

Fixed-Income Report

Mar 18th – 22nd/2019

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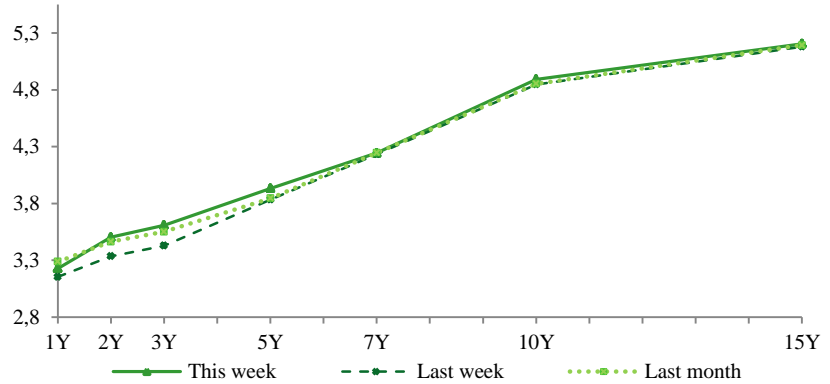
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Round-up

Only 20Y tenor was issued successfully
Bond yields increased for all tenors.
Interbank rates extended its slight downtrend.

Yield Curve



Source: Bloomberg, VCBS

■ VND 200 bn (-96.04%) was mobilized this week. VND 47,7941 bn (+10.41% 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 3.178% (+7.5 bps), 3.453% (+16.8 bps), 3.558% (+18 bps), 3.882% (+9.9 bps), 4.193% (+1 bps), 4.842% (+4.5 bps), 5.155% (+2.5 bps), respectively.

■ Interbank rates extended its slight downtrend. In details, ON – 3M rates respectively posted at 3.117%, 3.217%, 3.35%, 3.483% and 4.133% according to Bloomberg data.

■ Foreign investors net bought roughly VND 29.78 bn this week.

■ SBV net withdrew VND 25,359 bn via OMO channel.

VCBS Commentary March 25th – March 29th

■ The Fed policy announcement minimizes the possibility of capital inflows moving away from frontier and emerging markets, which is a positive factor for stable economy in Vietnam. In addition, better liquidity in money market supporting argument is better sentiment of investors in the market, downward force will dominate bond market in the upcoming weeks.

■ With the positive context of economy as we mentioned above, **at the present we do not see any fundament changes which can push interbank rates to a high level in a long period of time.**

Bond Market

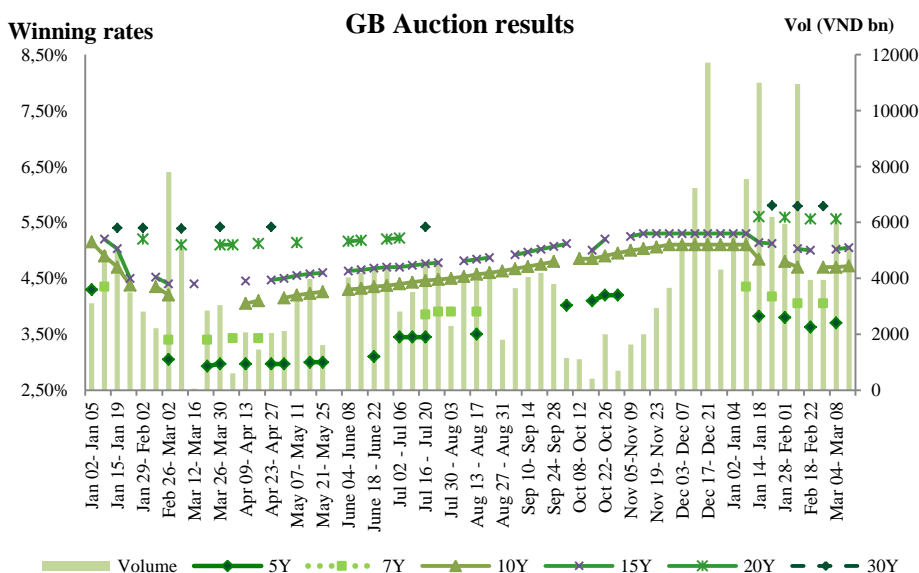
Primary Market

Only 20Y tenor bond was issued successfully

VND 200 bn (-96.04%) was mobilized this week.

VND 200 bn was mobilized this week from ST. In detail, only one tenor successfully issued out of four tenors offered (5Y, 10Y, 15Y & 20Y). VND 200 bn of bond issued at 20Y with winning rates was 5.20% (-36 bps). The registered volume to offering volume ratio for 5Y, 10Y, 15Y & 20Y tenors were 2.10, 2.68, 2.30 and 0.40 respectively, which showed that investors' sentiment was conservative. The winning volume to offering volume ratio for 20Y tenor was 40%. Besides, the auctions for 5Y, 10Y, 15Y tenor failed indicated that the State Treasury was moderate in raising winning rates.

VBSP and VDB did not mobilize bond this week.



Source: HNX, VCBS

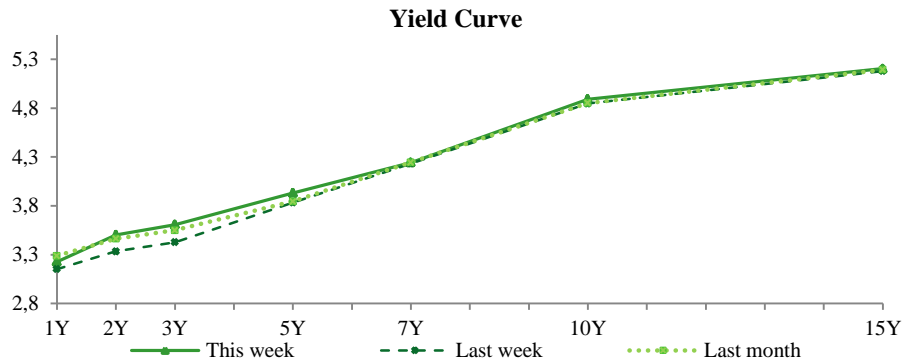
Secondary Market

Repo trading volume increased this week.

VND 47,794 bn (+10.41% wow) was traded on the secondary market.

VND 47,794 bn (+10.41% wow) was traded on the secondary market. Outright and repo values were at VND 18,892 bn and VND 28,902 bn respectively. Regarding outright, ST-Bond kept dominating trading volume with 92.10%. Remarkably, **this week a large proportion of bond trading (44.64%) belonged to short-term bond (<5year)** followed by long-term bond (>10 year) (33%).

Bond yields ticked up fractionally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 3.178% (+7.5 bps), 3.453% (+16.8 bps), 3.558% (+18 bps), 3.882% (+9.9 bps), 4.193% (+1 bps), 4.842% (+4.5 bps), 5.155% (+2.5 bps), respectively.



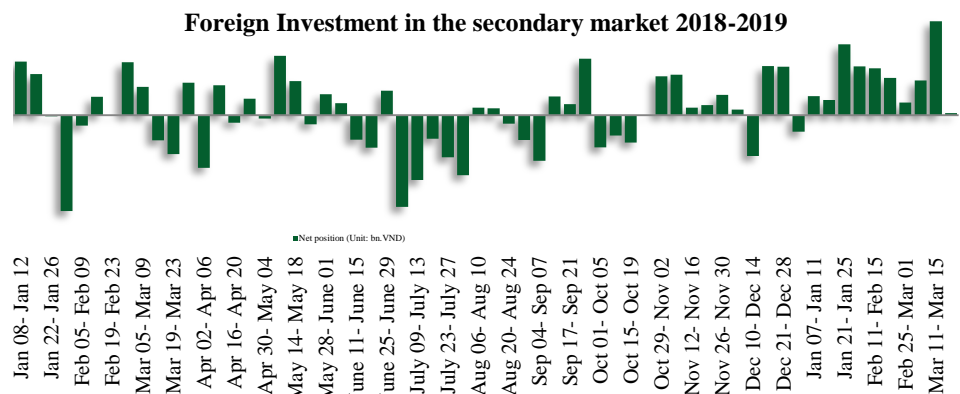
Source: Bloomberg, VCBS

The Federal Open Market Committee (FOMC) held the federal funds rate steady at the conclusion of its March meeting as financial market expected. It is noticeable that FOMC’s forward-looking projections now envision no rate increases in 2019 and a single rate hike in 2020. The more dovish stance is a positive factor for stable economy in Vietnam, especially exchange rate. In addition, the FED policy announcement minimizes the possibility of capital inflows moving away from frontier and emerging markets. With the expectation that Vietnam will continue to be the attractive country of foreign investment flows, VCBS expects that the VND depreciation in 2019 will not exceed 2% instead of 3% as the previous reports. Obviously, this is a positive sign for bond market in the near future.

GDP growth in the first quarter is forecasted to maintain a stable growth rate with the expectation of 6.2%-6.5%. Besides, according to Bloomberg, SK Group has announced its expectation to spend \$1 billion to invest in Vingroup in April. This news in accordance with abundant liquidity in money market support market’s sentiment, downward force may dominate bond market in the upcoming weeks.

Foreign investors net bought roughly VND 29.78 bn this week.

Foreign investors net bought roughly VND 29.78 bn this week. It is recorded that foreign investors had the 10th consecutive net buying week from the beginning of the year. Given the historical data into consideration, we believe that this is the favorite time for foreign investors to build their portfolios.



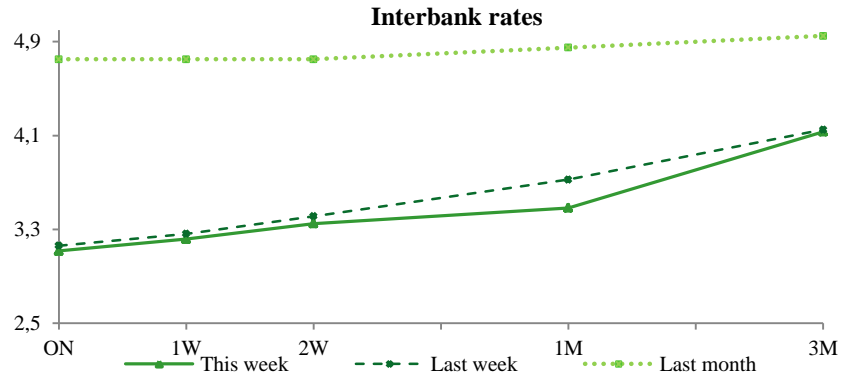
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rates extended its slight downtrend.

Interbank rates extended its slight downtrend. In details, ON – 3M rates respectively posted at 3.117%, 3.217%, 3.35%, 3.483% and 4.133% according to Bloomberg data. It can be seen that interbank rates fractionally decreased in the last few weeks.



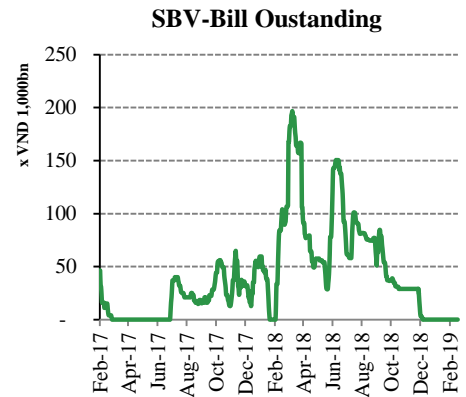
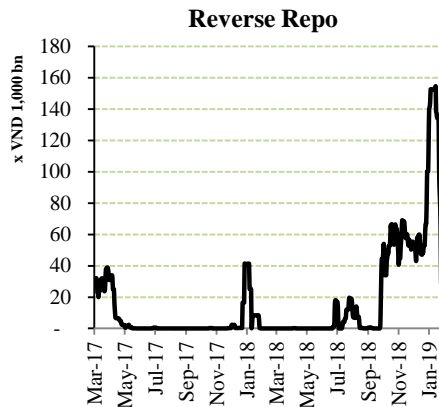
Source: Bloomberg, VCBS

With the positive context of economy as we mentioned above, **at the present we do not see any fundament changes which can push interbank rates to a high level in a long period of time.**

Open Market Operation

SBV net withdrew VND 25,359 bn via OMO channel.

SBV net withdrew VND 25,359 bn via OMO channel. The outstanding of reverse repo continued to decrease this week. In addition, SBV continued to issue T-Bills to absorb part of the resources served to build foreign reserve recently. This net withdrawing trend has continued for six consecutive weeks, indicating a better liquidity. Till now, we still believe that with more favorable condition, it is unlikely that SBV will raise rate.



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 | | | | | | | | |
| 20-Mar-19 | 5Y | 1,000 | 2,101 | - | 2.10 | 0 | 0.00% | ST |
| 20-Mar-19 | 10Y | 2,000 | 5,350 | - | 2.68 | 0 | 0.00% | ST |
| 20-Mar-19 | 15Y | 2,000 | 4,600 | - | 2.30 | 0 | 0.00% | ST |
| 20-Mar-19 | 20Y | 500 | 200 | 200 | 0.40 | 5.2 | 40.00% | ST |

Secondary Market

| Issuer | Week 11 Mar – 15 Mar | | Week 18 Mar – 22 Mar | |
|--------------------------|----------------------|-------------|----------------------|-------------|
| | Value | Value share | Value | Value share |
| Outright | | | | |
| ST | 16,154 | 88.20% | 17,399 | 92.10% |
| VDB | 1,499 | 8.18% | 683 | 3.62% |
| VBSP | 662 | 3.62% | 810 | 4.29% |
| Others | - | 0.00% | - | 0.00% |
| Subtotal (1) | 18,315 | 100.00% | 18,892 | 100.00% |
| Repo | | | | |
| Repo | 24,759 | 49.93% | 28,902 | 53.45% |
| Reserve Repo | 24,832 | 50.07% | 25,168 | 46.55% |
| Subtotal (2) | 49,591 | 100.00% | 54,070 | 100.00% |
| ST bills | | | | |
| Outright | | | | |
| Repo | | | | |
| Subtotal (3) | | | | |
| Total (1)+(2)+(3) | 72,371 | | 67,906 | |

Open Market Operation

| Date | Due | Offer | Reverse Repo | | Outright (SBV Bills) | | | |
|----------------------|--------------|--------------|----------------|--------------|----------------------|---------------|---------------|---------------|
| | | | Balance | Outstanding | Due | Offer | Balance | Outstanding |
| 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 |
| 01/21 - 01/25 | 52,814.9 | 100,335.8 | 47,520.9 | 100,335.8 | 0 | 0 | 0 | 0 |
| 01/28 – 02/01 | 0 | 52,284 | 52,284 | 152,619 | 0 | 0 | 0 | 0 |
| 02/11 - 02/15 | 32,035 | 13,796.10 | (18,239) | 134,380 | 0 | 0 | 0 | 0 |
| 02/18 - 02/22 | 134,380 | 28,681 | (105,699) | 28,681 | 0 | 0 | 0 | 0 |
| 02/25 - 03/01 | 28,681 | 18,971 | (9,709) | 18,972 | 0 | 0 | 0 | 0 |
| 03/04 - 03/08 | 18,971 | 13,961 | (5,010) | 13,961 | 0 | 0 | 0 | 0 |
| 03/11 – 03/15 | 13,961 | 7,587 | (6,374) | 7,588 | 0 | 17,000 | 17,000 | 17,000 |
| 03/18 - 03/22 | 7,587 | 2,728 | (4,859) | 2,728 | 17,000 | 37,500 | 20,500 | 37,500 |

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.

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