

**Fixed-Income Report**

**Oct 01<sup>st</sup>-05<sup>th</sup>/2018**

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**Le Thu Ha**

+84 24 3936 6990 (ext. 7182)

[ltha\\_ho@vcbs.com.vn](mailto:ltha_ho@vcbs.com.vn)

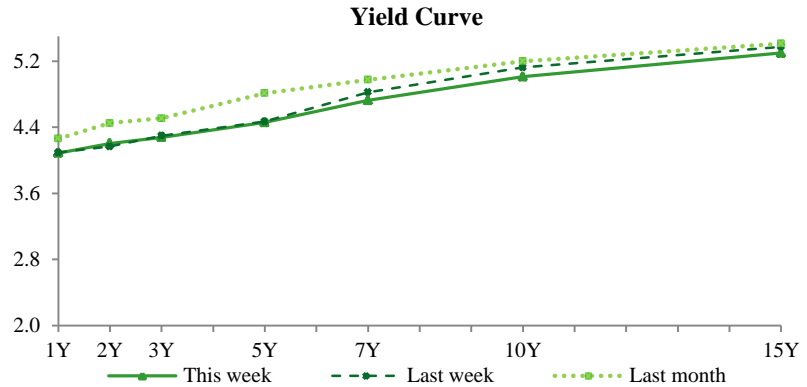
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**Round-up**

**Winning rates inched up.  
Yield curve became steepened  
Interbank rate experienced a minor change.**



Source: Bloomberg, VCBS

- VND 2,100 bn was mobilized this week from ST and VBSP. VND 37,131 bn (-15.96% wow) was traded on the secondary market.
- **Yield curve became more steepened for the reason that long term bond yields increased while short-term bond yields ticked down slightly.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.055% (-3.3 bps), 4.148% (-5.7 bps), 4.245% (-3.3 bps), 4.433% (-2.5 bps), 4.725% (0 bps), 5.038% (+2.5 bps), 5.338% (+3.8 bps) respectively.
- **Interbank rate experienced minor change this week.** In details, ON – 3M rates respectively posted at 2.7%, 2.9%, 3.129%, 3.5% and 4.014% according to Bloomberg data.
- **Foreign investors net sold roughly VND 500 bn this week.**
- SBV net injected VND 24,401 bn via OMO channel.

**VCBS Commentary Oct 08<sup>th</sup> – 12<sup>th</sup>**

- Although we still expect a lower bond threshold for the first half of the fourth quarter, the downward momentum if any shall be weaker for the reason of a more conservative sentiment.
- Till now same as previous week, no liquidity shortage recorded. Therefore, interbank rates will not increase sharply in upcoming weeks. .

**Bond Market**

**Primary Market**

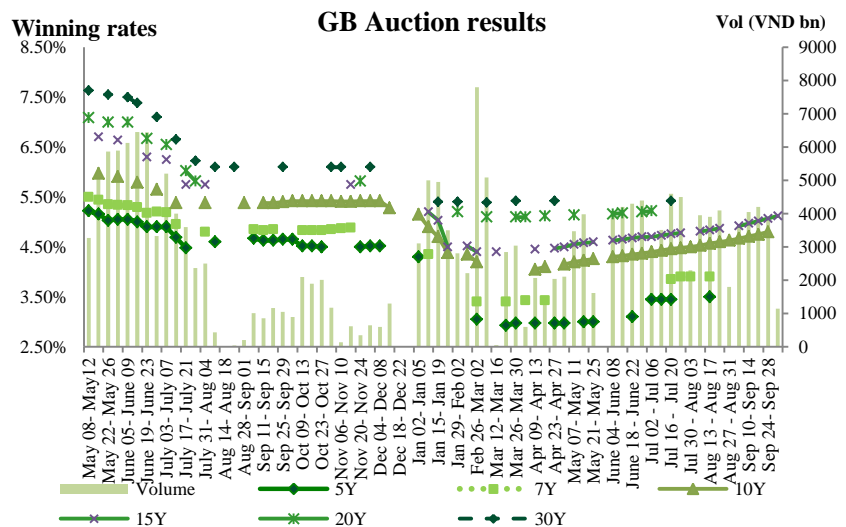
**Winning rates inched up.**

**VND 2,100 bn was mobilized this week.**

**VND 2,100 bn was mobilized this week from ST and VBSP. For ST bond, only VND 1,150 bn worth of bond issued at 5Y & 15Y. It should be noted that this is the very first successfully auction of 5Y bond since the middle of August after failing time after time. Winning rates was kept climbing gradually for 15Y tenors recorded at 5.07% (+5bps). For 5Y only a small quantity VND 150 bn out of VND 2,600 bn offered (~5%) was mobilized at 4.02% (+52 bps). The remaining tenors (7Y and 30Y) were failed to be issued.**

The registered volume to offering volume ratio for 5Y, 7Y, 15Y & 30Y tenors were 2.15, 3.7, 1.13 and 1.3 respectively. Winning –to offering ratio was only 18.5%.

VBSP successfully mobilized VND 950 bn worth of bond this week of 5Y at 5.05 (-3 bps) & 15Y at 6% while the auctions for 10Y tenors failed.



Source: HNX, VCBS

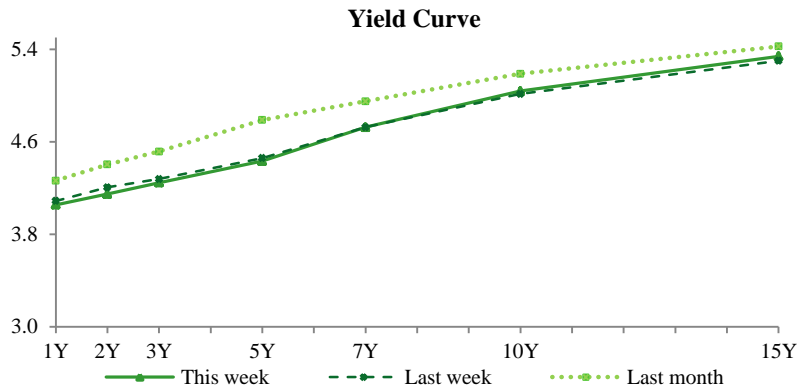
**Secondary Market**

**Repo volume increased slightly while outright remained sluggish.**

**VND 37,131 bn (-15.96% wow) was traded on the secondary market.**

**VND 37,131 bn (-15.96% wow) was traded on the secondary market. Outright and repo values were at VND 8,936 bn and VND 27,136 bn respectively. Regarding outright, ST-Bond kept dominating trading volume with 89%. Remarkably, this week a large proportion of bond trading (65%) still belonged to short-term bond (below 5Y tenors).**

**Yield curve became frictionally more steepened for the reason that long term bond yields increase while short-term bond yields ticked down slightly. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.055% (-3.3 bps), 4.148% (-5.7 bps), 4.245% (-3.3 bps), 4.433% (-2.5 bps), 4.725% (0 bps), 5.038% (+2.5 bps), 5.338% (+3.8 bps) respectively.**



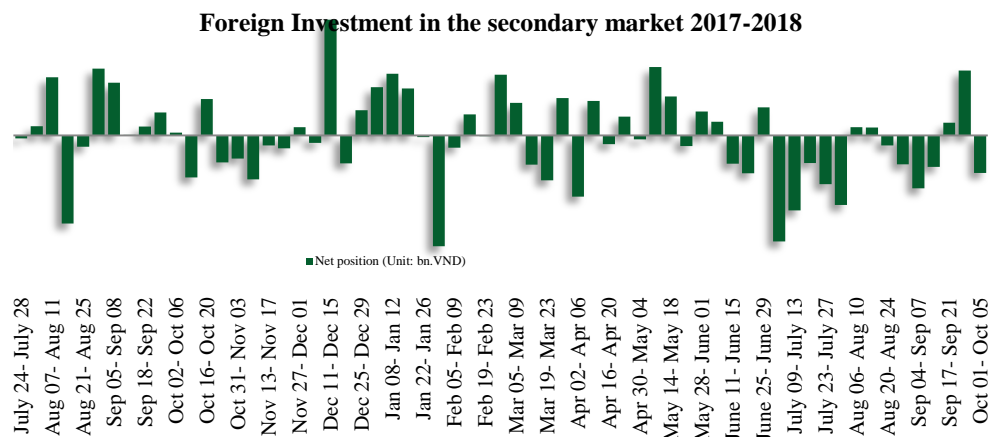
Source: Bloomberg, VCBS

This week, following FOMC in September, worldwide market had certain adjustment, which made 10Y US Treasury bills closed at 3.2% during weekdays. However, it seemed that stable foundation of domestic macroeconomics indexes somehow helped investors reacted calmly in local market.

To sum up, although we still expect a lower bond threshold for the first half of the fourth quarter, the downward momentum if any shall be weaker compared to previous expectation for the reason of a more conservative sentiment.

**Foreign investors net sold roughly VND 500 bn this week.**

**Foreign investors net sold roughly VND 500 bn this week, which focused on short-term bond of 2Y and 3Y. We do not speak highly chance that foreign activities will soon active again in the bond market.**



Source: HNX, VCBS

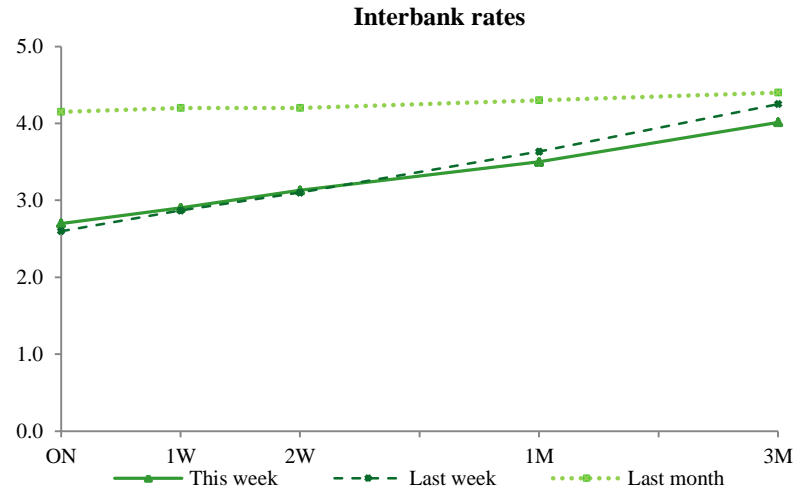
**INTEREST RATE**

**Interbank Rates**

**Interbank rate experienced minor change this week.**

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Source: Bloomberg, VCBS

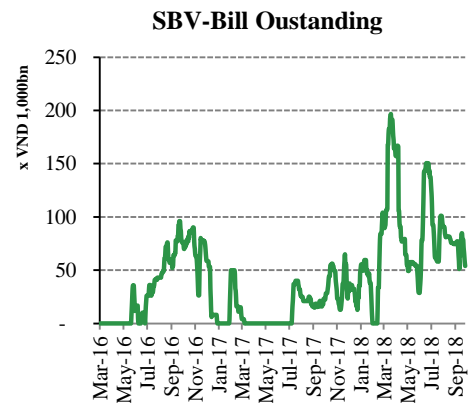
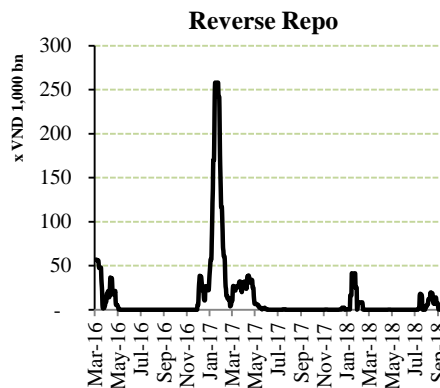
This week, some big commercial bank increased deposits rate 20-30 bps following a small adjustment last month. We believe that this adjustment shall ensure the relative attractiveness of the big ones against the small ones, who had already increase deposit rates, in the context of deposit demand shall increase at the end of the year due to seasonal factor.

To sum up, till now same as previous week, no liquidity shortage recorded. Therefore, interbank rates will not increase sharply in upcoming weeks.

**Open Market Operation**

**SBV net injected VND 24,401 bn via OMO channel.**

**SBV net injected VND 24,401 bn via OMO channel.** For Outrights, VND 29,980 bn of SBV bills matured this week. Meanwhile, the issuance of new bills was only VND 5,340 bn at the time to maturity of 7 days at unchanged rate of 2.75%.



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>								
3-Oct-18	5Y	2.600	5.601	150	2,15	4,02	5,77%	ST
3-Oct-18	30Y	500	650	-	1,30	0	0,00%	ST
3-Oct-18	7Y	500	1.850	-	3,70	0	0,00%	ST
3-Oct-18	15Y	2.600	2.950	1.000	1,13	5,12	38,46%	ST
1-Oct-18	10Y	1.000	-	-	0,00	0	0,00%	VBSP
1-Oct-18	15Y	1.000	450	450	0,45	6	45,00%	VBSP
1-Oct-18	5Y	500	501	500	1,00	5,05	100,00%	VBSP

### Secondary Market

Issuer	Week 24-28 Sep		Week 01-05 Oct	
	Value	Value share	Value	Value share
<b>Outright</b>				
	18,047	91.93%	8,936	89.40%
	800	4.08%	183	1.83%
	783	3.99%	877	8.77%
	-	0.00%	-	0.00%
<b>Repo</b>	19,631	100.00%	9,995	100.00%
Outright	24,518	58.25%	27,136	56.27%
Repo	17,572	41.75%	21,089	43.73%
Subtotal (3)	42,090	100.00%	48,225	100.00%
<b>ST bills</b>	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total (1)+(2)+(3)</b>	<b>61,721</b>		<b>58,220</b>	

### Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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
09/17-09/21	330	20	(310)	20	36,400	22,830	(13,570)	63,461
09/24-09/28	20	456	436	456	10,500	25,620	15,120	78,581
<b>10/05 -10/01</b>	<b>456</b>	<b>217</b>	<b>(239)</b>	<b>217</b>	<b>29,980</b>	<b>5,340</b>	<b>(24,640)</b>	<b>53,941</b>

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## CONTACT INFORMATION

**Tran Minh Hoang**

Head of Research

tmhoang@vcbs.com.vn

**Le Thu Ha**

Senior Analyst- Economic research

ltha\_ho@vcbs.com.vn

### VIETCOMBANK SECURITIES COMPANY

<http://www.vcbs.com.vn>

<b>Ha Noi Headquarter</b>	Floor 12th & 17th, Vietcombank Tower, 198 Tran Quang Khai Street, Hoan Kiem District, Hanoi Tel: (84-4)-39366990 ext: 140/143/144/149/150/151
<b>Ho Chi Minh Branch</b>	Floor 1 <sup>st</sup> and 7 <sup>th</sup> , Green Star Building, 70 Pham Ngoc Thach Street, Ward 6, District No. 3, Ho Chi Minh City Tel: (84-8)-3820 8116
<b>Da Nang Branch</b>	Floor 12 <sup>th</sup> , 135 Nguyen Van Linh Street, Thanh Khe District, Da Nang City Tel: (84-511)-3888991 ext: 801/802
<b>Nam Sai Gon Transaction Unit</b>	Lawrence Sting Building, 801 Nguyen Luong Bang Street, Phu My Hung Urban Zone, District No. 7, Ho Chi Minh City Tel: (84-8)-54136573
<b>Giang Vo Transaction Unit</b>	Floor 1 <sup>st</sup> , Building C4 Giang Vo, Giang Vo Ward, Ba Dinh District, Hanoi Tel: (84-4)-37265551
<b>Can Tho Representative Office</b>	Floor 1 <sup>st</sup> , Vietcombank Can Tho Building, 7 Hoa Binh Avenue, Ninh Kieu District, Can Tho City Tel: (84-710)-3750888
<b>Vung Tau Representative Office</b>	Floor 1st, 27 Le Loi Street, Vung Tau City, Ba Ria - Vung Tau Province Tel: (84-64)-3513974/75/76/77/78
<b>An Giang Representative Office</b>	Floor 7th, Vietcombank An Giang Tower, 30-32 Hai Ba Trung,, My Long Ward, Long Xuyen City, An Giang Province Tel: (84-76)-3949843
<b>Dong Nai Representative Office</b>	1st & 2nd Floor, 79 Hung Dao Vuong, Ward Trung Dung, Bien Hoa City, Dong Nai Province. Tel: (84-61)-3918815
<b>Hai Phong Representative Office</b>	Floor 2 <sup>nd</sup> , 11 Hoang Dieu Street, Minh Khai Ward, Hong Bang District, Hai Phong City Tel: (+84-31) 382 1630
<b>Binh Duong Representative Office</b>	Floor 3th, 516 Cach Mang Thang Tam Street, Phu Cuong Ward, Thu Dau Mot City, Binh Duong Province. Tel: (+84-650) 3855 771