

## Fixed-Income Report

Aug 27<sup>th</sup>-31<sup>st</sup>/2018

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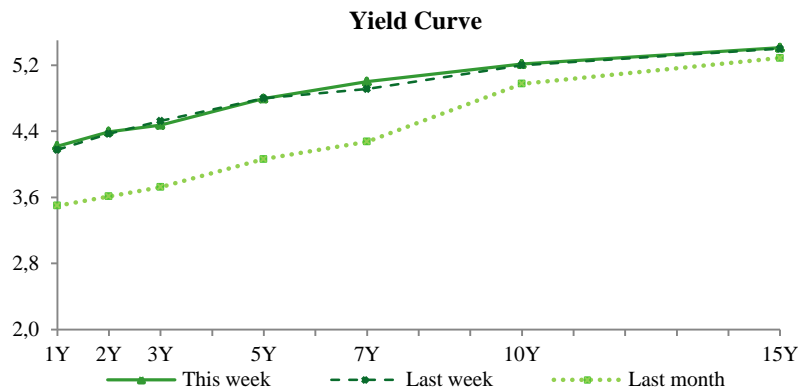
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## Round-up

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



Source: Bloomberg, VCBS

■ VND 2,369 bn was mobilized this week. VND 29,279 bn (+20.19% wow) was traded on the secondary market.

■ Bond yields moved in a tight band this week. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.22% (+4.5 bps), 4.395% (+2.5 bps), 4.475% (-5 bps), 4.795% (-0.5 bps), 5% (+8.8 bps), 5.213% (+1.3 bps), and 5.412% (+1.2 bps) respectively.

■ Interbank rate though pulled back slightly still remained at a high level. In details, ON – 3M rates respectively posted at 3.9%, 4.15%, 4.357%, 4.3% and 4.507% according to Bloomberg data.

■ Foreign investors net sold roughly VND 389 bn this week.

■ SBV net withdrew VND 5,578 bn via OMO channel.

## VCBS Commentary Sep 04<sup>th</sup> – 07<sup>th</sup>

■ Uncertainty still remained because tensions seemed to heat up in term of trade between US and China. This matter will be the short-term risk to the bond market. Therefore, we do not change our view of an overall upward force on bond yields in Q3 and bond yields movement this period strongly depends on the liquidity status in the banking system.

■ 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**

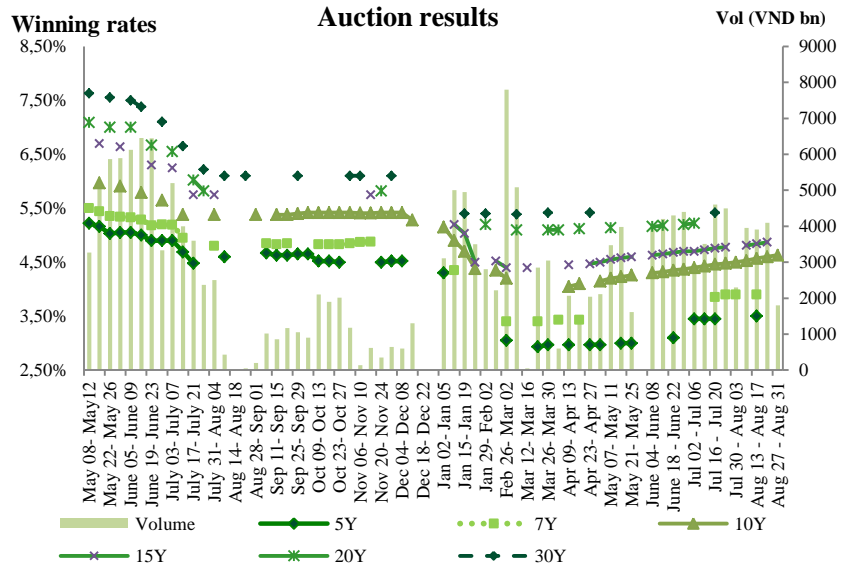
**Winning rates inched up. Only 10Y tenor was successfully mobilized.**

**VND 2,369 bn was mobilized this week.**

**VND 2,369 bn was mobilized this week from ST and VBSP. For ST bond, only VND 1,800 bn at 10Y was issued with an increase in winning rates by 3 bps compared to last auction 4.63% (+3bps). The remaining tenors (5Y-, 7Y and 15Y-) were failed to be issued.**

The registered volume to offering volume ratio for 5Y, 7Y, 10Y & 15Y tenors were 5.90, 2.0, 1.21 and 1.18 respectively.

VBSP successfully mobilized VND 569 bn worth of bond this week at 3Y; 5Y, 10Y and 15Y. Winning-to-offering ratio at all tenors were low (<30%).



Source: HNX, VCBS

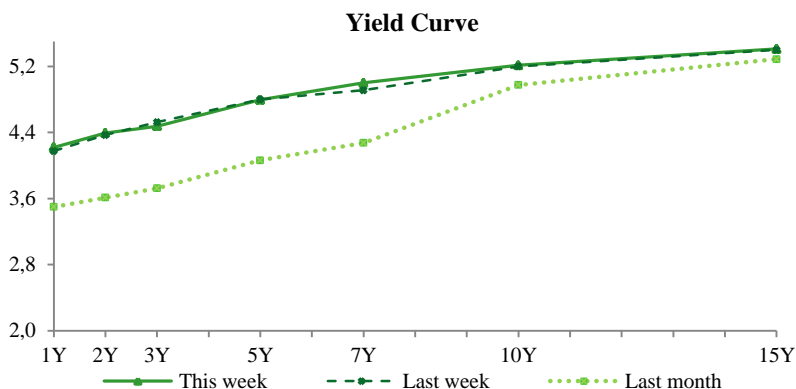
**Secondary Market**

**Conservative sentiment still dominated the market.**

**VND 29,279 bn (+20.19% wow) was traded on the secondary market.**

**VND 29,279 bn (+20.19% wow) was traded on the secondary market.** Outright and repo values were at VND 12,330 bn and VND 16,949 bn respectively. Therein, both outright and repo activities remained at a low level especially outright. Regarding outright, ST-Bond kept dominating trading volume with 81%. Remarkably, **this week a large proportion of bond trading (57%) belonged to short-term bond (below 5Y tenors).**

**Bond yields moved in a tight band this week.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.22% (+4.5 bps), 4.395% (+2.5 bps), 4.475% (-5 bps), 4.795% (-0.5 bps), 5% (+8.8 bps), 5.213% (+1.3 bps), and 5.412% (+1.2 bps) respectively.



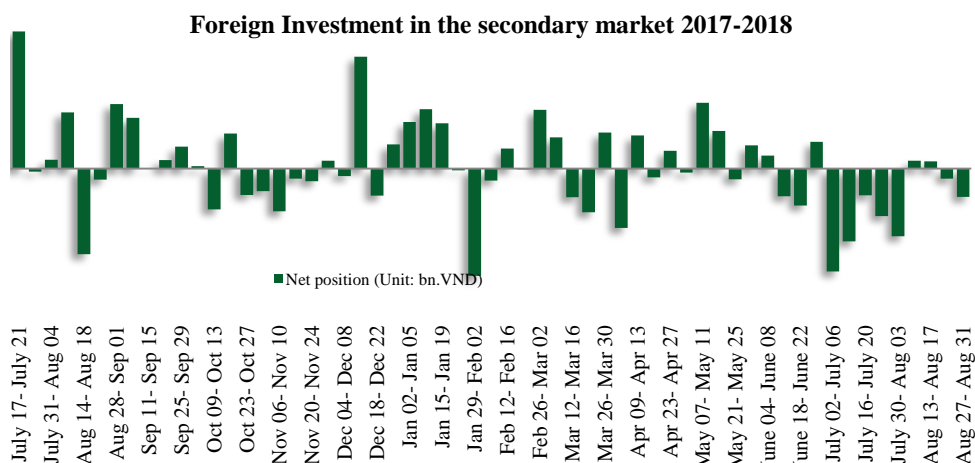
Source: Bloomberg, VCBS

As mentioned in previous report, there is also positive signal in this period because CPI growth yoy in August cooled down considerably thanks to a high base recorded last year. The driving force of a 0.45% mom growth in CPI was from price of education service and food and food stuffs.

This week, exchange rates in free market as well as the ones stated at commercial banks experienced minor change. However, uncertainty still remained because tensions seemed to heat up in term of trade between US and China. This matter will be the short-term risk to the bond market. Therefore, we do not change our view of an overall upward force on bond yields in Q3 and bond yields movement this period strongly depends on the liquidity status in the banking system.

**Foreign investors net sold roughly VND 390 bn this week.**

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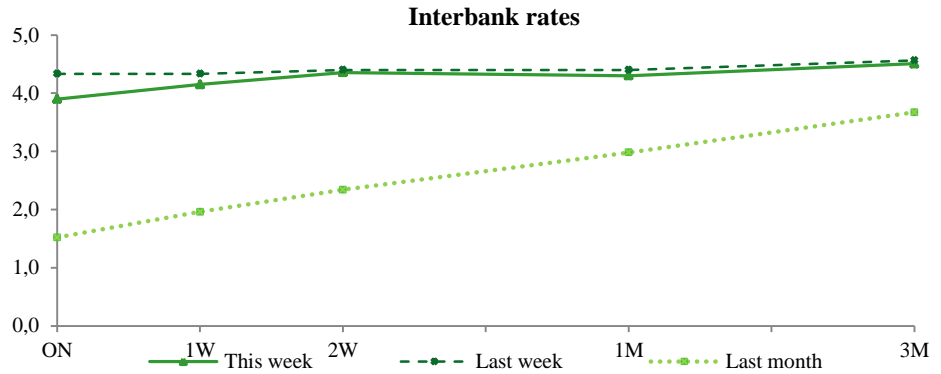
Source: HNX, VCBS

**INTEREST RATE**

**Interbank Rates**

**Interbank rate though pulled back slightly still remained at a high level.**

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Source: Bloomberg, VCBS

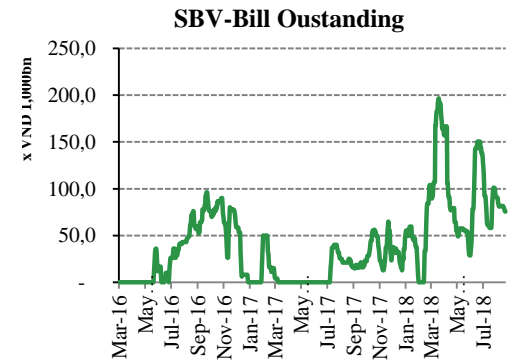
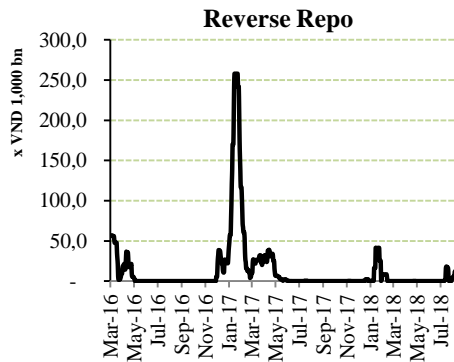
In previous report, we have mentioned about chance that there will be upward pressure on interest level in case cost of capital in the money market settled at a high level for a long period of time. Following a BIDV adjustment last week, deposit rate ticked up in other stated commercial banks such as Vietinbank, Vietcombank and Agribank with an increase of 20 basis point for short-tenor below 12M. 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 till the end of Q3.

**Open Market Operation**

**SBV net withdrew VND 5,578 bn via OMO channel.**

**SBV net withdrew VND 5,578 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%. However



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>								
29-Aug-18	7Y	500	1,000	-	2.00	0	0.00%	ST
29-Aug-18	5Y	500	2,951	-	5.90	0	0.00%	ST
29-Aug-18	15Y	2,000	2,350	-	1.18	0	0.00%	ST
29-Aug-18	10Y	2,600	3,150	1,800	1.21	4.63	69.23%	ST
27-Aug-18	15Y	500	719	19	1.44	6	3.80%	VBSP
27-Aug-18	5Y	1,000	1,101	250	1.10	5.1	25.00%	VBSP
27-Aug-18	3Y	1,000	1,000	300	1.00	5	30.00%	VBSP
27-Aug-18	10Y	500	300	-	0.60	0	0.00%	VBSP

### Secondary Market

Issuer	Week 20-24 Aug		Week 27-31 Aug	
	Value	Value share	Value	Value share
<b>Outright</b>				
	9,455	81.73%	10,056	81.56%
	2,113	18.27%	2,274	18.44%
	-	0.00%	-	0.00%
	-	0.00%	-	0.00%
<b>Repo</b>	11,568	100.00%	12,330	100.00%
Outright	12,792	34.61%	16,949	47.07%
Repo	24,173	65.39%	19,058	52.93%
Subtotal (3)	36,965	100.00%	36,007	100.00%
<b>ST bills</b>	-		-	
	-		-	
	-		-	
<b>Total (1)+(2)+(3)</b>	<b>48,533</b>		<b>48,337</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
08/20-08/24	12,089	18,982	6,893	18,982	700	702	2	81,332
<b>08/27-08/31</b>	<b>18,982</b>	<b>7,702</b>	<b>(11,280)</b>	<b>7,702</b>	<b>6,802</b>	<b>1,100</b>	<b>(5,702)</b>	<b>75,630</b>

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