

**Fixed-Income Report**

**February/2019**

**In this issue**

- Round up
- Bond market
- Interest rates

**Le Thu Ha**

+84 4 3936 6990 (ext.7182)

[ltha\\_ho@vcbs.com.vn](mailto:ltha_ho@vcbs.com.vn)

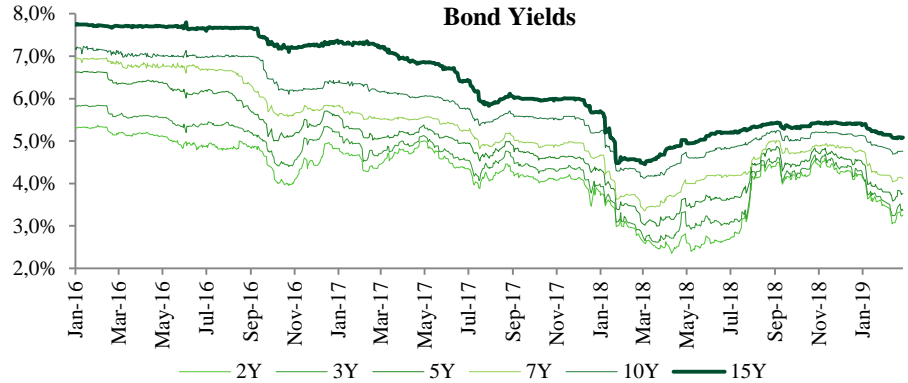
See Disclaimer at Page 6

**Macroeconomic, Fixed-Income,  
Financial and Corporation  
Information** updated at

[www.vcbs.com.vn/vn/Services/AnalysisResearch](http://www.vcbs.com.vn/vn/Services/AnalysisResearch)

VCBS Bloomberg Page: <VCBS><go>

**Round-up**



Source: Bloomberg, VCBS

■ VND 18,850 bn (-48% mom) worth of bond was mobilized. VND 144,848 billion traded on the secondary market.

■ Yield curve shifted downward and became steeper because bond yield of short tenors decreased more than long tenors. According to Bloomberg statistics, yields for 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y ended February at 2.788% (-55.2 bps mom), 3.08% (-39.8 bps mom), 3.248% (-36 bps mom), 3.623% (-21.7 bps mom), 4.058% (-14.2 bps mom), 4.7% (-16.3 bps mom) and 5.073% (-11 bps mom) respectively.

■ Foreign bought VND 1,445 bn in bond market.

■ Interbank rates gradually decreased in February. In detail, at the end of February, interbank rate for ON-3M tenors were recorded at 3.95%, 4.1%, 4.2%, 4.4% and 4.725% respectively. This indicated that liquidity returned to the money market after seasonal factor ended.

■ SBV net withdrew VND 123,321 bn via OMO channel.

**VCBS Commentary March 2019**

■ At the end of February, bond yield experienced a slight rebound. Nevertheless, we believe that upward force will not last long and in general, downward force will dominate bond market with some unchanged supportive factors.

■ Meanwhile for interbank market, we believe that there is still room for interbank rates to decrease more given that: (1) Liquidity from financial institutions will be better as the amount of bonds matured in 2019 will focus on the first half while credit growth will only at moderate level. (2) In addition, public disbursement for infrastructure shall increase strongly at least till the end of the first half of 2019. (3) No pressure on exchange rates.

■

**Bond Market**

**Primary Market**

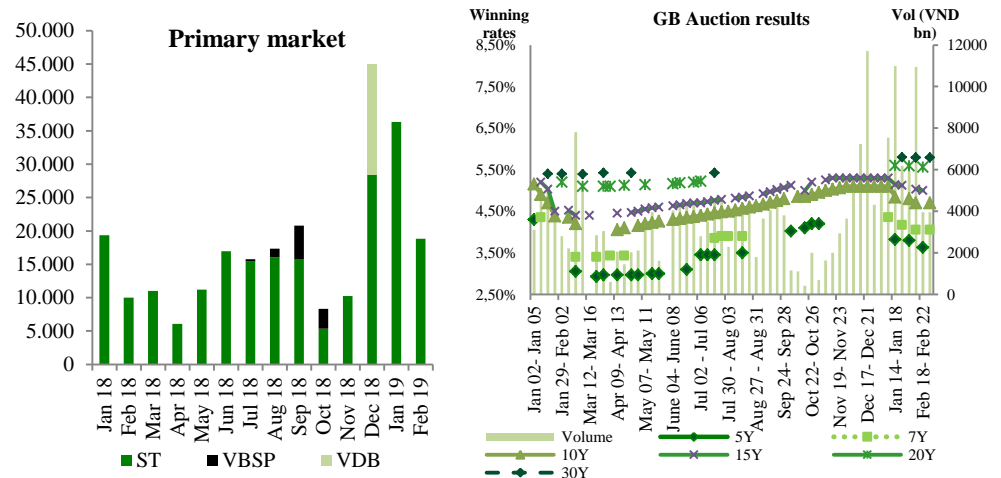
**ST kept focused on mobilizing bonds in 10Y and 15Y.**

VND 18,850 bn (-48% mom) worth of bond was mobilized.

VND 18,850 bn (-48% mom) worth of bond was mobilized in February from the State Treasury (ST). Therein, ST kept focused on mobilizing bonds in 10Y and 15Y. In detail, VND 650 bn; VND 2,000 bn; VND 8,250 bn; VND 7,400 bn; VND 400 bn and VND 150 bn were mobilized in 5Y, 7Y, 10Y, 15Y, 20Y and 30Y tenors, respectively.

Winning rates tended to decrease in February. The decrease level ranged from 1-17 bps this month. Market participants were quite active in primary market. In detail the register-offering ratio jumped to from 3.48 times in January to 3.59 times. Therein the average Winning-to-Offering ratio was also recorded high at ~85%.

Meanwhile, the Vietnam Development Bank (VDB) and Vietnam Bank for Social Policies (VBSP) did not mobilize bonds this month.



Source: HNX, VCBS

**State Treasury issuance plan updated:**

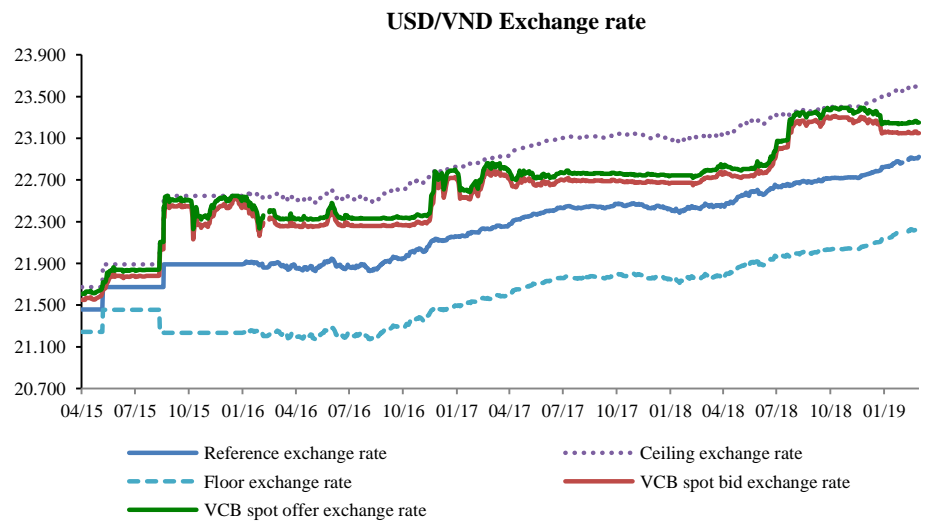
On 25<sup>th</sup> February, State Treasury officially released issuance plan for 2019 with the total volume of VND 260,000 bn. The detailed plan is listed below.

Tenor	2019 Plan	Q1.plan	Issued in 2M.2019	%completi on Q1. plan
5Y	40.000	7.000	3.150	45,0%
7Y	30.000	5.500	3.350	60,9%
10Y	70.000	30.000	25.400	84,7%
15Y	78.000	26.000	21.400	82,3%
20Y	20.000	3.000	1.349	45,0%
30Y	22.000	2.000	545	27,3%
<b>Total</b>	<b>260.000</b>	<b>73.500</b>	<b>55.194</b>	<b>75,1%</b>

Source: MOF, VCBS Research

**Macro updates:**

- According to Nikkei, PMI in Vietnam reached 51.2 in February compared to 51.9 in February. Therein, job decreased due to new order grew at a slow pace. This survey partially indicated the status quo of main FDI firms. Meanwhile, GSO releases report on economic situation with same moderate growth of manufacturing subsector. In detail, index of industrial production (IIP) in the first 2 months of 2019 increased 9.2%, which was a little bit slower than a 13.7% growth recorded same period last year. With these figures we still anticipate that GDP growth in Q1.2019 shall vary from 6.2%-6.5%.
- CPI in February of 2019 increased by 0.8% compared to last month, which equivalent to an increase of 2.64% over the same period of 2018. Therein, the main reason was consumer demand grew due to seasonal factor of Lunar New Year. We anticipate that CPI in March will increase 0.4%-0.5%.
- No exchange rates pressure recorded in this period thank to timely regulating approach from SBV. The gap between ceiling rate and exchange rates traded at commercial banks widened. At the end of February, reference exchange rate increased 0.4% compared to close rate at the end of December 2018.



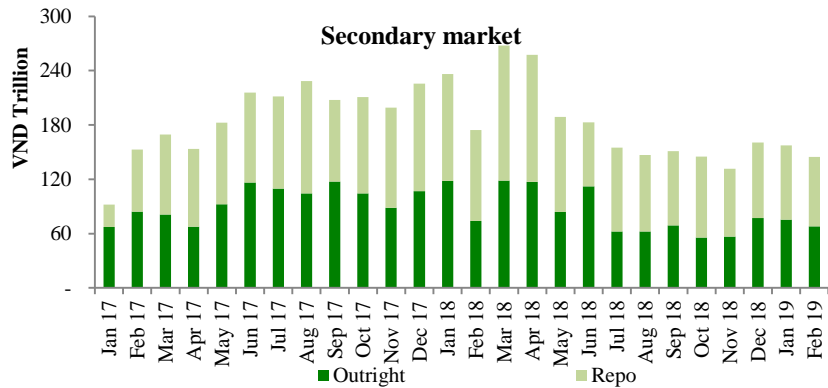
- FED minutes in February indicated a more conservative approach from FED in interest lifting procedure. Also news about trade talk between US and China seemed to signal good news to market sentiment.

**Secondary Market**

**Market liquidity boomed in February.**

**VND 144,848 billion traded on the secondary market.**

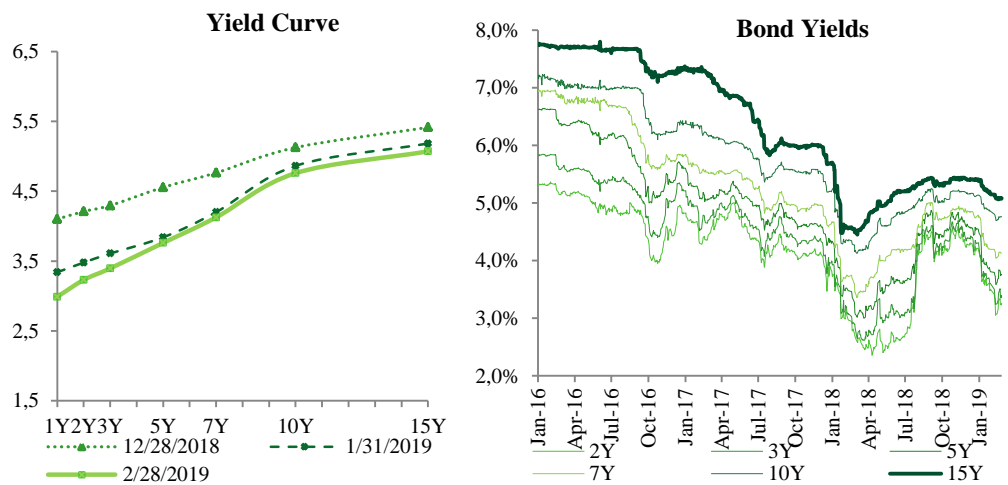
**VND 144,848 billion traded on the secondary market.** Average trading volume strongly increased 41% to VND 9,657 bn per session. In particular, the main driver of active trading came from repo with VND 76,721 bn given that liquidity returned to the system after seasonal factor passed away. For outright, value traded recorded at VND 68,127 bn this month. Therein, from Issuer’s perspective, ST bond still dominated the market with more than 91% of outright trading value.



Source: HNX, VCBS

Yield curve shifted downward and became steeper because bond yield of short tenors decreased more than long tenors. According to Bloomberg statistics, yields for 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y ended February at 2.788% (-55.2 bps mom), 3.08% (-39.8 bps mom), 3.248% (-36 bps mom), 3.623% (-21.7 bps mom), 4.058% (-14.2 bps mom), 4.7% (-16.3 bps mom) and 5.073% (-11 bps mom) respectively.

In the first two weeks, downward force on bond yield experienced since January remained. Therein, the underlying reasons were: (1) Pressure on exchanges rates released with consistent regulating approach from SBV. (2) Concern on high inflation also eased thanks to support news of lower level on crude oil price compared to the same period last year. (3) More patient approach from FED in term of interest –lifting procedure appeared to make market’s sentiment better-off.



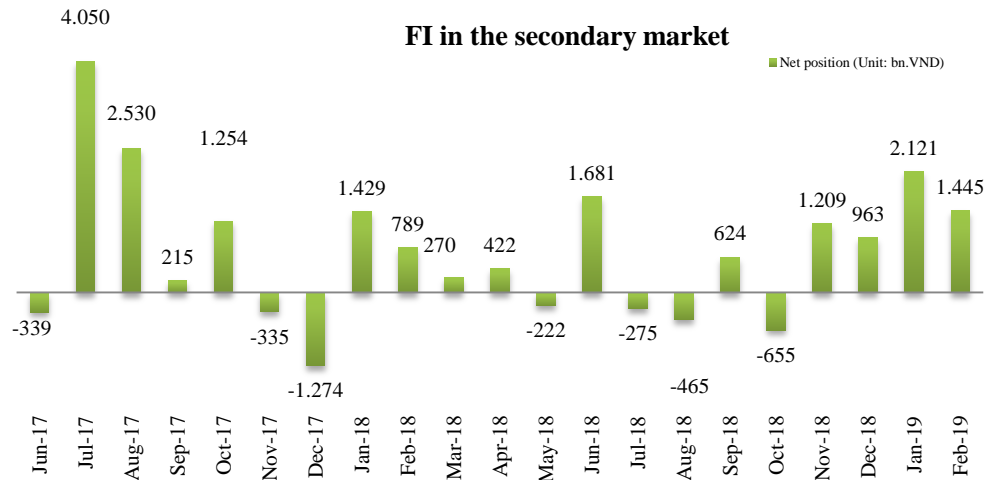
Source: Bloomberg, VCBS

At the end of February, bond yield experienced a slight rebound. Nevertheless, we believe that upward force will not last long. In March, because bond market is logging in the second phase, which we mentioned in [Annual report for fixed income](#). Hence, in general, downward force will dominate bond market with some unchanged factors. (1) There was still room for interbank rates to decrease. (2) In the domestic side, macroeconomics stability is quite good compared to the last few months. (3) Meanwhile, in the worldwide market, concern are temporary released notably FED ‘s interest-lifting procedure and US- China trade tensions. During this procedure, bond yields in short tenors may keep decrease more compared to the

long ones. Because of the characteristic of less sensitive to interbank rates, it will take more time for long-term bond yields to decrease.

**Foreign bought VND 1,445 bn in bond market.**

Foreign bought VND 1,445 bn in bond market. Given the historical data into consideration, we believe that this is the favorite time for foreign investors to build their portfolios especially the ones who are favors short-tenors. Almost all tenors recorded a net bought value. Therein, 1Y and 15Y recorded highest net-bought value.



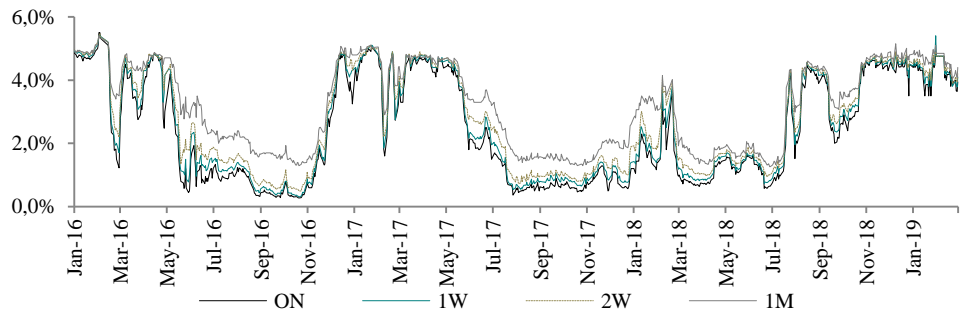
Source: HNX, VCBS

**INTEREST RATE**

**Interbank Rates**

**Interbank rates gradually decrease in February.**

**Interbank rates gradually decreased in February.** In detail, at the end of February, interbank rate for ON-3M tenors were recorded at 3.95%, 4.1%, 4.2%, 4.4% and 4.725% respectively. This indicated that liquidity returned to the money market after seasonal factor ended.



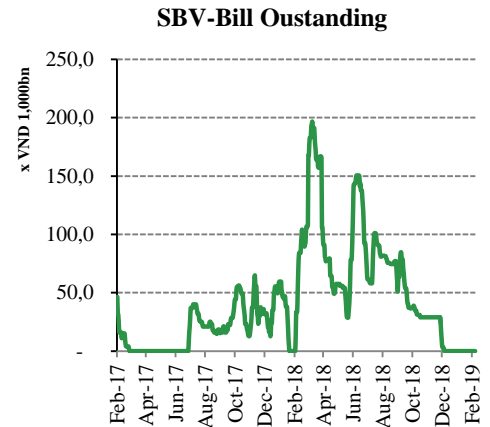
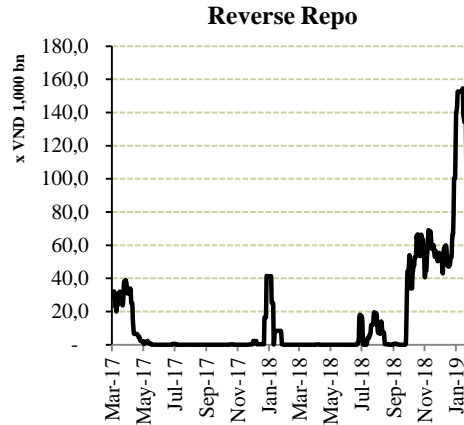
Source: Bloomberg, VCBS

In upcoming weeks, we believe that there is still room for interbank rates to decrease more given that: (1) Liquidity from financial institutions will be better as the amount of bonds matured in 2019 will focus on the first half while credit growth will only at moderate level. To be specific, in March the amount of government bond matured is roughly VND 30,000 bn (2) In addition, public disbursement for infrastructure shall increase strongly at least till the end of the first half of 2019. (3) No pressure on exchange rates.

**Open Market Operation**

**SBV net withdrew VND 123,321 bn via OMO channel.**

**SBV net withdrew VND 123,321 bn via OMO channel.** Therein, only about VND 65,000 bn worth of reverse repo was newly offered while more than VND 188,000 bn matured last month. The fact that, liquidity returned to the market after Lunar new year has helped more abundant liquidity in the market. In addition, SBV also used repo activities to absorb part of the resource served to build Foreign reserve recently. Till now, we still believe that with more favorable condition in the first two month of the year, it is unlikely that SBV will raise OMO rate.



Source: Bloomberg, VCBS

**END.**

## APPENDICES

### Primary Market

Month	ST Bond							VDB	VBSP	Other	
	Issued Volume	5 Y	7Y	10Y	15Y	20Y	30Y	Issued Volume	Issued Volume	Issued Volume	Issued Volume
Feb-18	10,015	3.05	3.4	4.2	4.4	N/A	N/A	0	0	0	10,015
Mar-18	11,028	2.97	3.43	N/A	4.4	5.1	5.42	0	0	0	11,028
Apr-18	6,055	2.97	3.43	4.1	4.47	5.12	5.42	0	0	0	6,055
May-18	11,178	3	N/A	4.26	4.6	5.14	N/A	0	0	0	11,178
Jun-18	16,940	3.1	N/A	4.37	4.7	5.2	N/A	0	0	0	16,940
Jul-18	15,420	3.45	3.9	4.48	4.78	5.22	5.42	0	350	0	15,770
Aug-18	16,060	3.5	3.9	4.63	4.87	N/A	N/A	0	0	0	16,080
Sep-18	15,700	3.5	3.9	4.8	5.07	5.22	5.42	0	5,100	0	20,800
Oct-18	5,366	4.2	N/A	4.95	5.2	N/A	N/A	0	2,940	0	8,306
Nov-18	10,220	N/A	N/A	5.1	5.3	N/A	N/A	0	0	0	10,220
Dec-18	28,450	N/A	N/A	5.1	5.3	N/A	N/A	16,545	0	0	44,995
Jan-19	36,344	3.8	4.17	4.8	5.12	5.59	5.8	0	0	0	36,344
Feb-19	<b>18,850</b>	<b>3.63</b>	<b>4.05</b>	<b>4.7</b>	<b>5</b>	<b>5.56</b>	<b>5.79</b>	0	0	0	<b>18,850</b>

### Secondary Market

Month	Bonds		ST-bills		Total
	Outright	Repo	Outright	Repo	
Feb-18	73,893	100,365	-	-	174,285
Mar-18	118,614	149,163	-	-	267,777
Apr-18	117,127	140,244	-	-	257,371
May-18	83,940	104,896	-	-	188,836
Jun-18	112,344	70,399	-	-	182,733
Jul-18	62,423	92,597	-	-	155,020
Aug-18	62,332	84,661	-	-	146,993
Sep-18	68,966	81,990	-	-	150,956
Oct-18	55,760	89,321	-	-	145,081
Nov-18	56,834	74,806	-	-	131,640
Dec-18	77,194	83,527	-	-	160,721
Jan-19	75,609	81,829	-	-	157,438
Feb-19	<b>68,127</b>	<b>76,721</b>	-	-	<b>144,848</b>

### Open Market Operation

Month	Reverse Repo				Outright (SBV Bills)			
	Due	Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
Feb-18	49,780	8,466	(41,314)	0	59,000	90,600	31,600	78,600
Mar-18	31	31	0	0	84,100	196,710	112,610	191,210
Apr-18	2	2	0	0	191,210	78,500	(112,630)	78,580
May-18	170	170	0	0	80,280	55,840	(24,440)	54,140
Jun-18	0	0	0	0	54,140	150,499	96,359	150,499
Jul-18	15,993	17,993	2,000	2,000	112,500	44,461	(68,039)	82,461
Aug-18	37,167	42,869	5,702	7,702	35,312	28,482	(6,830)	75,630
Sep-18	15,401	8,155	(7,246)	456	50,000	52,950	2,950	78,581
Oct-18	16,018	60,562	44,544	45,000	62,591	15,070	(47,521)	31,060
Nov-18	237,878	237,663	(215)	44,785	2,100	0	(2,100)	28,960
Dec-18	25,929	32,208	6,279	51,064	28,960	0	(28,960)	0
Jan-19	184,354	280,582	93,228	144,292	0	0	0	0
Feb-19	<b>188,097</b>	<b>64,776</b>	<b>(123,321)</b>	<b>20,972</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## **DISCLAIMER**

This report is designed to provide updated information on the fixed-income, including bonds, interest rates, some other related. The VCBS analysts exert their best efforts to obtain the most accurate and timely information available from various sources, including information pertaining to market prices, yields and rates. All information stated in the report has been collected and assessed as carefully as possible.

It must be stressed that all opinions, judgments, estimations and projections in this report represent independent views of the analyst at the date of publication. Therefore, this report should be best considered a reference and indicative only. It is not an offer or advice to buy or sell or any actions related to any assets. VCBS and/or Departments of VCBS as well as any affiliate of VCBS or affiliate that VCBS belongs to or is related to (thereafter, VCBS), provide no warranty or undertaking of any kind in respect to the information and materials found on, or linked to the report and no obligation to update the information after the report was released. VCBS does not bear any responsibility for the accuracy of the material posted or the information contained therein, or for any consequences arising from its use, and does not invite or accept reliance being placed on any materials or information so provided.

This report may not be copied, reproduced, published or redistributed for any purpose without the written permission of an authorized representative of VCBS. Please cite sources when quoting. Copyright 2012 Vietcombank Securities Company. All rights reserved.

## **CONTACT INFORMATION**

**Tran Minh Hoang**

Head of Research

tmhoang@vcbs.com.vn

**Le Thu Ha**

Fixed income Analyst

ltha\_ho@vcbs.com.vn