

Fixed-Income Report

Nov 05th - 09th/2018

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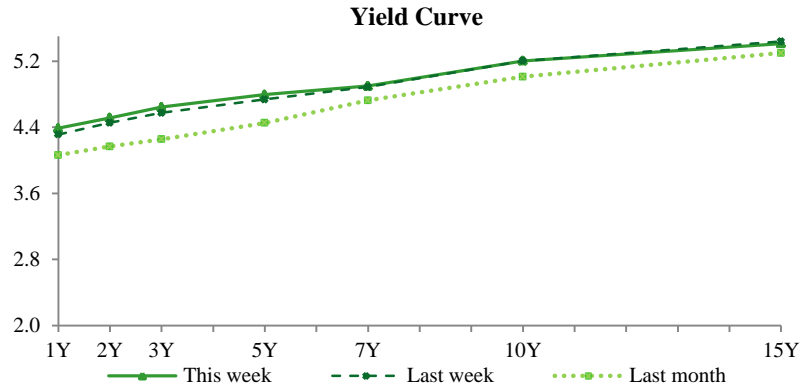
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Round-up

**Winnings rate inched up.
Yield curve became flattened.
Interbank stayed at a high level.**



Source: Bloomberg, VCBS

- VND 1,829 bn was mobilized this week. VND 24,949 bn (-23.61% wow) was traded on the secondary market.
- Yield curve became flattened this week with long-term bond yields were unchanged or decreased fractionally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.388% (+7.5 bps), 4.515% (+6 bps), 4.645% (+7 bps), 4.795% (+5.7 bps), 4.9% (+1.2 bps), 5.205% (0 bps) and 5.413% (-2.5 bps) respectively.
- Interbank rate remained steadily at a high level. In details, ON – 3M rates respectively posted at 4.625%, 4.65%, 4.675%, 4.75% and 4.85% according to Bloomberg data..
- Foreign investors net bought roughly VND 625 bn this week..
- SBV net injected VND 20,658 bn via OMO channel..

VCBS Commentary Nov 12th – 16th

- In the last three weeks, yield curve shifted upward considerably and became flattened as interbank pressed higher. Till now, we did not change our view that till the end of the year upward force on bond yields still remains given that no supportive news recorded.
- In the upcoming weeks, we do not foresee actor that can pull down interbank rates strongly. Even, the downward force if only shall be fractional and temporary because we are approaching year-end time.

Bond Market

Primary Market

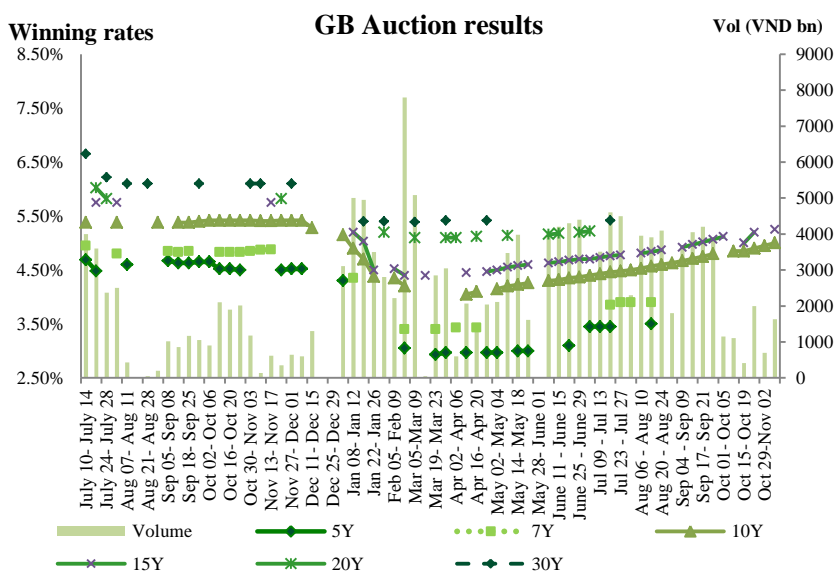
Winning rates inched up.

VND 1,829 bn was mobilized this week.

VND 1,829 bn was mobilized this week from ST. In detail VND 275bn and 424 bn worth of bond issued at 10Y & 15Y. Winning rates for 10Y and 15Y were at 5%(+5 bps) and 5.25% (+5 bps) respectively. The remaining tenor (5Y) were failed to be issued.

The registered volume to offering volume ratio for 5Y, 10Y, & 15Y tenors were 2.4, 1.41, and 1.39 respectively. Winning –to offering ratio was 45%.

VBSP and VDB did not mobilize bond this week.



Source: HNX, VCBS

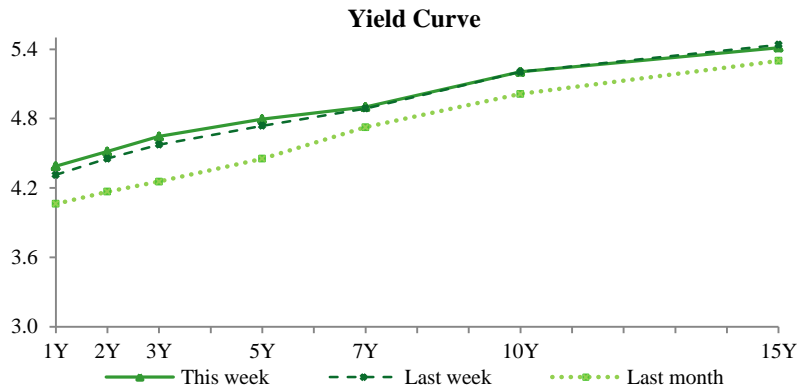
Secondary Market

Market participants were inactive this period.

VND 24,949 bn (-23.61% wow) was traded on the secondary market.

VND 24,949 bn (-23.61% wow) was traded on the secondary market. Outright and repo values were at VND 10,458 bn and VND 14,491 bn respectively. Regarding outright, ST-Bond kept dominating trading volume with 90%. Remarkably, this week a large proportion of bond trading (42%) belonged to long tenor (>10 year), followed by short-term bond (below 5Y tenors) (40%).

Yield curve became flattened this week with long-term bond yields were unchanged or decreased fractionally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.388% (+7.5 bps), 4.515% (+6 bps), 4.645% (+7 bps), 4.795% (+5.7 bps), 4.9% (+1.2 bps), 5.205% (0 bps) and 5.413% (-2.5 bps) respectively.

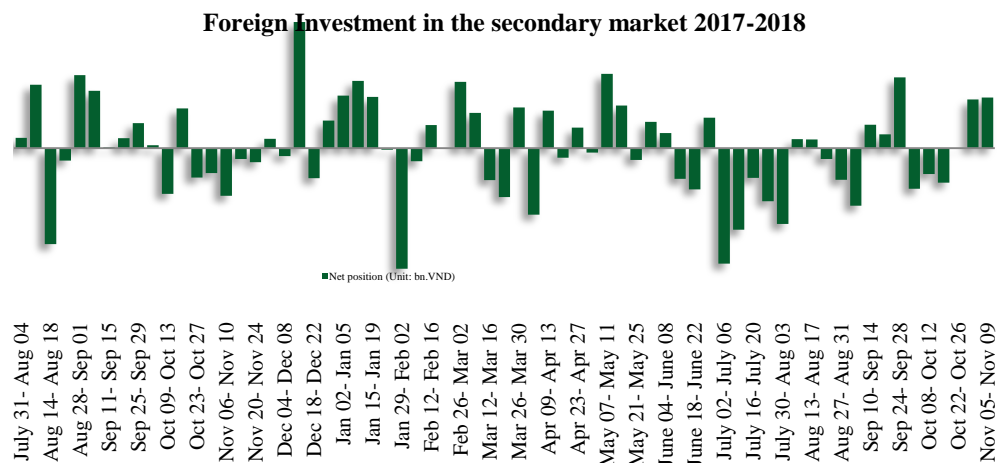


Source: Bloomberg, VCBS

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Foreign investors net bought roughly VND 625 bn this week.

Foreign investors net buy roughly VND 600 bn this week, extend their net bought value to the second week in consecutive. Therein, they focused on two type of short-term bond (below 1 year) and long-term bond 10-15Y. It seems that foreign as usually is taking advantage of the time when liquidity in banking system became tighter. However, it is unlikely that foreign will soon be strongly active again in the market



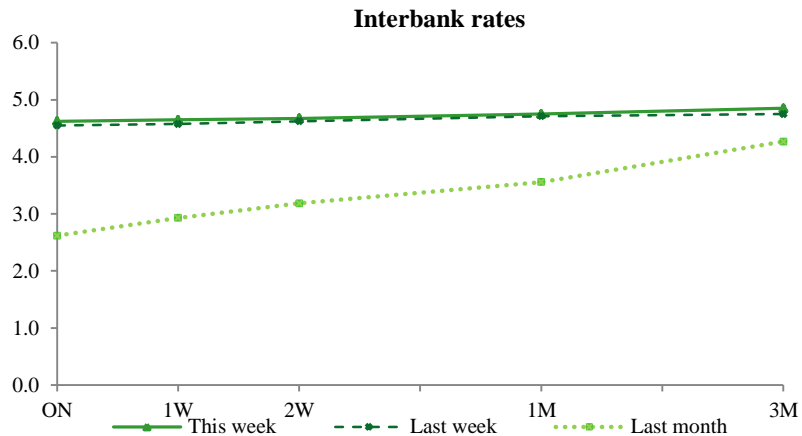
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rate remained steadily at a high level.

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Source: Bloomberg, VCBS

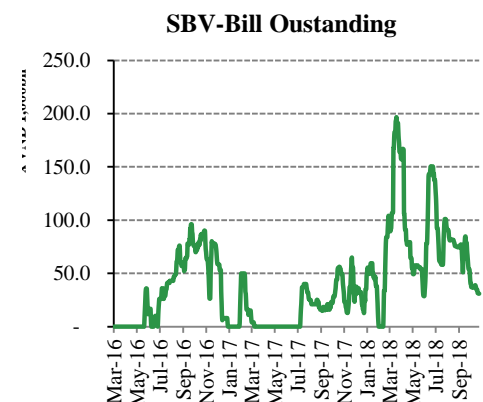
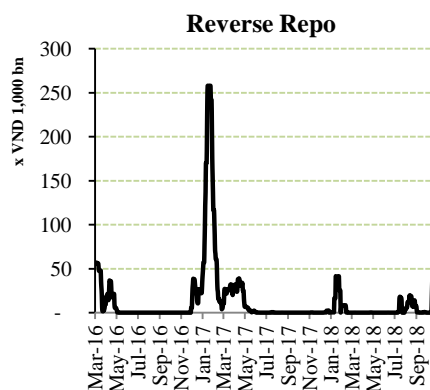
Same situation recorded for this week when interbank rates settled at a high level. This can be explained by the administrative effort from SBV when the use OMO rates to eliminate arbitrage opportunity between USD and VND traded in interbank market.

In the upcoming weeks, we do not foresee actor that can pull down interbank rates strongly. Even, the downward force if only shall be fractional and temporary because we are approaching year-end time.

Open Market Operation

SBV net injected VND 20,658 bn via OMO channel.

SBV net injected VND 20,658 bn via OMO channel. For Outrights, VND 2,000 bn of SBV bills matured this week while no new bills issued. This week, once again SBV used repo activity to support liquidity in the system. This week, while VND 34,000 bn matured in reverse repo amount, SBV newly offered VND 52,658 bn. It seems that till the end of the year, SBV will need to repo activities so as to support the liquidity in the system at least until exchange rates really cool down.



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								
7-Nov-18	5Y	1,000	2,401	-	2.40	0	0.00%	ST
7-Nov-18	15Y	1,300	1,800	800	1.38	5.25	61.54%	ST
7-Nov-18	10Y	1,300	1,829	829	1.41	5	63.77%	ST

Secondary Market

Issuer	Week 30 Oct-02 Nov		Week 05-09 Nov	
	Value	Value share	Value	Value share
Outright	9,802	72.79%	9,420	90.07%
	2,832	21.03%	438	4.19%
	832	6.18%	601	5.74%
	-	0.00%	-	0.00%
Repo	13,467	100.00%	10,458	100.00%
Outright	19,192	45.90%	14,491	42.14%
Repo	22,620	54.10%	19,895	57.86%
Subtotal (3)	41,812	100.00%	34,386	100.00%
ST bills	-	-	-	-
	-	-	-	-
Total (1)+(2)+(3)	55,278		44,845	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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
11/05- 11/09	34,000	52,658	18,659	52,658	2,000	0	(2,000)	28,960

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