

Fixed-Income Report

Sep 03rd-07th/2018

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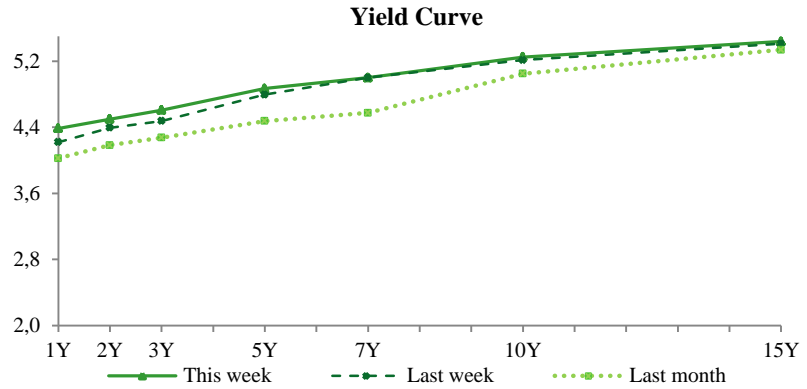
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Round-up

**Winning rates inched up.
Yield curve became flattened.
Interbank rate still settled at a high level.**



Source: Bloomberg, VCBS

- **VND 4,050 bn was mobilized this week from ST and VBSP. VND 4,050 bn was mobilized this week from ST and VBSP**
- **Bond yields kept increasing especially in short tenors. Yield curve become more flattened.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.387% (+16.7 bps), 4.5% (+10.5 bps), 4.608% (+13.3 bps), 4.87% (+7.5 bps), 5% (0 bps), 5.25% (+3.7 bps), and 5.438% (+2.6 bps) respectively.
- **Interbank rate settled at a high level.** In details, ON – 3M rates respectively posted at 4.2%, 4.15%, 4.342%, 4.442% and 4.508% according to Bloomberg data.
- **Foreign investors net sold roughly VND 711 bn this week.**
- **SBV net injected VND 747 bn via OMO channel.**

VCBS Commentary Sep 10th – 14th

- Same as previous week, exchange rates in free market as well as the ones stated at commercial banks experienced minor change. However, uncertainty heated up because trade tension between US and China in the context of readiness of new tax imposed. 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

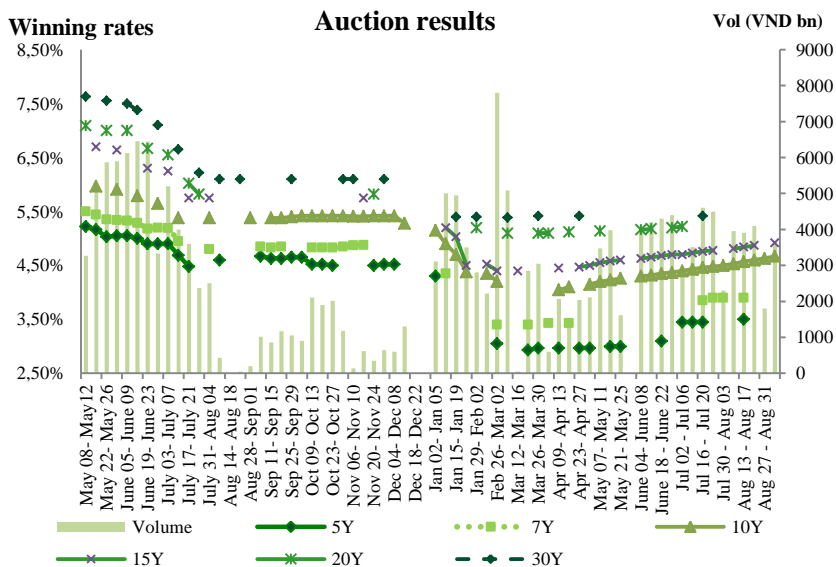
Winning rates inched up.

VND 4,050 bn was mobilized this week.

VND 4,050 bn was mobilized this week from ST and VBSP. For ST bond, VND 3,650 bn at 10Y & 15Y was issued with a slight increase in winning rates compared to last auction. To be more specific, winning rates were 4.63% (+3bps) and 4.92% (+5 bps) for 10Y and 15Y respectively. The remaining tenors (5Y and 20Y) were failed to be issued.

The registered volume to offering volume ratio for 5Y, 10Y, 15Y & 20Y tenors were 6.1, 1.4, 1.13 and 0.5 respectively. Winning –to offering ratio was 59%.

VBSP successfully mobilized VND 400 bn worth of bond this week at 3Y while the auctions for longer tenors all failed.



Source: HNX, VCBS

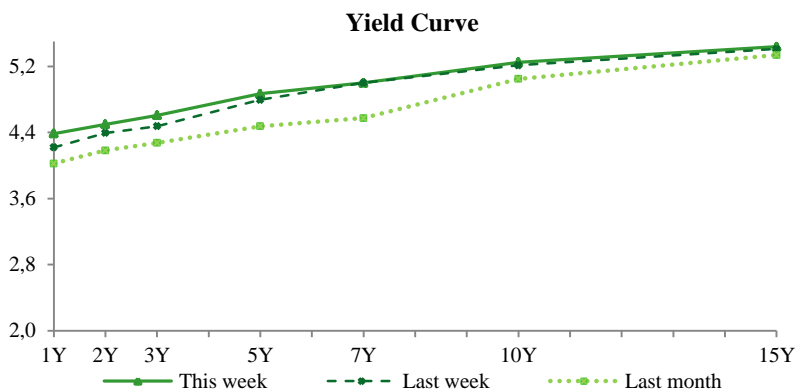
Secondary Market

Market was laggard this period.

VND 32,016 bn (+9.35% wow) was traded on the secondary market.

VND 32,016 bn (+9.35% wow) was traded on the secondary market. Outright and repo values were at VND 10,054 bn and VND 21,512 bn respectively. Therein, out. Regarding outright, ST-Bond kept dominating trading volume with 81%. Remarkably, this week a large proportion of bond trading (45%) still belonged to short-term bond (below 5Y tenors).

Bond yields kept increasing especially in short tenors. Yield curve become more flattened. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.387% (+16.7 bps), 4.5% (+10.5 bps), 4.608% (+13.3 bps), 4.87% (+7.5 bps), 5% (0 bps), 5.25% (+3.7 bps), and 5.438% (+2.6 bps) respectively.

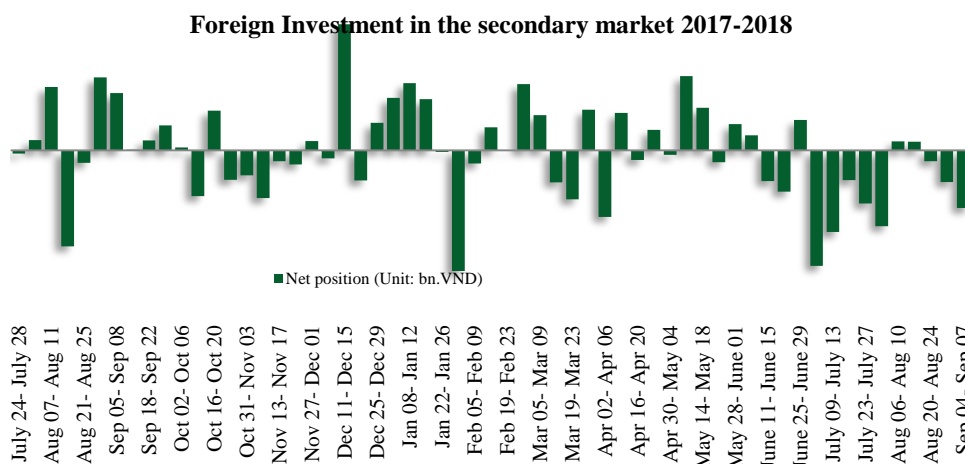


Source: Bloomberg, VCBS

Same as previous week, exchange rates in free market as well as the ones stated at commercial banks experienced minor change. However, uncertainty heated up because trade tension between US and China in the context of readiness of new tax imposed. 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 711 bn this week.

Foreign investors net sold roughly VND 711 bn this week. During this period Foreign investments was not active in the market. Even, on the verge of upcoming trade war, sell force seemed to dominated the market.



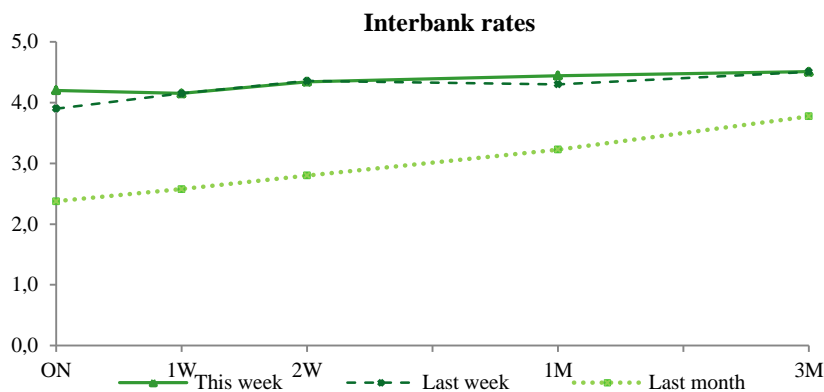
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rate settled at a high level.

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Source: Bloomberg, VCBS

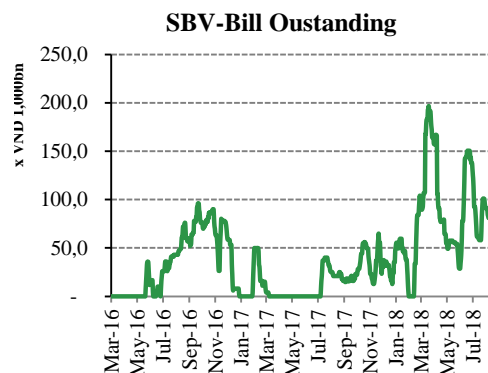
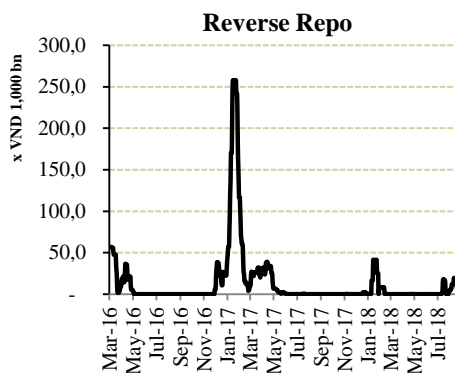
Following a fractional increase in deposit rates last week, this week no further increase in deposit rates recorded. We shall keep track with interest rate because a change in interest rates if any will cause major change on bond's market outlook.

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 injected VND 747 bn via OMO channel.

SBV net injected VND 747 bn via OMO channel. SBV did not to use repo activities these days because exchange rates. In the meantime, no SBV-bills was newly offered.



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								
5-Sep-18	15Y	2,600	2,950	1,800	1.13	4.92	69.23%	ST
5-Sep-18	20Y	500	250	-	0.50	0	0.00%	ST
5-Sep-18	5Y	500	3,051	-	6.10	0	0.00%	ST
5-Sep-18	10Y	2,600	3,650	1,850	1.40	4.67	71.15%	ST
4-Sep-18	3Y	1,000	700	400	0.70	5	40.00%	VBSP
4-Sep-18	10Y	500	300	-	0.60	0	0.00%	VBSP
4-Sep-18	15Y	500	700	-	1.40	0	0.00%	VBSP
4-Sep-18	5Y	1,000	400	-	0.40	0	0.00%	VBSP

Secondary Market

Issuer	Week 27-31 Aug		Week 04-07 Sep	
	Value	Value share	Value	Value share
Outright	10,056	81.56%	7,161	68.17%
	2,274	18.44%	2,945	28.04%
	-	0.00%	398	3.79%
	-	0.00%	-	0.00%
Repo	12,330	100.00%	10,504	100.00%
Outright	16,949	47.07%	21,512	57.53%
Repo	19,058	52.93%	15,882	42.47%
Subtotal (3)	36,007	100.00%	37,394	100.00%
ST bills	-	-	-	-
	-	-	-	-
	-	-	-	-
Total (1)+(2)+(3)	48,337		47,898	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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
08/27-08/31	18,982	7,702	(11,280)	7,702	6,802	1,100	(5,702)	75,630
09/03-09/07	7,702	7,349	(353)	7,349	1,100	0	(1,100)	74,530

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