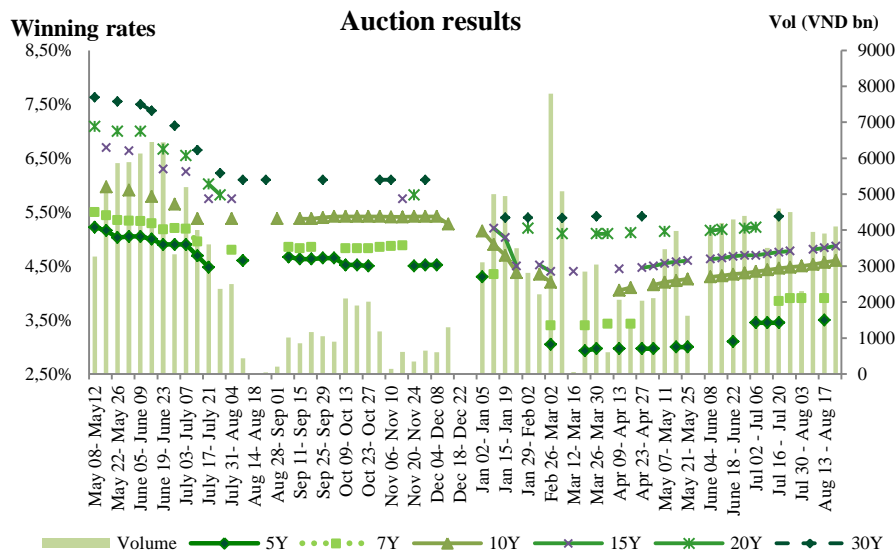
**Winning rates inched up. Only 10Y and 15Y tenor were successfully mobilized.**

**VND 4,410 bn was mobilized this week.**

**VND 4,410 bn was mobilized this week from ST and VBSP. For ST bond, Two tenors of 10Y- and 15Y- were issued with an increase in winning yield by 3 bps compared to last auction 4.6% (+3bps) and 4.87% (+3bps). The remaining tenors (5Y-, 7Y and 30Y-) were failed to be issued.**

The registered volume to offering volume ratio for all tenors is 5.90x, 2.0x, 1.17x, 1.12X and 0.60x.

VBSP successfully mobilized VND 310 bn worth of bond this week at 3y; 5Y and 15Y.



Source: HNX, VCBS

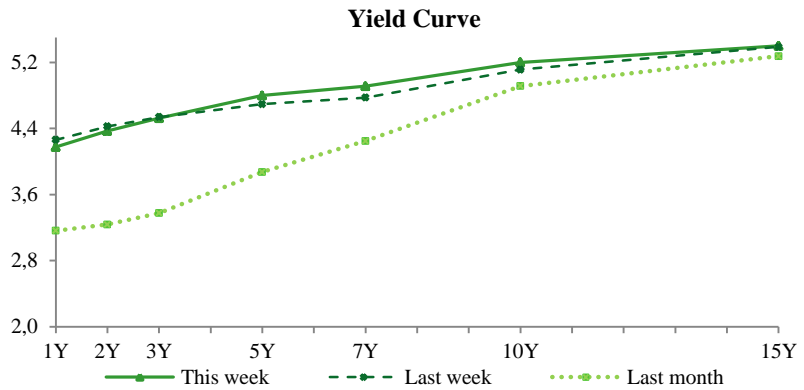
**Secondary Market**

**Outrights activities was still in laggard status.**

**VND 24,360 bn (-12.8% wow) was traded on the secondary market.**

**VND 24,360 bn (-12.8% wow) was traded on the secondary market. Outright and repo values were at VND 11,586 bn and VND 12,792 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 (57%) belonged to short-term bond (below 5Y tenors).**

**Bond yields struggled to find direction this week as short-term bond yields pulled back slightly while long term ones ticked up.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.175% (-8.8 bps), 4.37% (-5.5 bps), 4.525% (-1.3 bps), 4.8% (+10.5 bps), 4.912% (+13.7 bps), 5.2% (+8.7 bps), and 5.4% (+1.2 bps) respectively.



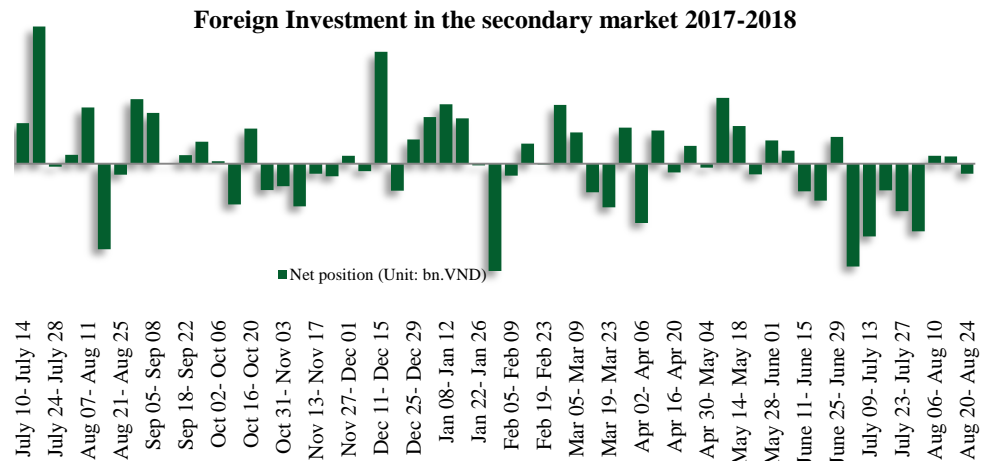
Source: Bloomberg, VCBS

This week, exchange rates in free market as well as the ones stated at commercial banks cooled down. During weekdays, SBV also ticked down reference last week though only at a minimal level. Although speculative sentiment in the market has been cooled down due to more calm reaction to uncertainty in worldwide market. Also it should be noted that State Bank has stated that at the present the scale of free market at the present was comparatively small to the official one and therefore cannot badly impact exchange rates in the long term.

In the meantime, there is also positive signal in this period because the CPI growth yoy in August is expected to cool down considerably thanks to a high base recorded last year. The driving force if any shall come from education staffs serving for upcoming school year. With the expectation of lower CPI, we expect a short-term downward force with bond yield next week. Nevertheless, we do not change our view of an overall upward force on bond yields in Q3 when bond yields movement this period strongly depends on the liquidity status in the banking system.

**Foreign investors net sold roughly VND 134 bn this week.**

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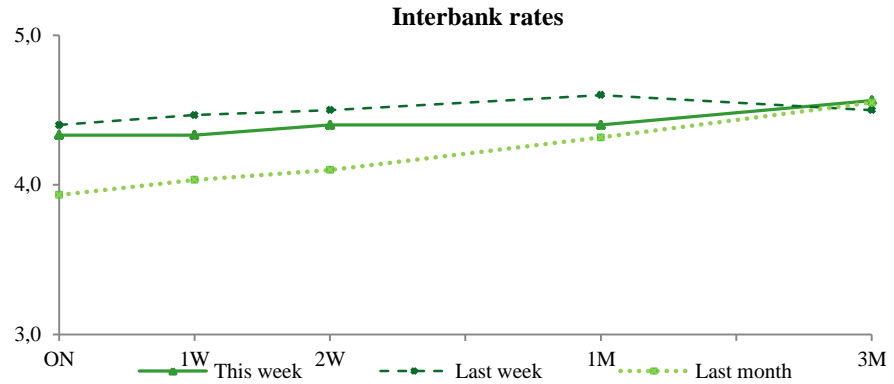
Source: HNX, VCBS

**INTEREST RATE**

**Interbank Rates**

**Interbank rate still remained at a high level.**

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Source: Bloomberg, VCBS

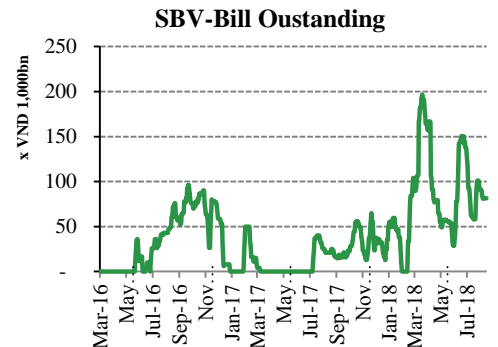
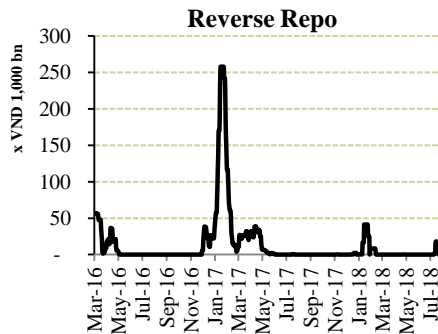
In previous report, we have mentioned about chance that there will be upward pressure on interest level in case cost of capital in the money market settled at a high level for a long period of time. Recently, there was primary signal when some banks including BIDV started to increase deposits rate applied for short tenor with the increase level of 20bps. We shall keep track with interest rate because a change in interest rates if any will cause major change on bond's market outlook.

In the upcoming weeks, we do not see factors which can decrease interbank rates considerably. Hence, a higher level of interbank rates shall remain at least in Q3.

**Open Market Operation**

**SBV net injected VND 6,893 bn via OMO channel.**

**SBV net injected VND 6,893 bn via OMO channel.** Last week, SBV uses Repo activities to support liquidity in the system. In the meantime, regarding 7-day SBV-bills, the rate was stable 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
<b>ST bills</b>								
<b>Government and government-backed bonds</b>								
22-Aug-18	5Y	500	2,951	-	5.90	-	0.00%	ST
22-Aug-18	10Y	2,600	3,050	2,100	1.17	4.6	80.77%	ST
22-Aug-18	15Y	2,600	2,900	2,000	1.12	4.87	76.92%	ST
22-Aug-18	7Y	500	1,000	-	2.00	-	0.00%	ST
22-Aug-18	30Y	500	300	-	0.60	-	0.00%	ST
20-Aug-18	3Y	1,000	700	200	0.70	4.9	20.00%	VBSP
20-Aug-18	5Y	1,000	701	100	0.70	5	10.00%	VBSP
20-Aug-18	10Y	500	400	-	0.80	-	0.00%	VBSP
20-Aug-18	15Y	500	710	10	1.42	5.9	2.00%	VBSP

### Secondary Market

Issuer	Week 13-17 Aug		Week 20-24 Aug	
	Value	Value share	Value	Value share
<b>Outright</b>	10,461	93.41%	9,455	81.73%
	738	6.59%	2,113	18.27%
	-	0.00%	-	0.00%
	-	0.00%	-	0.00%
<b>Repo</b>	11,199	100.00%	11,568	100.00%
Outright	16,736	40.11%	12,792	34.61%
Repo	24,987	59.89%	24,173	65.39%
Subtotal (3)	41,723	100.00%	36,965	100.00%
<b>ST bills</b>	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total (1)+(2)+(3)</b>	<b>52,922</b>		<b>48,533</b>	

### Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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	101,030
08/06-08/10	0	4,096	4,096	4,096	8,500	3,400	(5,100)	90,730
08/13-08/17	4,096	12,089	7,993	12,089	10,100	700	(9,400)	81,330
<b>08/20-08/24</b>	<b>12,089</b>	<b>18,982</b>	<b>6,893</b>	<b>18,982</b>	<b>700</b>	<b>702</b>	<b>2</b>	<b>81,332</b>

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