

Fixed-Income Report

Nov 19th - 23rd / 2018

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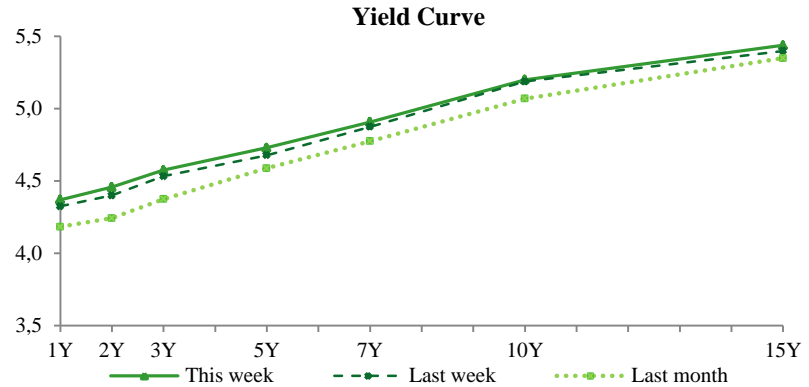
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Round-up

**Winnings rate inched up.
Yield curve shifted upward marginally.
Interbank stood still at a high level.**



Source: Bloomberg, VCBS

- VND 2,935 bn was mobilized this week. VND 32,097 bn (+5,3 wow) was traded on the secondary market.
- Yield curve shifted upward fractionally with bond yields at all tenors increased slightly. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.37% (+4.5 bps), 4.458% (+5.8 bps), 4.575% (+4.2 bps), 4.73% (+5.2 bps), 4.908% (+3.3 bps), 5.2% (+1.2 bps) and 5.438% (+3.8 bps) respectively.
- Interbank rate stood still at a high level. In details, ON – 3M rates respectively posted at 4.35%, 4.467%, 4.542%, 4.68% and 4.86% according to Bloomberg data.
- Foreign investors net bought roughly VND 155 bn this week..
- SBV net injected VND 5,089 bn via OMO channel.

VCBS Commentary Nov 26th – 30th

- Although concern about inflation was temporary released, no supportive news recorded. Hence, with the assumption that interbank rate will not pull back strongly, 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 do not foresee actor that can pull down interbank rates strongly.

Bond Market

Primary Market

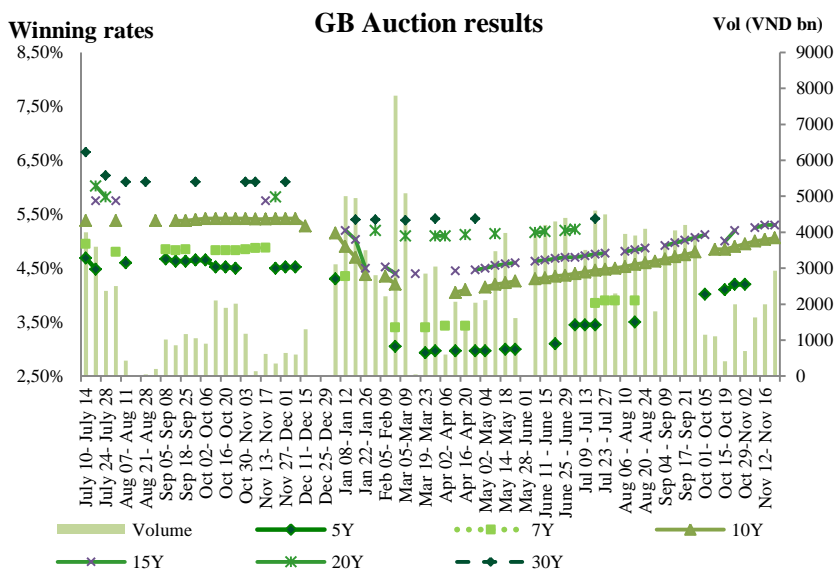
Winning rates inched up.

VND 2,935 bn was mobilized this week.

VND 2,935 bn was mobilized this week from ST. In detail VND 1,835 bn and 1,100 bn worth of bond issued at 10Y & 15Y. Winning rates for 10Y and 15Y were at 5,06% (+3bps) and 5.3% (+0 bps) respectively. The remaining tenor (5Y & 7Y) were failed to be issued.

The registered volume to offering volume ratio for 5Y, 7Y, 10Y, & 15Y tenors were 4.2, 1.5, 1.24 and 1.69 respectively. Winning –to offering ratio was 47%.

VBSP and VDB did not mobilize bond this week.



Source: HNX, VCBS

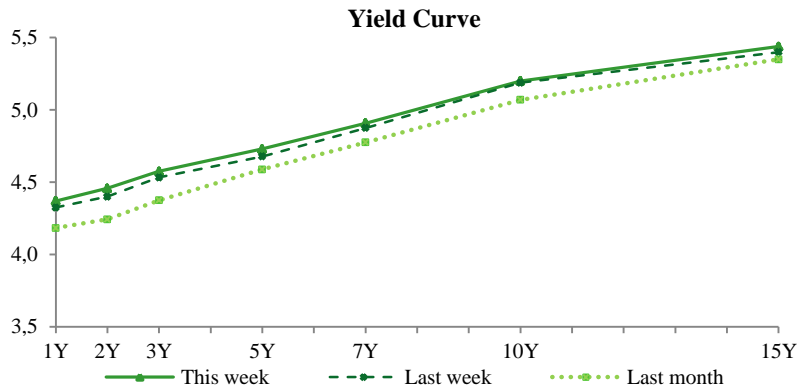
Secondary Market

Market participants were inactive this period.

VND 32,097 bn (+5,3 wow) was traded on the secondary market.

VND 32,097 bn (+5,3 wow) was traded on the secondary market. Outright and repo values were at VND 13,288 bn and VND 18,869 bn respectively. Regarding outright, ST-Bond kept dominating trading volume with 91%. Remarkably, **this week a large proportion of bond trading (44%) belonged to long tenor** (below 5Y tenors), followed by short-term bond (>10 year) (33%).

Yield curve shifted upward fractionally with bond yields at all tenors increased slightly. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.37% (+4.5 bps), 4.458% (+5.8 bps), 4.575% (+4.2 bps), 4.73% (+5.2 bps), 4.908% (+3.3 bps), 5.2% (+1.2 bps) and 5.438% (+3.8 bps) respectively.

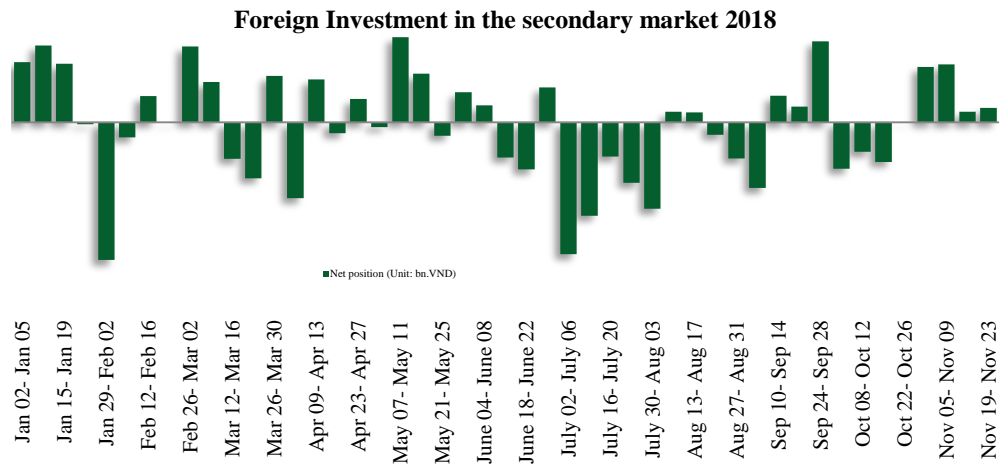


Source: Bloomberg, VCBS

Although concern about inflation was temporarily released, no supportive news recorded. Hence, with the assumption that interbank rate will not pull back strongly due to seasonal factor and remaining pressure on exchange rates, **we did not change our view that till the end of the year upward force on bond yields still remains.**

Foreign investors net bought roughly VND 155 bn this week.

Foreign investors net buy roughly VND 155 bn this week, extend their net bought value to the fourth week in consecutive. Therein, they still focused on two types of short-term bond. 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



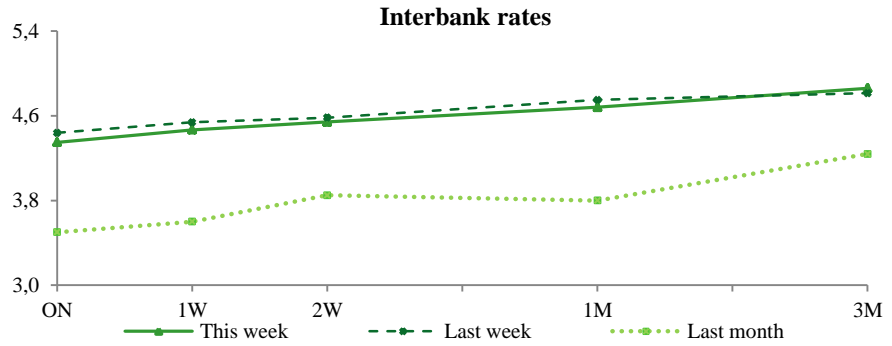
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rate stood still at a high level.

Interbank rate stood still at a high level. In details, ON – 3M rates respectively posted at 4.35%, 4.467%, 4.542%, 4.68% and 4.86% according to Bloomberg data.



Source: Bloomberg, VCBS

Same situation recorded during recent weeks 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. Last week, SBV's reference rate closed at 22,743 VND/USD while the exchange rates asked by commercial banks were nowhere far from ceiling rate, which was around 23,390.

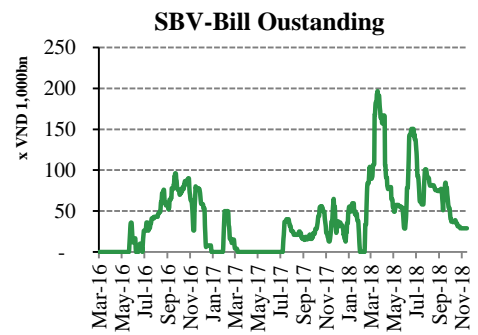
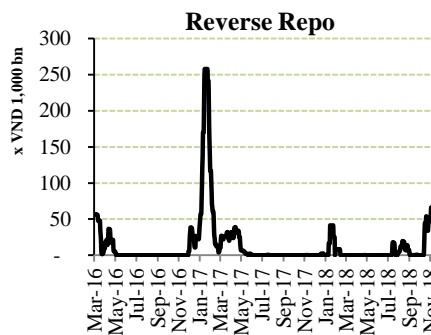
In the meantime, we observe an increase in deposit rate varied from 10-30 bps in some commercial banks notably Vietcombank, VP Bank, Military bank and Lienvietpost Bank. This is not a good indicator, referring a heating pressure for bank in mobilizing fund at the end of the year.

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 5,089 bn via OMO channel.

SBV net injected VND 5,089 bn via OMO channel. For Outrights, only VND 28,960 bn worth of SBV bills remained and they will gradually matured in December. 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								
21-Nov-18	15Y	2,600	4,400	1,100	1.69	5.3	42.31%	ST
21-Nov-18	7Y	500	750	-	1.50	0	0.00%	ST
21-Nov-18	10Y	2,600	3,235	1,835	1.24	5.06	70.58%	ST
21-Nov-18	5Y	500	2,100	-	4.20	0	0.00%	ST

Secondary Market

Issuer	Week 12- 16 Nov		Week 19-23 Nov	
	Value	Value share	Value	Value share
Outright	11,394	94.04%	12,012	90.81%
	722	5.96%	1,119	8.46%
	-	0.00%	97	0.73%
	-	0.00%	-	0.00%
Repo	12,116	100.00%	13,228	100.00%
Outright	18,367	41.72%	18,869	46.53%
Repo	25,655	58.28%	21,682	53.47%
Subtotal (3)	44,022	100.00%	40,551	100.00%
ST bills	-	-	-	-
	-	-	-	-
Total (1)+(2)+(3)	56,138		53,779	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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
11/12- 11/16	52,658	58,566	5,907	58,566	0	0	0	28,960
11/19- 11/23	58,566	63,655	5,089	63,655	0	0	0	28,960

DISCLAIMER

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