

**Fixed-Income Report**

**Sep 17<sup>th</sup>-21<sup>st</sup>/2018**

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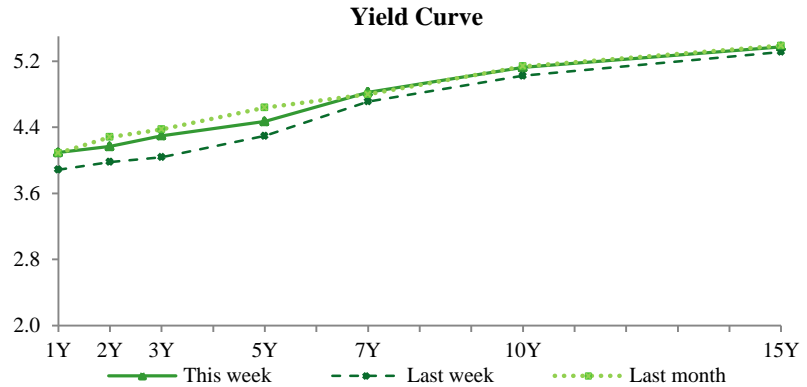
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**Round-up**

**Winning rates inched up.  
Yield curve shifted upward marginally.  
Interbank rate pulled back slightly.**



Source: Bloomberg, VCBS

■ VND 6,150 bn was mobilized this week from ST and VBSP. VND 36,173 bn (+47.16% wow) was traded on the secondary market.

■ **Bond yields bounced back slightly after strongly decreased last week. Yield curve shifted upward marginally.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.095% (+20.7 bps), 4.168% (+18.8 bps), 4.298% (+26 bps), 4.47% (+17.5 bps), 4.825% (+11.2 bps), 5.125% (+10 bps), 5.375% (+6.2 bps) respectively.

■ Interbank rate decreased slightly compared to last week. Better liquidity from last week was still there. In details, ON – 3M rates respectively posted at 2%, 2.383%, 2.7%, 3.15% and 4.033% according to Bloomberg data.

■ Foreign investors net buy roughly VND 170 bn this week.

■ SBV net injected VND 13,259 bn via OMO channel.

**VCBS Commentary Sep 24<sup>th</sup> – 28<sup>th</sup>**

■ At this period, we believe that macroeconomic situation is likely to be better-off as we expected. Hence, we observe more supportive foundation for the chance that lower bond yields threshold will be experienced roughly from the beginning of Q4. On the other hand, uncertainties this period was all about trade tension. However, it seemed that investors are more calmly reacted to this event. Meanwhile, next week taking FOMC event into consideration, bond yields may fluctuate in a tight band.

■ With the assumption that, exchange rate may not bear great pressure. We anticipate that interbank rate may temporary stand still until further information showed up.

**Bond Market**

**Primary Market**

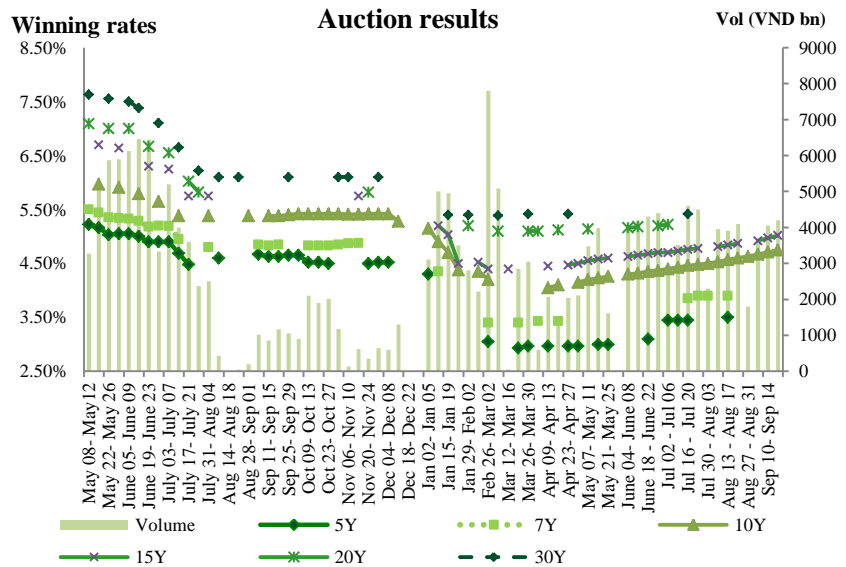
**Winning rates inched up.**

**VND 6,150 bn was mobilized this week.**

**VND 6,150 bn was mobilized this week from ST and VBSP. For ST bond, VND 4,200 bn at 10Y & 15Y was issued with a slight increase in winning rates compared to last auction. To be more specific, winning rates were 4.75% (+4 bps) and 5.02% (+5 bps) for 10Y and 15Y respectively. The remaining tenors (5Y and 7Y) were failed to be issued.**

The registered volume to offering volume ratio for 5Y, 7Y, 10Y & 15Y tenors were 5.6, 1.7, 1.6 and 1.63 respectively. Winning –to offering ratio was 67.7%.

VBSP successfully mobilized VND 1,950 bn worth of bond this week of 3Y at 4.94% (-6bps); 5Y at 5.09 & 15Y at 6% while the auctions for 10Y tenors failed.



Source: HNX, VCBS

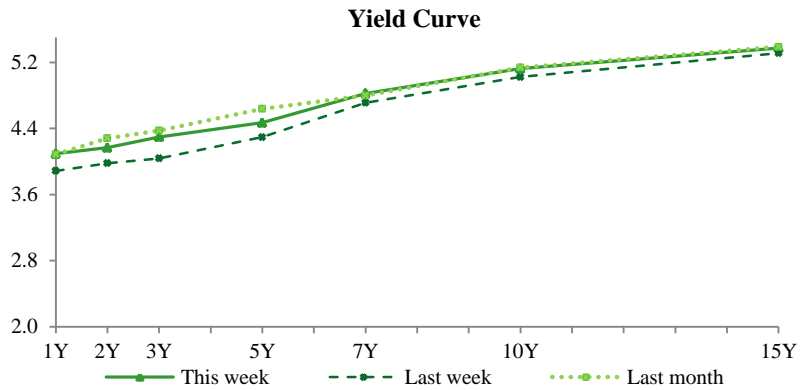
**Secondary Market**

**Repo volume increased considerably compared to last week.**

**VND 36,173 bn (+47.16% wow) was traded on the secondary market.**

**VND 36,173 bn (+47.16% wow) was traded on the secondary market. Outright and repo values were at VND 9,276 bn and VND 26,987 bn respectively. Regarding outright, ST-Bond kept dominating trading volume with 96%. Remarkably, this week a large proportion of bond trading (39%) still belonged to short-term bond (below 5Y tenors).**

**Bond yields bounced back slightly after strongly decreased last week. Yield curve shifted upward marginally.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.095% (+20.7 bps), 4.168% (+18.8 bps), 4.298% (+26 bps), 4.47% (+17.5 bps), 4.825% (+11.2 bps), 5.125% (+10 bps), 5.375% (+6.2 bps) respectively.



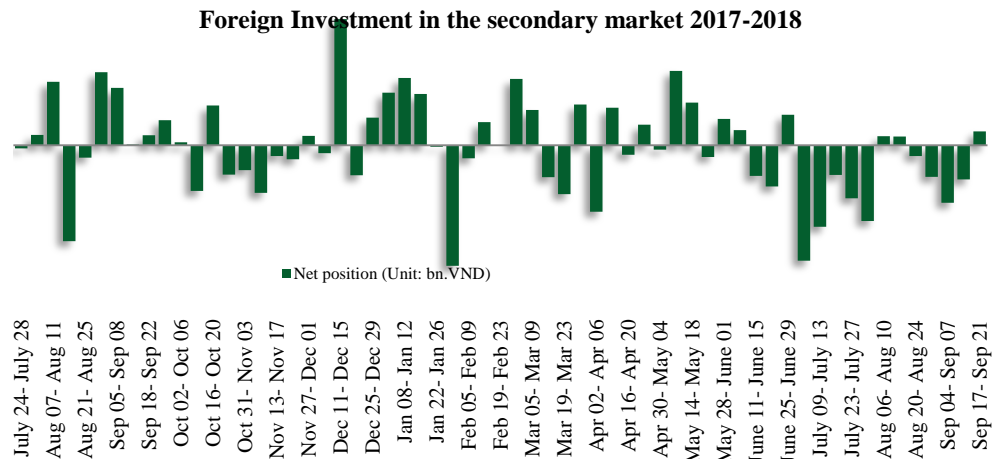
Source: Bloomberg, VCBS

At this period, we believe that macroeconomic situation is likely to be better-off as we expected. Hence, we observe more supportive foundation for the chance that lower bond yields threshold will be experienced roughly from the beginning of Q4. Meanwhile, next week taking FOMC event into consideration, we believe that bond yields may fluctuate in a tight band.

On the other hand, uncertainties this period was all about trade tension. However, it seemed that investors are more calmly reacted to this event. To sum up, all argument above supported for a lower level of bond yields in upcoming weeks.

**Foreign investors net buy roughly VND 170 bn this week.**

**Foreign investors net buy roughly VND 170 bn this week.** During this period foreign investments was not too active in the market. It should be noted that FOMC in September will occur next week. In case of new shock new happened, there was probability that foreign may gradually returned to the market.



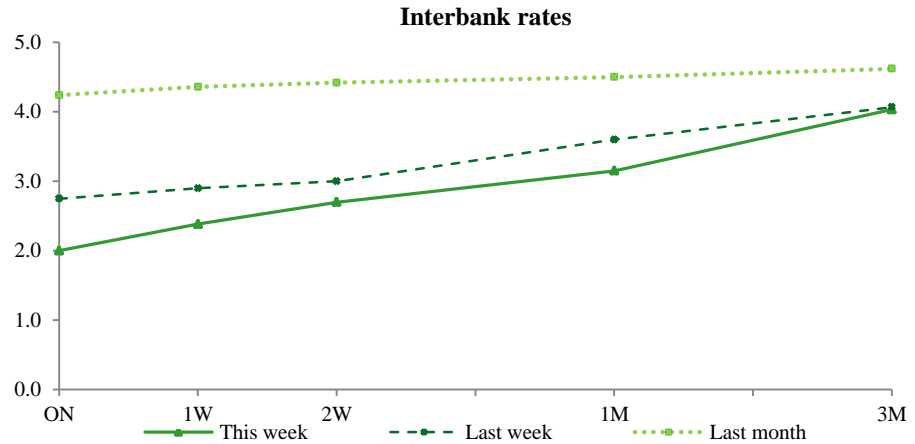
Source: HNX, VCBS

**INTEREST RATE**

**Interbank Rates**

**Interbank rate decreased slightly compared to last week.**

**Interbank rate decreased slightly compared to last week. Better liquidity from last week was still there.** In details, ON – 3M rates respectively posted at 2%, 2.383%, 2.7%, 3.15% and 4.033% according to Bloomberg data. As mentioned in previous reports, there is a probability that interbank rate will stay at this low level because: (1) Public disbursement only increased fractionally; (2) Credit growth was slower than the same period and year and is projected at a lower level for the whole 2018. (3) Pressure on exchange rates is no longer strong compared to last period.



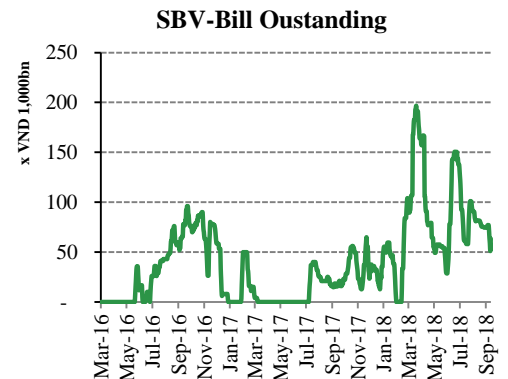
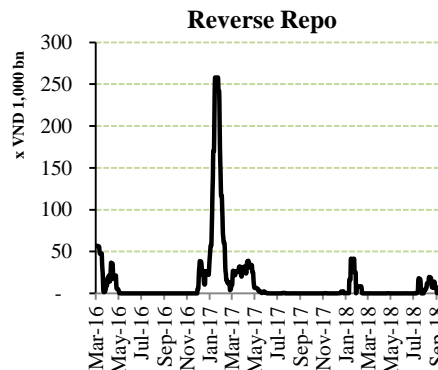
Source: Bloomberg, VCBS

With the assumption that, exchange rate may not bear great pressure. We anticipate that interbank rate may temporary stand still until further information showed up.

**Open Market Operation**

**SBV net injected VND 13,259 bn via OMO channel.**

**SBV net injected VND 13,259 bn via OMO channel.** For Outrights, VND 36,400 bn of SBV bills matured this week. Meanwhile, the issuance of new bills reached nearly VND 22,830 bn at the time to maturity of 7 days and 14 days with the yield of 2.5% (+50 bps) and 2.75% (+50 bps) respectively. This is considered as an active regulation from SBV against some events in the following week notably FOMC in September.



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>								
19-Sep-18	15Y	2,600	4,250	1,800	1.63	5.02	69.23%	ST
19-Sep-18	5Y	500	2,801	-	5.60	0	0.00%	ST
19-Sep-18	10Y	2,600	4,150	2,400	1.60	4.75	92.31%	ST
19-Sep-18	7Y	500	850	-	1.70	0	0.00%	ST
17-Sep-18	3Y	1,000	2,950	900	2.95	4.94	90.00%	VBSP
17-Sep-18	15Y	500	875	500	1.75	6	100.00%	VBSP
17-Sep-18	5Y	1,000	901	550	0.90	5.09	55.00%	VBSP
17-Sep-18	10Y	500	300	-	0.60	0	0.00%	VBSP

### Secondary Market

Issuer	Week 10-14 Sep		Week 17-21 Sep	
	Value	Value share	Value	Value share
<b>Outright</b>				
	13,817	89.04%	8,904	95.98%
	1,647	10.62%	373	4.02%
	53	0.34%	-	0.00%
	-	0.00%	-	0.00%
<b>Repo</b>	15,517	100.00%	9,276	100.00%
Outright	9,064	36.98%	26,897	52.48%
Repo	15,443	63.02%	24,352	47.52%
<i>Subtotal (3)</i>	24,506	100.00%	51,249	100.00%
<b>ST bills</b>	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total (1)+(2)+(3)</b>	<b>40,023</b>		<b>60,525</b>	

### Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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
09/10-09/14	7,349	330	(7,019)	330	2,000	4,500	2,500	77,030
<b>09/17-09/21</b>	<b>330</b>	<b>20</b>	<b>(310)</b>	<b>20</b>	<b>36,400</b>	<b>22,830</b>	<b>(13,570)</b>	<b>63,461</b>

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