

Fixed-Income Report

Oct 29th-Nov 02nd/2018

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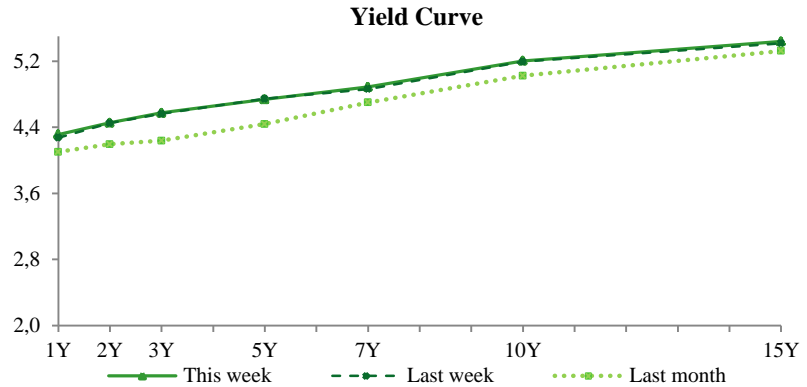
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Round-up

**Primary market was still laggard.
Yield curve experienced a minor change.
Interbank stayed at a high level.**



Source: Bloomberg, VCBS

- VND 699 bn was mobilized this week. VND 32,414 bn (+22.87% wow) was traded on the secondary market.
- Yield curve experienced minimal change this week. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4,313% (+3,8 bps), 4,455% (+0,5 bps), 4,575% (+1,2 bps), 4,738% (-0,7 bps), 4,888% (+2,5 bps), 5,205% (+1 bps), 5,438% (+2 bps) respectively.
- Interbank rate remained steadily at a high level. In details, ON – 3M rates respectively posted at 4,55%, 4,575%, 4,625%, 4,713% and 4,75% according to Bloomberg data.
- Foreign investors net bought roughly VND 600 bn this week..
- SBV net withdrew VND 6,796 bn via OMO channel.

VCBS Commentary Nov 05th – 09th

- In the last two weeks, yield curve shifted upward considerably as interbank pressed higher. However, we expected that this week, exchange rate may cool down and consequently upward pressure on bond yield will be released temporary. However, we did not change our view that till the end of the year upward force on bond yields still remains.
- In the upcoming weeks, we believe that interbank rates may decrease slightly because foreign currencies demand has been met. However, the downward force if only shall be fractional because we are approaching year-end time.

Bond Market

Primary Market

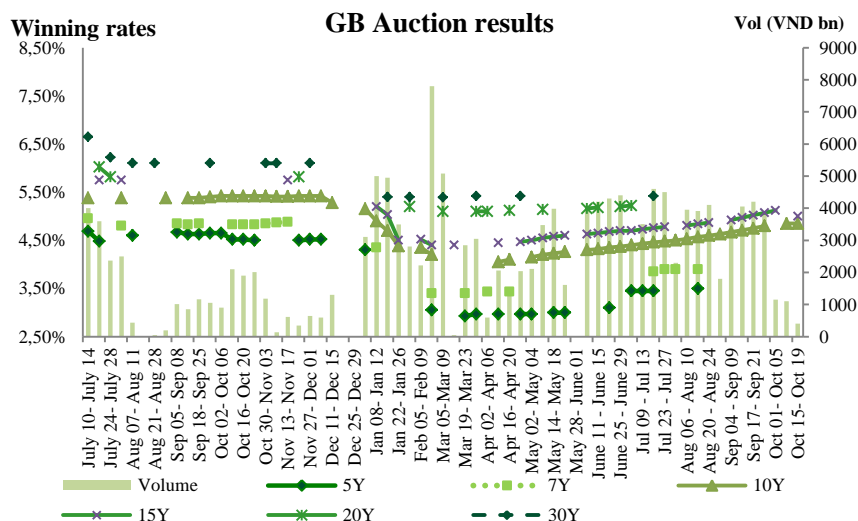
Winning rates inched up.

VND 699 bn was mobilized this week.

VND 699 bn was mobilized this week from ST. In detail VND 275bn and 424 bn worth of bond issued at 5Y & 10Y. Winning rates for 5Y and 10Y were at 4.2 (+0 bps) and 4.95% (+5 bps) respectively. The remaining tenor (15Y) were failed to be issued.

The registered volume to offering volume ratio for 5Y, 10Y, & 15Y tenors were 3.58, 1.87, and 1.9 respectively. Winning –to offering ratio was only 20%.

VBSP and VDB did not mobilize bond this week.



Source: HNX, VCBS

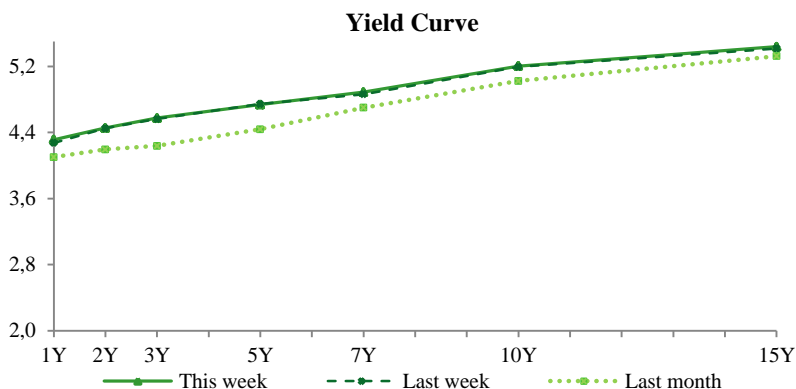
Secondary Market

Market participants were inactive this period.

VND 32,414 bn (+22.87% wow) was traded on the secondary market.

VND 32,414 bn (+22.87% wow) was traded on the secondary market. Outright and repo values were at VND 19,192 bn and VND 22,620 bn respectively. Regarding outright, ST-Bond kept dominating trading volume with 74%. Remarkably, this week a large proportion of bond trading (52%) still belonged to short-term bond (below 5Y tenors).

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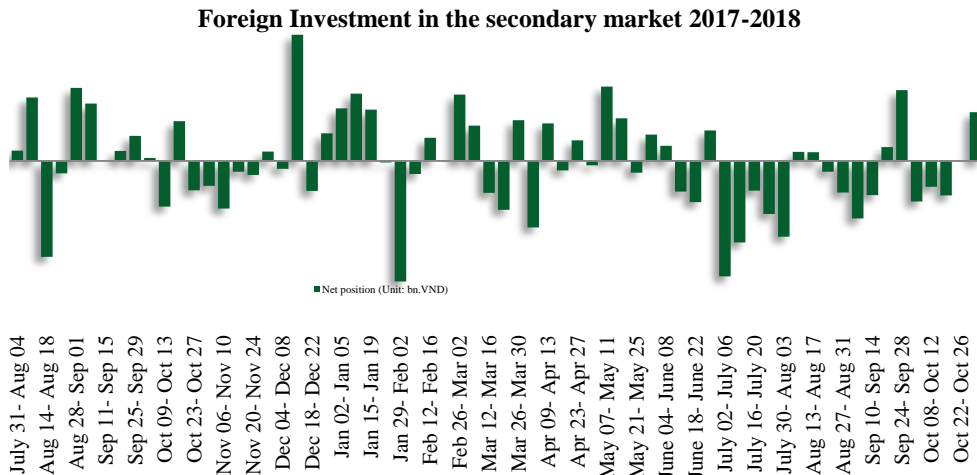


Source: Bloomberg, VCBS

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Foreign investors net buy roughly VND 600 bn this week, which focused on short-term bond of 12 months and 2 year. Although we recorded a net bought value this week, it is not likely that foreign will soon be active in bond market.



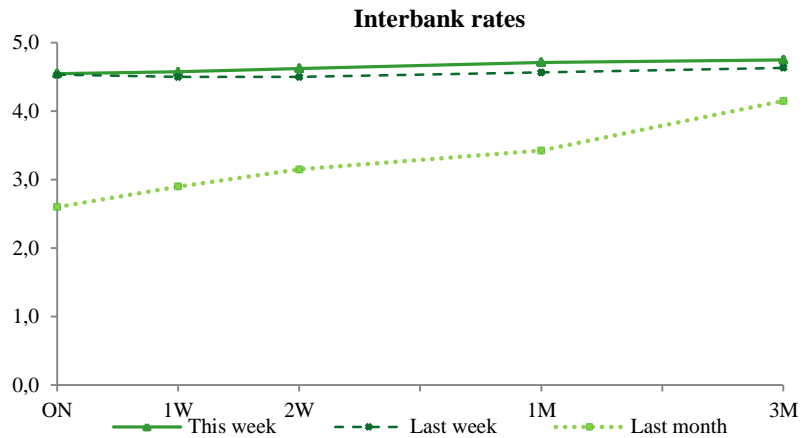
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rate remained steadily at a high level.

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Source: Bloomberg, VCBS

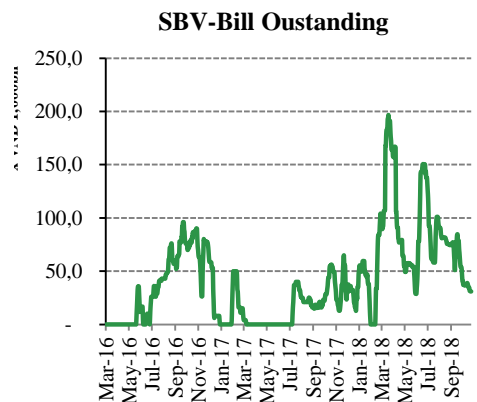
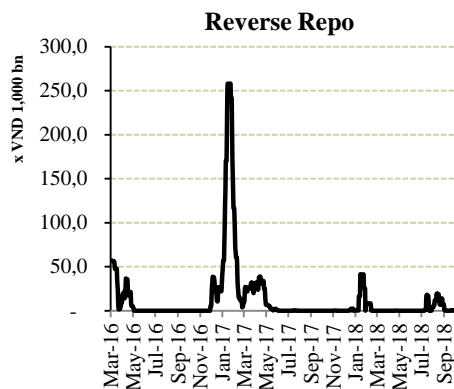
Lately, interbank rates ticked up strongly and then settled at a high level. This can be explained by the administrative effort from SBV when the use OMO rates to eliminate arbitrage opportunity between USD and VND traded in interbank market.

In the upcoming weeks, we believe that interbank rates may decrease slightly because foreign currencies demand has been met. However, the downward force if only shall be fractional because we are approaching year-end time.

Open Market Operation

SBV net withdrew VND 6,796 bn via OMO channel.

SBV net withdrew VND 6,796 bn via OMO channel. For Outrights, VND 3,550 bn of SBV bills matured this week while no new bills issued. Meanwhile, after a large amount liquidity pumped into the market through repo activities last week, this week SBV gradually withdrew VND from the system. Note that, once exchange rate cooled down, SBV will not need too much administrative effort through OMO channel.



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								
31-Oct-18	5Y	1,000	3,576	275	3.58	4.2	27.50%	ST
31-Oct-18	15Y	1,000	1,900	-	1.90	0	0.00%	ST
31-Oct-18	10Y	1,000	1,874	424	1.87	4.95	42.40%	ST

Secondary Market

Issuer	Week 22-26 Oct		Week 29 Oct- 02 Nov	
	Value	Value share	Value	Value share
Outright	10,572	99.67%	9,802	74.14%
	35	0.33%	2,832	21.42%
	-	0.00%	587	4.44%
	-	0.00%	-	0.00%
Repo	10,607	100.00%	13,222	100.00%
Outright	15,568	46.79%	19,192	45.90%
Repo	17,704	53.21%	22,620	54.10%
Subtotal (3)	33,272	100.00%	41,812	100.00%
ST bills	-	-	-	-
	-	-	-	-
Total (1)+(2)+(3)	43,879		55,034	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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
10/05 -10/01	456	217	(239)	217	29,980	5,340	(24,640)	53,941
10/08 -10/12	217	0	(217)	0	22,981	4,400	(16,801)	37,140
10/15 -10/19	0	0	0	0	1,900	1,550	(350)	36,790
10/22- 10/26	0	44,345	44,345	44,345	4,280	2,000	(2,280)	34,510
10/29- 11/02	44,345	34,000	(10,346)	34,000	3,550	0	(3,550)	30,960

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