

Fixed-Income Report

Nov 26th - 30th/2018

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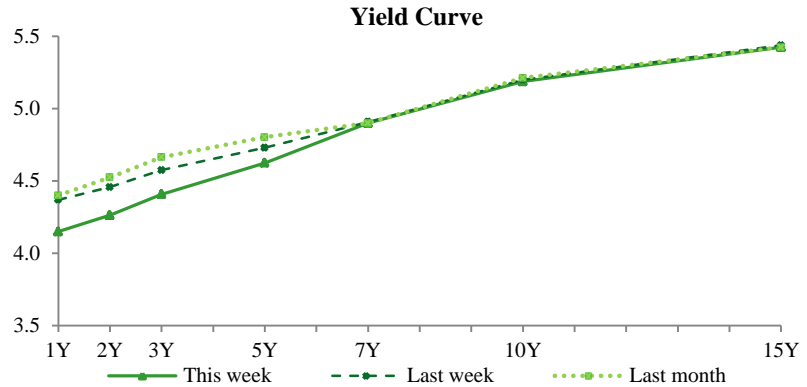
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Round-up

- **Winnings rate inched up.**
- **Yield curve became steepened.**
- **Interbank decreased slightly at the end of the week.**



Source: Bloomberg, VCBS

- VND 3,656 bn was mobilized this week. VND 31,541 bn (-2,08 wow) was traded on the secondary market.
- Yield curve became steepened because short-term bond yield decreased strongly this week. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.15% (-22 bps), 4.263% (-19.5 bps), 4.408% (-16.7 bps), 4.625% (-10.5 bps), 4.9% (-0.8 bps), 5.188% (-1.2 bps) and 5.425% (-1.3 bps).
- Interbank rate cooled down slightly at the end of week. In details, ON – 3M rates respectively posted at 4.3%, 4.6%, 4.725%, 4.867% and 5.083% according to Bloomberg data.
- Foreign investors net bought roughly VND 312 bn this week..
- SBV net withdrew VND 18,869.8 bn via OMO channel.

VCBS Commentary Dec 03rd – 07th

- At the close of G20 summit, good news came to the market when US and China agreed to suspend any new tariffs in the next 90 days. Although there still a long way to go before a new deal may be reached between two largest economies in the world, it is still considered a trigger point these days given that tension among this issue was one of the main drivers of upward force on bond yields. Hence, this week, thank to this supportive news we believe that bond yield may experience a downward force and yield curve will became more steepened.
- For this period we can assume that, once the pressure on exchange rates partially decrease, interbank rates can experience a downward force.

Bond Market

Primary Market

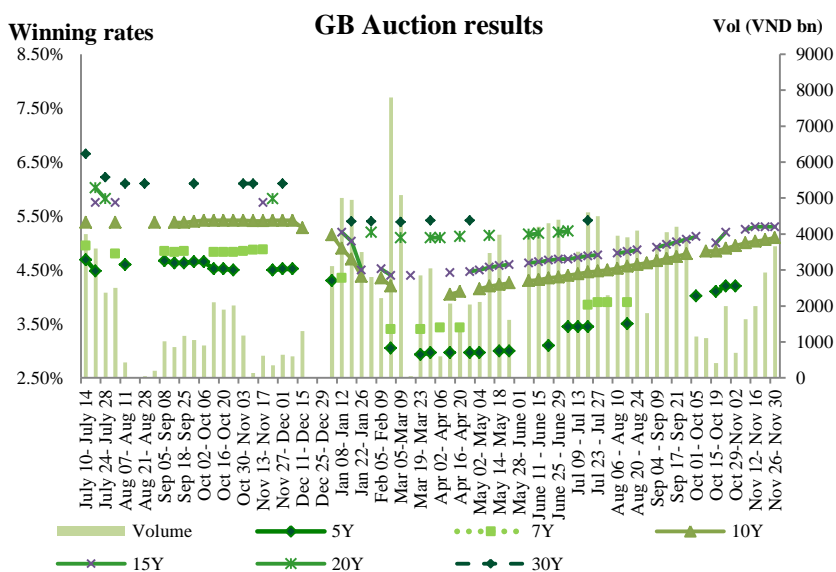
Winning rates inched up.

VND 3,656 bn was mobilized this week.

VND 3,656 bn was mobilized this week from ST. In detail VND 2,546 bn and 1,110 bn worth of bond issued at 10Y & 15Y. Winning rates for 10Y and 15Y were at 5,1% (+4 bps) and 5.3% (+0 bps) respectively. The remaining tenor (5Y) were failed to be issued.

The registered volume to offering volume ratio for 5Y, 10Y, & 15Y tenors were 5.6, 1.61, 1.7 respectively. Winning –to offering ratio was 64%.

VBSP and VDB did not mobilize bond this week.



Source: HNX, VCBS

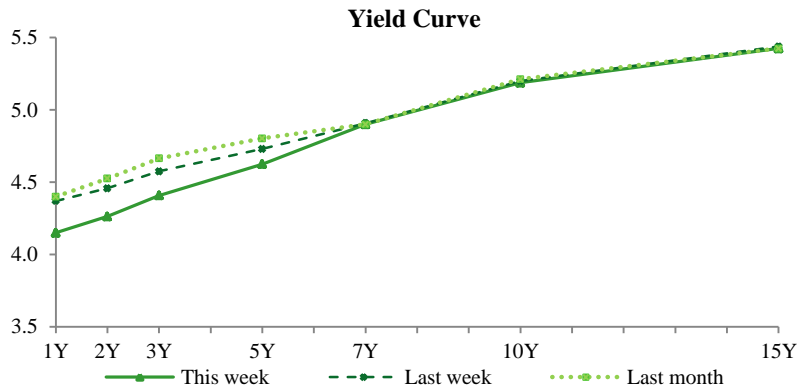
Secondary Market

Short-term bond yields decreased thank to interbank rate tick down.

VND 31,541 bn (-2,08 wow) was traded on the secondary market.

VND 31,541 bn (-2,08 wow) was traded on the secondary market. Outright and repo values were at VND 17,296 bn and VND 14,245 bn respectively. Regarding outright, ST-Bond kept dominating trading volume with 85%. Remarkably, this week a large proportion of bond trading (47%) belonged to short tenor (below 5Y tenors), followed by long-term bond (>10 year) (27%).

Yield curve became steepened because short-term bond yield decreased strongly this week. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.15% (-22 bps), 4.263% (-19.5 bps), 4.408% (-16.7 bps), 4.625% (-10.5 bps), 4.9% (-0.8 bps), 5.188% (-1.2 bps) and 5.425% (-1.3 bps).

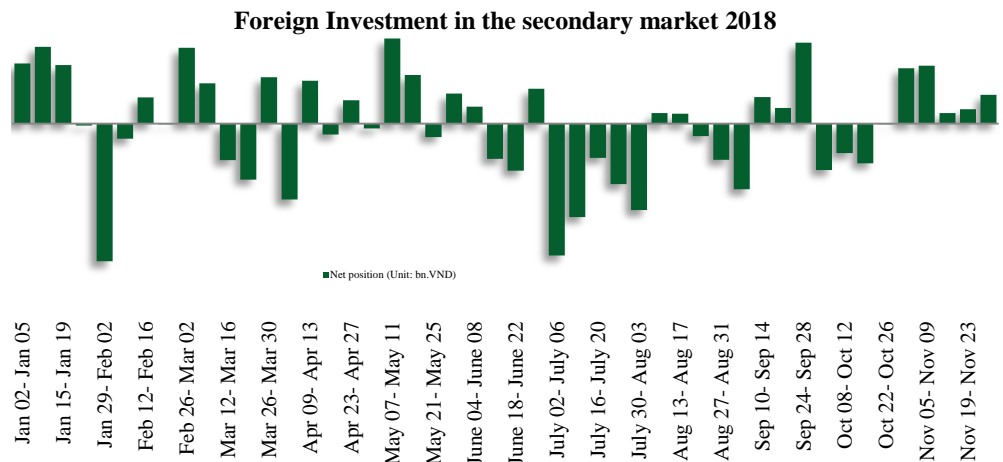


Source: Bloomberg, VCBS

In the worldwide, at the close of G20 summit, good news came to the market when US and China agreed to suspend any new tariffs in the next 90 days. Although there still a long way to go before a new deal may be reached between two largest economies in the world, it is still considered a trigger point these days given that tension among this issue was one of the main drivers of upward force on bond yields. Consequently, this week, thank to this supportive news we believe that bond yield may experience a downward force and yield curve will became more steepened. We will mention this more clearly in interbank market recap because short-term bond yield movement always reflects the liquidity in money market.

Foreign investors net bought roughly VND 312 bn this week.

Foreign investors net buy roughly VND 312 bn this week, extend their net bought value to the fifth week in consecutive. Therein, they still focused on two types of short-term bond. It seems that foreign as usual 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.



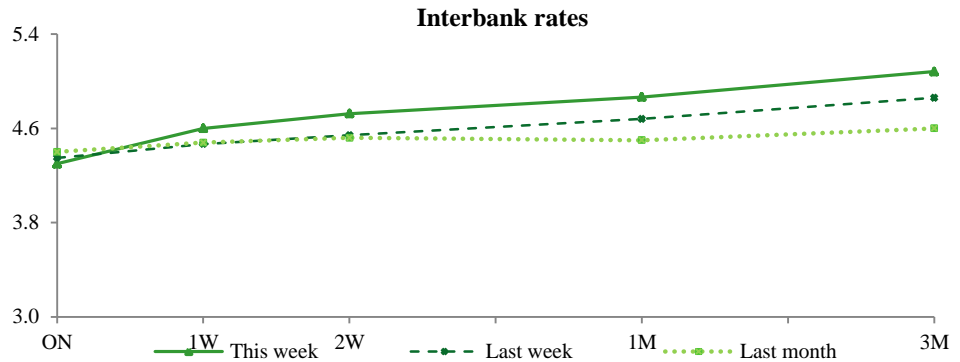
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rate cooled down slightly at the end of week.

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Source: Bloomberg, VCBS

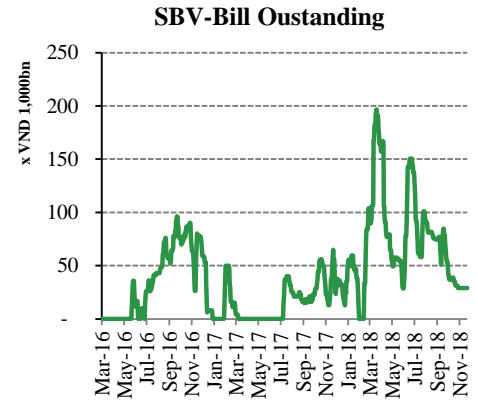
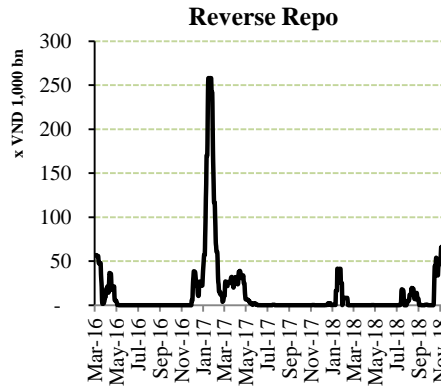
During this November interbank rates continually settled at a high level. This can be explained by the administrative effort from SBV when they use OMO rates to eliminate arbitrage opportunity between USD and VND in interbank market. Last week, SBV’s reference rate closed at 22,755 VND/USD- new high this year. Meanwhile the exchange rates asked by commercial banks, though slightly ticked down at the end of the week, were nowhere far from ceiling rate, which was around 23,365. Hence, for this period we can assume that, once the pressure on exchange rates partially decreased, interbank rates can experience a downward force. In reality, this event occurred lately in G20 summit.

The upward pressure on exchange rates in the market in the last 4 weeks mainly derives from two factors, which are (1) concern about new inflows to Vietnam market and (2) rising tension between US and China, which causes risk of uncertainty and one way or another badly impact market’s participants’ sentiment. Hence, with the latest news after a bilateral talk between US and China, part of pressure on exchange rate shall be released and consequently help to ease the liquidity tense in November.

Open Market Operation

SBV net withdrew VND 18,869.8 bn via OMO channel.

SBV net withdrew VND 18869.8 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 no longer need to use repo activities support liquidity in the system. This week, while VND 63,655 bn matured in reverse repo amount, SBV newly offered VND 44,785 bn. The outstanding reverse repo decreased also an indicator to refer a better liquidity. With the fact that, pressure on exchange rates was partially released thank to supportive news in worldwide market, SBV shall reduce intervene the market through OMO operations. Hence, there shall be more liquidity in interbank market.



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								
28-Nov-18	15Y	2,600	4,410	1,110	1.70	5.3	42.69%	ST
28-Nov-18	5Y	500	2,801	-	5.60	0	0.00%	ST
28-Nov-18	10Y	2,600	4,196	2,546	1.61	5.1	97.92%	ST

Secondary Market

Issuer	Week 19-23 Nov		Week 26-30 Nov	
	Value	Value share	Value	Value share
Outright	12,012	90.81%	14,270	82.51%
	1,119	8.46%	2,268	13.11%
	97	0.73%	757	4.38%
	-	0.00%	-	0.00%
Repo	13,228	100.00%	17,296	100.00%
			14,270	82.51%
Outright	18,869	46.53%	2,268	13.11%
Repo	21,682	53.47%	757	4.38%
Subtotal (3)	40,551	100.00%	-	0.00%
ST bills	-	-	-	-
	-	-	-	-
Total (1)+(2)+(3)	53,779		45,192	

Open Market Operation

Date	Reverse Repo				Outright (SBV Bills)			
	Due	Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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
11/26- 11/30	63,655	44,785	(18,870)	44,785	0	0	0	28,960

DISCLAIMER

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