

Fixed-Income Report

Jan 14th - 18th/2019

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Le Thu Ha

+84 24 3936 6990 (ext. 7182)

ltha_ho@vcbs.com.vn

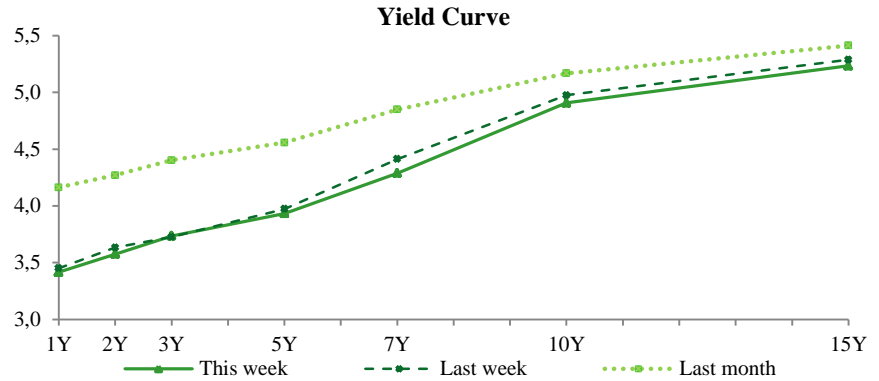
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Round-up

**Winning rates decreased strongly.
Yield curve shifted downward minimally.
Interbank decreased considerably.**



Source: Bloomberg, VCBS

- VND 11,000 bn was mobilized this week. VND 50,010 bn (+41% wow) was traded on the secondary market.
- Yield curve shifted downward minimally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted 3.415% (-3.5 bps), 3.575% (-5.8 bps), 3.735% (+1 bps), 3.933% (-4 bps), 4.288% (-12.5 bps), 4.908% (-6.7 bps) and 5.235% (-5.3 bps) respectively.
- Interbank rate pull down significantly thank to better VND liquidity. The fact that a large amount of foreign currencies being purchased by SBV helped to eased the tight liquidity before Tet holiday. In details, ON – 3M rates respectively posted at 3.85%, 4.1%, 4.3%, 4.733% and 4.9% according to Bloomberg data.
- Foreign investors net bought roughly VND 234 bn this week.
- SBV net injected VND 4,962 bn via OMO channel.

VCBS Commentary Jan 21st – 25th

- Although tension with exchange rates released at lease in the short-term thanks to inflow, we should bear in mind that in the next two weeks, seasonal factor will prevent bond yield from falling. Hence, we believe that, bond yield will move in a tight band before experience a downward force when Lunar new year comes to an end.
- We did not change our view that when it is getting closer to Tet holiday, 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 further because the top priority for all financial institutions was answering high demand of cash.

Bond Market

Primary Market

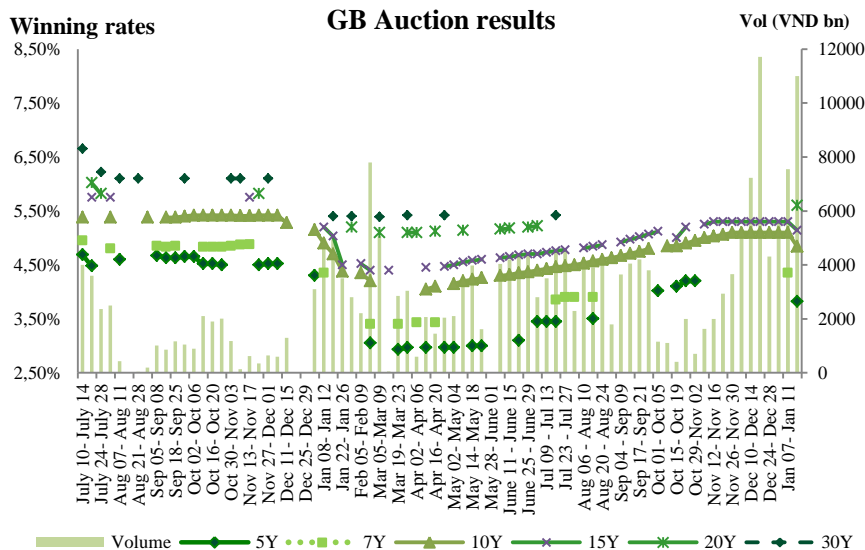
Winning rates decreased strongly at almost all tenors after months

VND 11,000 bn was mobilized this week.

VND 11,000 bn was mobilized this week from ST. In detail, VND 50 bn, VND 1,500 bn, and 500 bn worth of bond issued at 5Y & 20Y tenors plus VND 450 bn at each tenor 10Y and 15Y. Winning rates for 5Y, 10Y, 15Y and 20Y were 3.82% (-38 bps), 4.84% (-17 bps), 5.14% (-16 bps) and 5.60% (+38 bps) respectively.

Demand for bond extremely high. It seemed that market expected that there will be a downward force on bond yield. In detail, the registered volume to offering volume ratio for 5Y, 10Y, 15Y & 20Y tenors were 4.27, 4.38, 4.66 and 1.9 respectively. Winning –to offering ratio was 100%.

VBSP and VDB did not mobilize bond this week.



Source: HNX, VCBS

Secondary Market

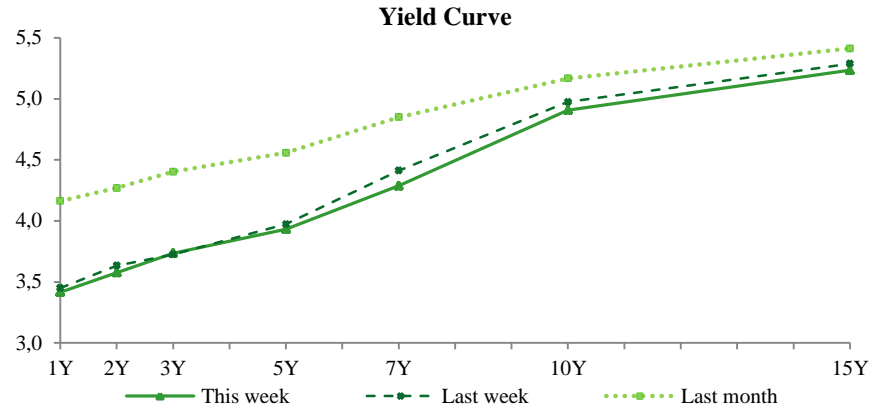
Short-term bond yields decreased. Liquidity increased considerably.

VND 41,402 bn (+7.82% wow) was traded on the secondary market.

VND 41,402 bn (+7.82% wow) was traded on the secondary market. Outright and repo values were at VND 21,585 bn and VND 23,120 bn respectively. Regarding outright, ST-Bond kept dominating trading volume with 89%. Remarkably, **this week a large proportion of bond trading (38%) belonged to short-term bond (<5year)** followed by long-term bond (>10 year) (23%).

Yield curve shifted downward minimally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted 3.415% (-3.5 bps), 3.575% (-5.8 bps), 3.735% (+1 bps), 3.933% (-4 bps), 4.288% (-12.5 bps), 4.908% (-6.7 bps) and 5.235% (-5.3 bps) respectively. Also, it should be noted that from last 2 weeks, downward force on bond yield showed up right after tension on exchange rates has been removed. In detail, Remittance in

2018 expected to increase roughly 15%, reaching USD 15.9 bn. Simultaneously, SBV report to purchase a large amount of foreign currencies due to favorable condition. It should be noted that many financial institutions decided to revoke buying USD form earlier in November to avoid loss.

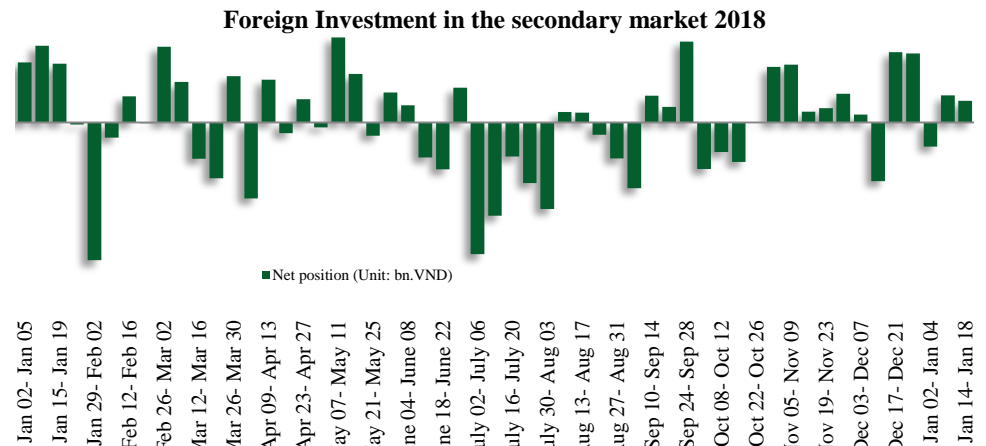


Source: Bloomberg, VCBS

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Foreign investors net bought roughly VND 234 bn this week. It should be noted that at prior to Lunar new year, foreign tended to take full use of seasonal factor to buy in bond at reasonable prices. It seemed this argument was quite right for this year.



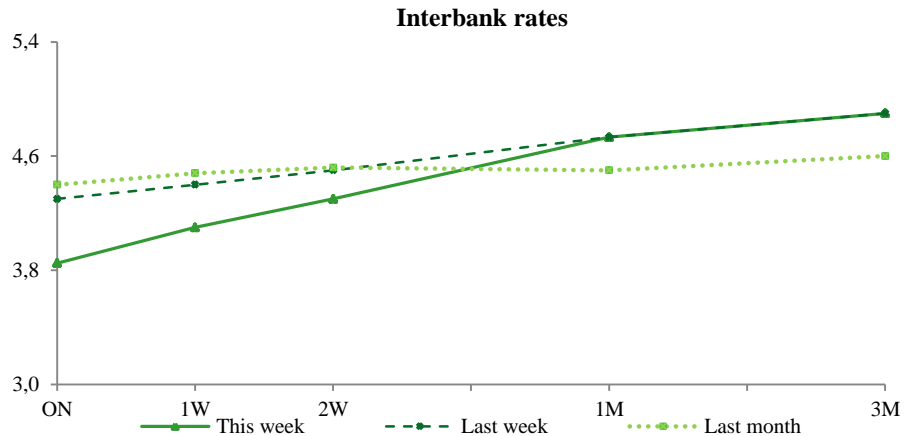
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rate pull down significantly thank to better VND liquidity.

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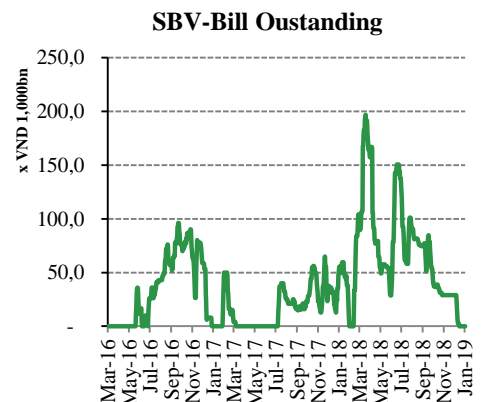
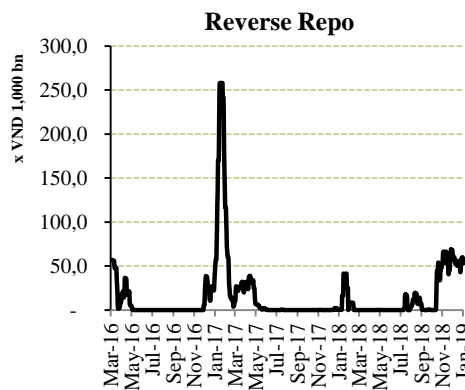
Source: Bloomberg, VCBS

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Open Market Operation

SBV net injected VND 4,962 bn via OMO channel.

SBV net injected VND 4,962 bn via OMO channel. For repo activities, VND 47,853 bn worth of bills matured this week. Meanwhile, SBV kept using Repo to avoid liquidity tense.



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								
16-Jan-19	5Y	1,500	6,400	1,500	4.27	3.82	100.00%	ST
16-Jan-19	10Y	4,500	19,720	4,500	4.38	4.84	100.00%	ST
16-Jan-19	15Y	4,500	20,970	4,500	4.66	5.14	100.00%	ST
16-Jan-19	20Y	500	950	500	1.90	5.6	100.00%	ST

Secondary Market

Issuer	Week 07-11 Jan		Week 14-18 Jan	
	Value	Value share	Value	Value share
Outright	15,260	83.63%	17,736	89.50%
	2,430	13.32%	2,081	10.50%
	556	3.05%	-	0.00%
	-	0.00%	-	0.00%
Repo	18,247	100.00%	19,817	100.00%
Outright	20,151	47.28%	21,585	48.28%
Repo	22,474	52.72%	23,120	51.72%
Subtotal (3)	42,625	100.00%	44,705	100.00%
ST bills	-			
	-			
Total (1)+(2)+(3)	60,872		64,522	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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
12/24- 12/28	52,799	51,064	(1,735)	51,064	3,000	0	(3,000)	0
01/02- 01/05	29,048	30,640	6,574	57,638	0	0	0	0
01/07- 01/11	52,656	47,823	(4,803)	52,835	0	0	0	0
01/14- 01/18	47,853	52,815	4,962	52,815	0	0	0	0

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