

Fixed-Income Report

Dec 10th - 14th/2018

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Le Thu Ha

+84 24 3936 6990 (ext. 7182)

ltha_ho@vcbs.com.vn

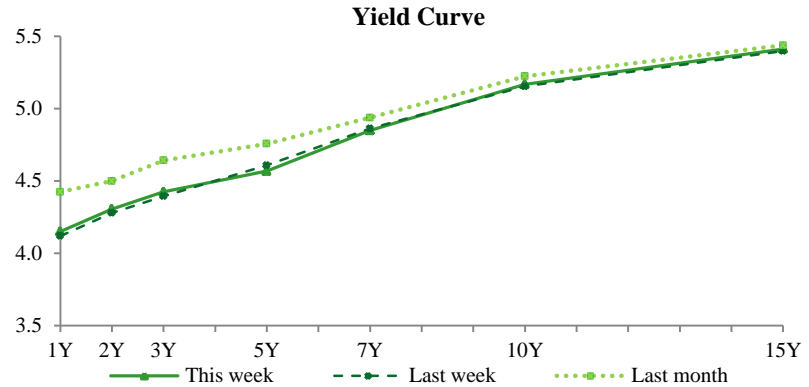
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Round-up

**High winning volume was still for 10Y and 15Y bond.
Bond yields increased slightly.
Interbank settled stably at a high level.**



Source: Bloomberg, VCBS

- VND 13,675 bn was mobilized this week. VND 31,541 bn (-2,08 wow) was traded on the secondary market.
- Bond yields ticked up fractionally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.15% (+3 bps), 4.305% (+2.5 bps), 4.425% (+3 bps), 4.568% (-4 bps), 4.85% (-1.3 bps), 5.168% (+1.3 bps) and 5.413% (+1.3 bps) respectively.
- Interbank rate still settled at a high level. In details, ON – 3M rates respectively posted at 4.41%, 4.49%, 4.6%, 4.7% and 4.88% according to Bloomberg data.
- Foreign investors net sold roughly VND 634 bn this week.
- SBV net withdrew VND 8,280 bn via OMO channel.

VCBS Commentary Dec 17th – 21st

- It should be note that in the upcoming week, FOMC in December is taking place with expectation another interest –lifting. Besides, it is getting closer to the end of the year when priority of liquidity is for payment and credit activities rather than trading in bond market. With all these factors, it is unlikely that bond yields will tick down in upcoming weeks.
- We believe that the closer we get to the year end, the harder for interbank rates to press lower in the context of no special supportive news in the market.

Bond Market

Primary Market

High winning volume were still for 10Y and 15Y bond.

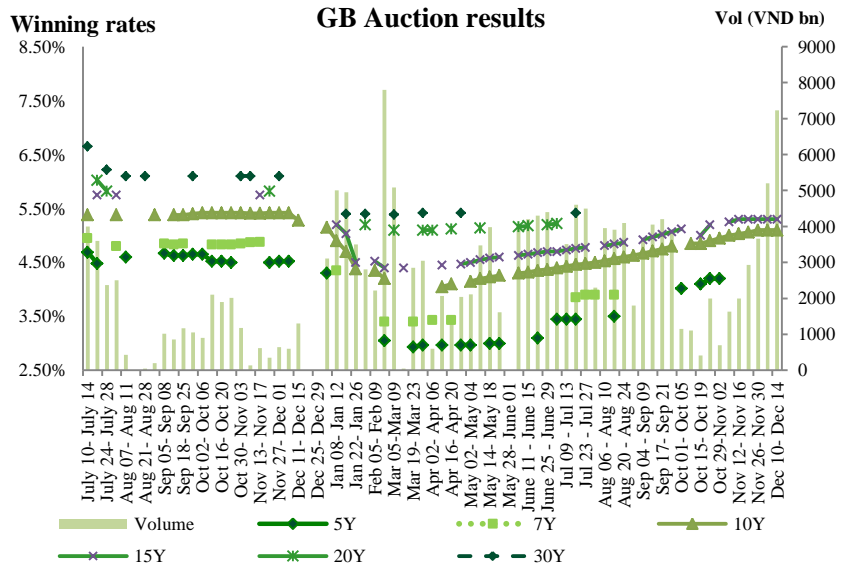
VND 13,675 bn was mobilized this week.

VND 13,675 bn was mobilized this week from ST and VDB. In detail, For ST-bond VND 3,900 bn and 3,330 bn worth of bond issued at 10Y & 15Y. Winning rates for 10Y and 15Y were unchanged compared to last week, settled at 5,1% and 5.3% respectively. The remaining tenor (5Y) were failed to be issued.

The registered volume to offering volume ratio for 5Y, 10Y, & 15Y tenors were 5.4, 2.08, 1.58 respectively. Winning –to offering ratio was 87%.

Meanwhile, VDB mobilized VND 6,445 bn at 3Y, 5Y, 7Y, 10Y and 15Y.

VBSP did not mobilize bond this week.



Source: HNX, VCBS

Secondary Market

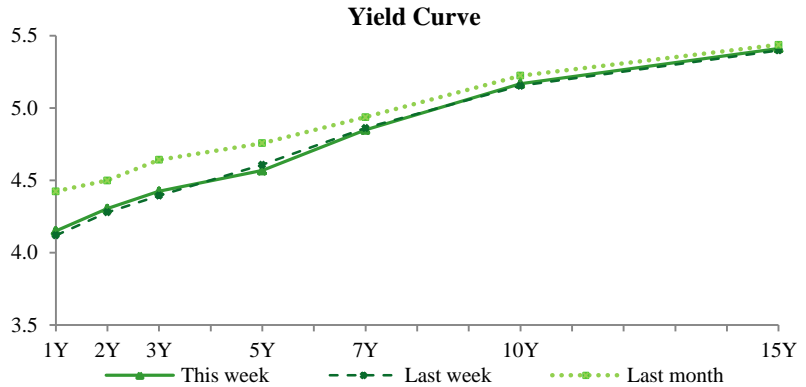
Short-term bond yields decreased thank to interbank rate tick down.

VND 35,277 bn (-2,02 wow) was traded on the secondary market.

VND 35,277 bn (-2,02 wow) was traded on the secondary market. Outright and repo values were at VND 16,669 bn and VND 17,100 bn respectively. Regarding outright, ST-Bond kept dominating trading volume with 91%. Remarkably, **this week a large proportion of bond trading (34%) belonged to short tenor (below 5Y tenors), followed by long-term bond (>10 year) (27%).**

Bond yields ticked up fractionally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.15% (+3 bps), 4.305% (+2.5 bps), 4.425% (+3 bps), 4.568% (-4 bps), 4.85% (-1.3 bps), 5.168% (+1.3 bps) and 5.413% (+1.3 bps) respectively. Following the last week news regarding trade tension between US and China, no supportive news recorded in the market. Therefore, market once again came back to

sluggish status.

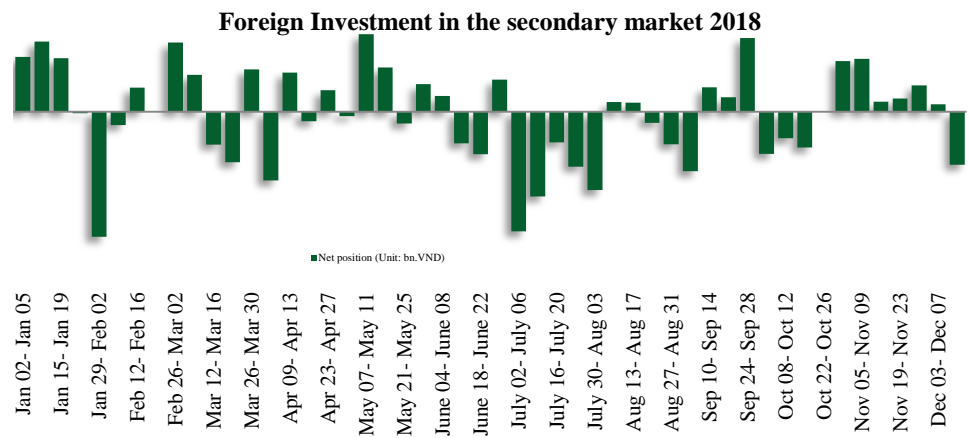


Source: Bloomberg, VCBS

It should be noted that in the upcoming week, FOMC in December is taking place with expectation another interest –lifting. Besides, we believe that some banks may get approved from State bank for a higher credit growth. Hence, when it is getting closer to the end of the year, priority usage of liquidity is for payment and credit activities rather than trading in bond market. With all these factors, it is unlikely that bond yields will tick down in upcoming weeks.

Foreign investors net sold roughly VND 634 bn this week.

Foreign investors net sold roughly VND 634 bn this week, put an end to net-bought activities recorded in the last six weeks. 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

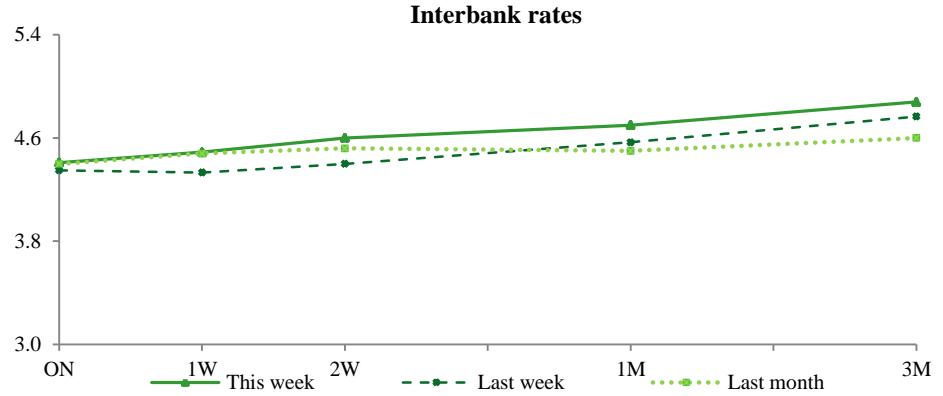
Interbank Rates

Interbank rate still settled at a high

Interbank rate still settled at a high level. In details, ON – 3M rates respectively posted

level.

at 4.41%, 4.49%, 4.6%, 4.7% and 4.88% according to Bloomberg data.



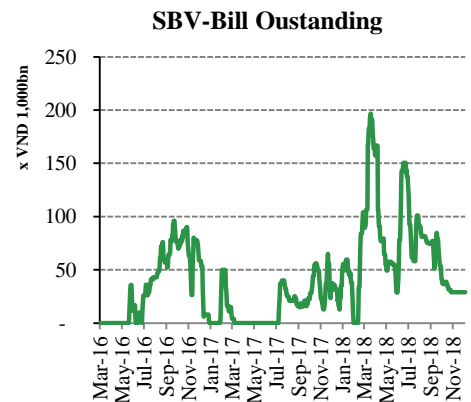
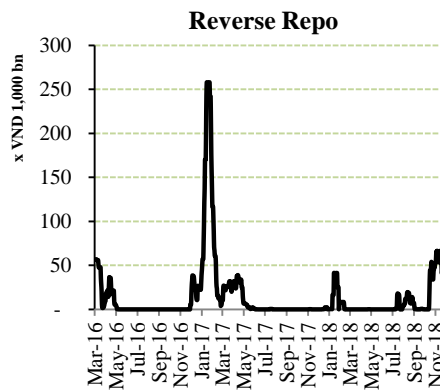
Source: Bloomberg, VCBS

From early November till now, 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 22,778VND/USD. Meanwhile the exchange rates asked by commercial banks, were quite stable around VND 23,360. We believe that the closer we get to the year end, the harder for interbank rates to press lower in the context of no special supportive news in the market.

Open Market Operation

SBV net withdrew VND 8,280 bn via OMO channel.

SBV net withdrew VND 8,280 bn via OMO channel. For Outrights, VND 28,960 bn worth of 140- day SBV bills will mature in the next two weeks. With these outright mature, banks will take full use of these resources to answer increasing liquidity at the end of the year due to seasonal factor.



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								
12-Dec-18	15Y	3,900	6,180	3,330	1.58	5.3	85.38%	ST
12-Dec-18	10Y	3,900	8,113	3,900	2.08	5.1	100.00%	ST
12-Dec-18	5Y	500	2,701	-	5.40	0	0.00%	ST
11-Dec-18	3Y	2,000	1,450	1,250	0.73	5.1	62.50%	VDB
11-Dec-18	10Y	2,000	1,800	1,200	0.90	5.8	60.00%	VDB
11-Dec-18	15Y	2,000	2,095	1,495	1.05	6	74.75%	VDB
11-Dec-18	7Y	2,000	2,100	2,000	1.05	5.5	100.00%	VDB
11-Dec-18	5Y	2,000	600	500	0.30	5.3	25.00%	VDB

Secondary Market

Issuer	Week 19-23 Nov		Week 26-30 Nov	
	Value	Value share	Value	Value share
Outright	11,978	82.07%	16,669	91.70%
	1,819	12.46%	1,349	7.42%
	797	5.46%	159	0.88%
	-	0.00%	-	0.00%
Repo	14,594	100.00%	18,177	100.00%
Outright	21,411	54.85%	17,100	48.32%
Repo	17,623	45.15%	18,290	51.68%
Subtotal (3)	39,033	100.00%	35,390	100.00%
ST bills	-	-	-	-
	-	-	-	-
Total (1)+(2)+(3)	53,627		53,567	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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
12/03- 12/07	44,785	68,313	23,528	68,313	0	0	0	28,960
12/10- 12/14	68,313	60,033	(8,280)	60,033	0	0	0	28,960

DISCLAIMER

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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>

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