

Fixed-Income Report

Dec 17th - 21st/2018

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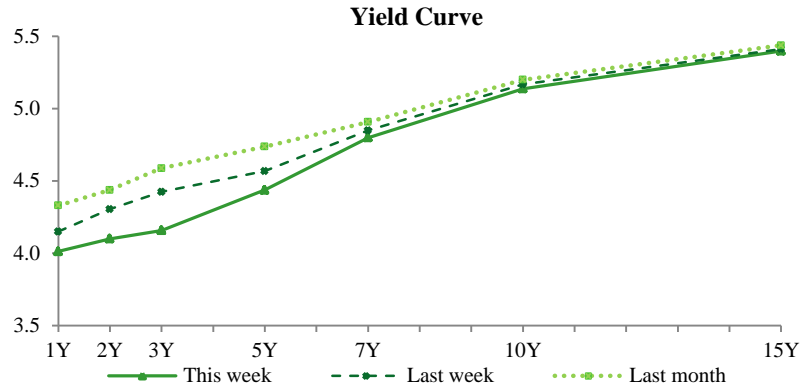
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Round-up

**High winning volume was still for 10Y and 15Y bond.
Short-term bond yields decreased this week.
Interbank settled stably at a high level.**



Source: Bloomberg, VCBS

- VND 16,010 bn was mobilized this week. VND 50,010 bn (+41% wow) was traded on the secondary market.
- Yield curve became more steepened because short-term bond yield decreased more than long-term ones. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 4.013% (-13.7 bps), 4.1% (-20.5 bps), 4.158% (-26.7 bps), 4.438% (-13 bps), 4.8% (-5 bps), 5.138% (-3 bps) and 5.4% (-1.3 bps) respectively. Also, it should be noted that from last 2 weeks, winning rates in primary market stayed closed to yields in secondary market.
- Interbank rate still settled at a high level. In details, ON – 3M rates respectively posted at 4.417%, 4.517%, 4.617%, 4.817% and 4.9% according to Bloomberg data.
- Foreign investors net bought roughly VND 762 bn this week.
- **SBV net injected VND 18,725.9 bn via OMO channel.**

VCBS Commentary Dec 24th – 28th

- We believe FED's interest rate trend is still irreversible and will have some impact on the market, especially in emerging markets such as Vietnam in the medium and long term. Hence, the downward force on bond yields last week will end soon. Next week we believe that, bond yield shall increase slightly.
- 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 volume issued in 10Y and 15Y bond.

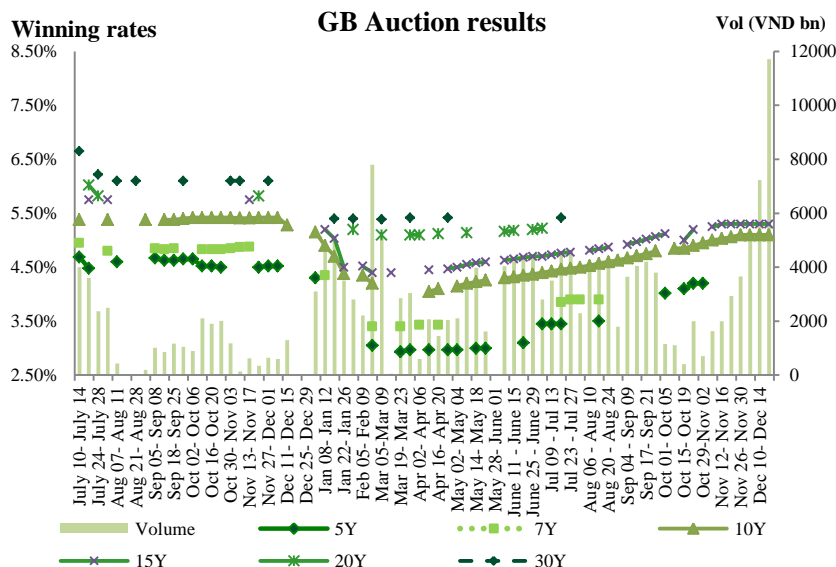
VND 16,010 bn was mobilized this week.

VND 16,010 bn was mobilized this week from ST and VDB. In detail, For ST-bond VND 6,500 bn and 5,210 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 registered volume to offering volume ratio for 10Y, & 15Y tenors 1.73, 1.13 respectively. Winning –to offering ratio was 90%.

Meanwhile, VDB mobilized VND 4,300 bn at 3Y, 5Y, 7Y and 10Y.

VBSP did not mobilize bond this week.



Source: HNX, VCBS

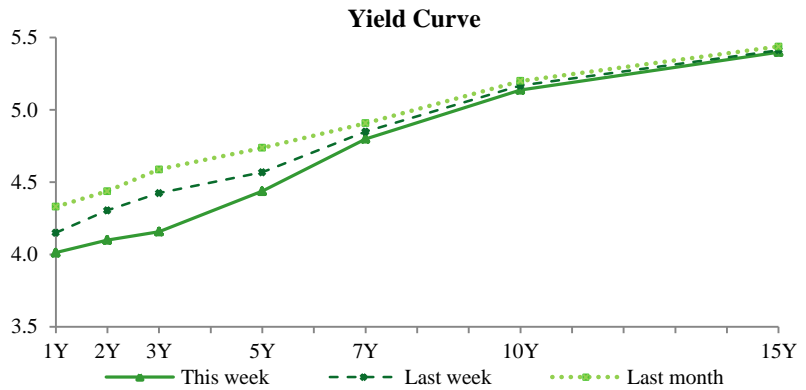
Secondary Market

Short-term bond yields decreased. Liquidity increased considerably.

VND 50,010 bn (+41% wow) was traded on the secondary market.

VND 50,010 bn (+41% wow) was traded on the secondary market. Outright and repo values were at VND 24,122 bn and VND 25,898 bn respectively. Regarding outright, ST-Bond kept dominating trading volume with 97%. Remarkably, this week a large proportion of bond trading (38%) belonged to long-term bond (>10 year) followed by short-term bond (<5year) (36%).

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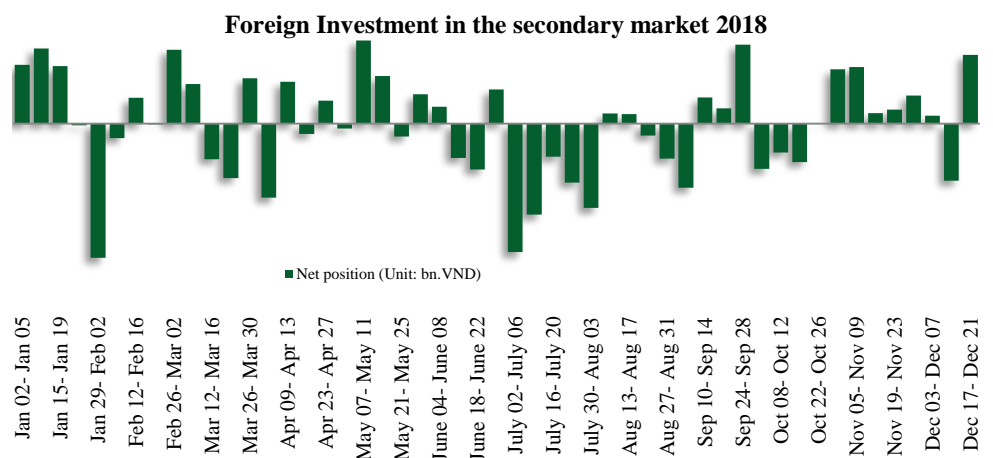
Source: Bloomberg, VCBS

In FOMC took place last week, FED officially hike interest rate as expected by the majority of investors. In the meantime, for the year of 2019, FED's tightening policy is expected to slow down from three times increase to two times adjust interest. Additionally, FED also adjusts the slightly reduced growth prospects of the US economy. For bond market, it seemed that the effect of this event has already been reflected and therefore can be used as one of the reason to explain the downward force on bond yield at the end of the week in the context of foreign exchanges rates was quite stable.

Nevertheless, we believe FED's interest rate trend is still irreversible and will have some impact on the market, especially in emerging markets such as Vietnam in the medium and long term. Hence, the downward force on bond yields last week will end soon. Next week we believe that, bond yield shall increase slightly.

Foreign investors net bought roughly VND 762 bn this week.

Foreign investors net bought roughly VND 762 bn this week. Except for tenor 10Y-15Y, almost all tenors recorded a net-bought value. 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.



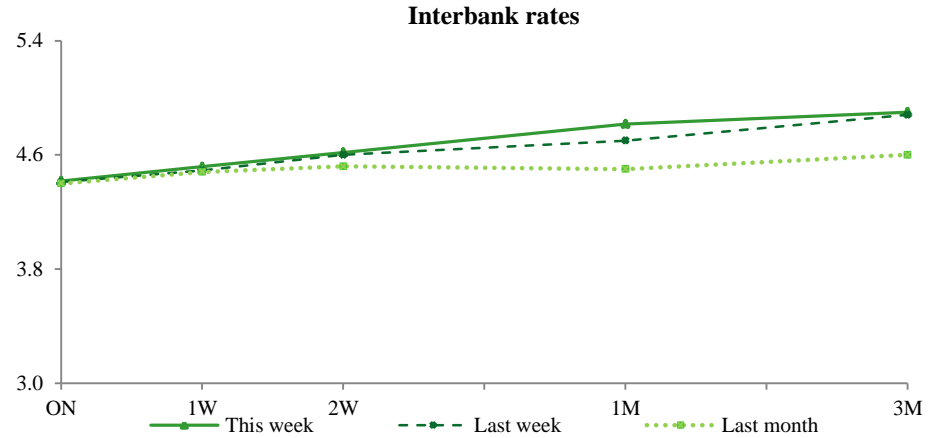
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rate still settled at a high level.

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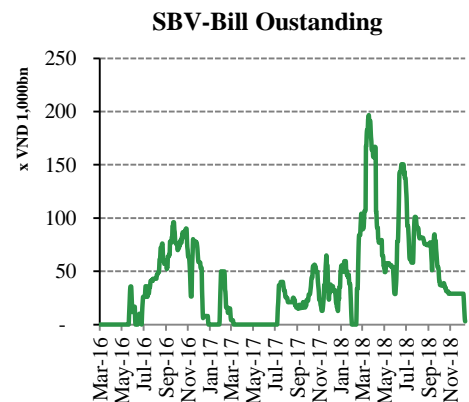
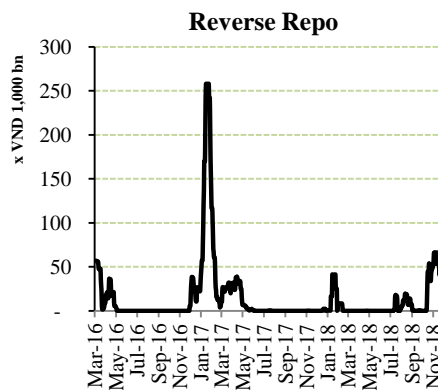
Source: Bloomberg, VCBS

We did not change our view that when it is 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. Hence, it is unlikely that interbank rates will decrease in the last week of the year.

Open Market Operation

SBV net injected VND 18,725.9 bn via OMO channel.

SBV net injected VND 18,725.9 bn via OMO channel. For Outrights, VND 25,960 bn worth of 140- day SBV bills mature this week. 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								
19-Dec-18	10Y	6,500	11,249	6,500	1.73	5.1	100.00%	ST
19-Dec-18	15Y	6,500	7,360	5,210	1.13	5.3	80.15%	ST
18-Dec-18	3Y	1,500	2,401	1,500	1.60	5.1	100.00%	VDB
18-Dec-18	7Y	3,000	1,300	1,000	0.43	5.5	33.33%	VDB
18-Dec-18	10Y	2,000	1,600	1,100	0.80	5.8	55.00%	VDB
18-Dec-18	15Y	2,977	-	-	0.00	0	0.00%	VDB
18-Dec-18	5Y	1,500	800	700	0.53	5.3	46.67%	VDB

Secondary Market

Issuer	Week 10-14 Dec		Week 17-21 Dec	
	Value	Value share	Value	Value share
Outright	11,978	82.07%	23,311	96.68%
	1,819	12.46%	801	3.32%
	797	5.46%	-	0.00%
	-	0.00%	-	0.00%
Repo	14,594	100.00%	24,112	100.00%
Outright	21,411	54.85%	25,898	53.49%
Repo	17,623	45.15%	22,519	46.51%
Subtotal (3)	39,033	100.00%	48,417	100.00%
ST bills	-	-	-	-
	-	-	-	-
Total (1)+(2)+(3)	53,627		72,529	

Open Market Operation

Date	Due	Offer	Reverse Repo		Outright (SBV Bills)			
			Balance	Outstanding	Due	Offer	Balance	Outstanding
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
12/17- 12/21	60,033	52,799	(7,234)	52,799	25,960	0	(25,960)	3,000

DISCLAIMER

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