

Fixed-Income Report

Mar 25th – 29nd/2019

In this issue

- Round up
- Bond market
- Interest rates

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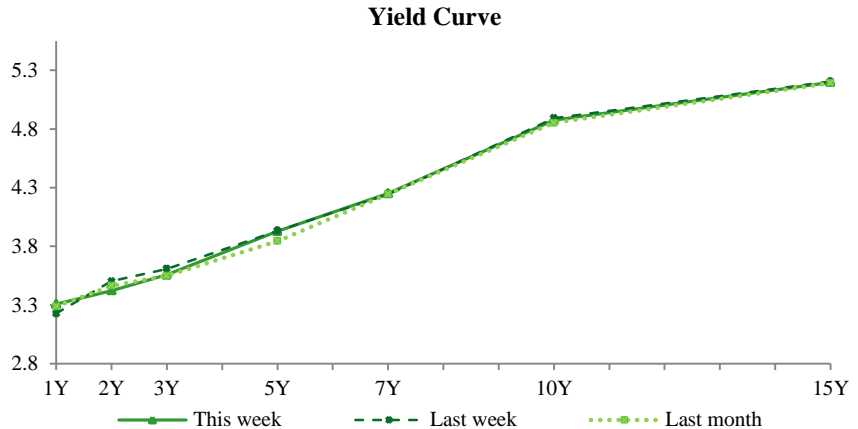
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Round-up

**Issuance volume focused on 10Y and 15Y bonds.
Bond yields fluctuated in a tight band.
Interbank rates increased considerably.**



Source: Bloomberg, VCBS

- VND 2,820 bn was mobilized this week. VND 55,953 bn (+16.92% wow) was traded on the secondary market.
- Bond yields fluctuated in a tight band. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 3.257% (+7.9 bps), 3.373% (-8 bps), 3.508% (-5 bps), 3.878% (-0.4 bps), 4.2% (+0.7 bps), 4.825% (-1.7 bps), 5.148% (-0.7 bps), respectively.
- Interbank rates increased considerably. In details, ON – 3M rates respectively posted at 4.15%, 4.183%, 4.217%, 4.317% and 4.433% according to Bloomberg data.
- Foreign investors net bought roughly VND 1,223.80 bn this week.
- SBV net injected VND 31,506 bn via OMO channel.

VCBS Commentary April 01st – April 05th

- To wrap up, the stability of macroeconomic figures in this period still support our argument that bond yields are unlikely to increase.
- In the positive context, the tensional force shall not be stayed in long periods and liquidity will be abundant in April, given that: (1) No pressure recorded on exchange these days; (2) New inflows planned to arrive in upcoming period from both FDI and FII. In detail, registered FDI in Q1.2019 increased more than 30% compared to last year; (3) Credit growth in the first quarter of 2019 was roughly 2.28% - same speed with last year, which indicated that credit demand does not significantly increase.

Bond Market

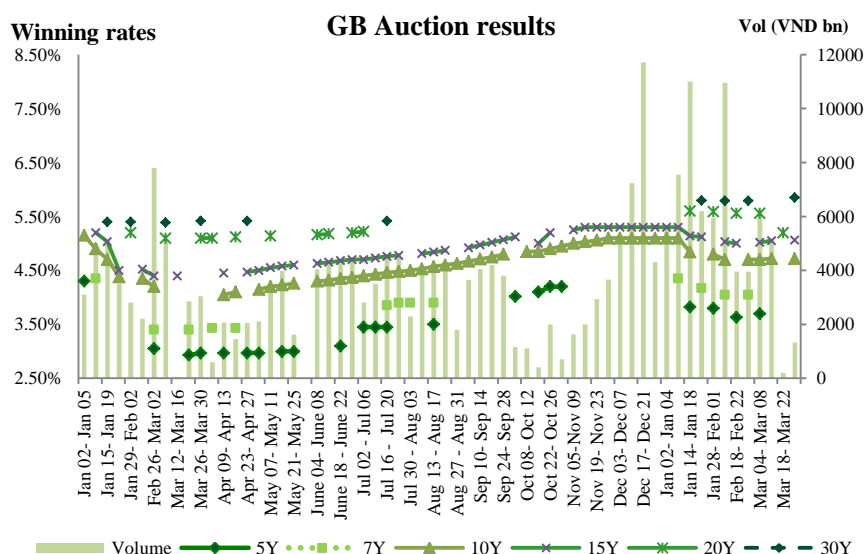
Primary Market

Issuance volume focused on 10Y and 15Y bonds.

VND 2,820 bn was mobilized this week.

VND 2,820 bn was mobilized this week from ST. Therein, ST planned to issue VND 500 bn at 7Y; VND 2,250 bn at 10Y; VND 2,250 bn at 15Y plus VND 500 bn at 30Y bond. The registered volume to offering volume ratio for 7Y, 10Y, 15Y & 30Y tenors were 2.30, 2.28, 1.27 and 1.40 respectively. The average register to offering ratio was 1.81 times. Besides, the average winning to offering ratio was 42.61%, while the auction for 7Y tenor failed. Wining rate inched up and stood at 4.72% (+0 bp), 5.06% (+1bp), 5.85% (+6 bps) for 10Y, 15Y and 30Y.

VBSP and VDB did not mobilize bond this week.



Source: HNX, VCBS

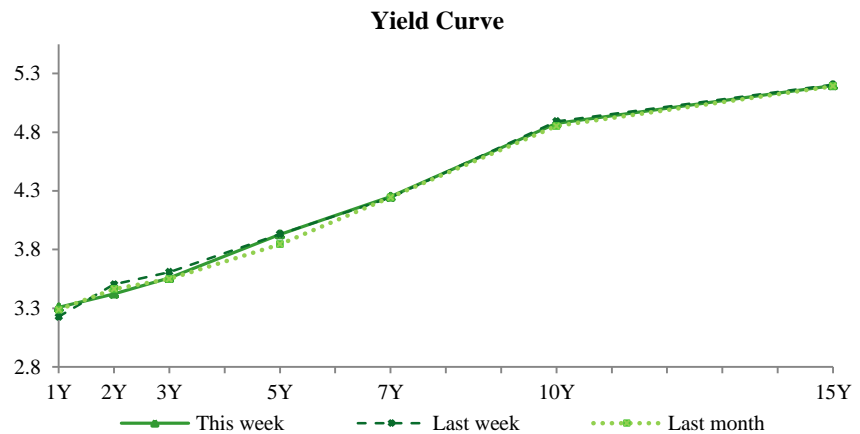
Secondary Market

Repo trading volume continued to increase this week.

VND 55,953 bn (+16.92% wow) was traded on the secondary market.

VND 55,953 bn (+16.92% wow) was traded on the secondary market. Outright and repo values were at VND 22,474 bn and VND 33,479 bn respectively. Regarding outright, ST-Bond kept dominating trading volume with 94.84%. Remarkably, this week a large proportion of bond trading (37.06%) belonged to long-term bond (>10year) followed by short-term bond (<5 year) (34.81%).

Yield curve shifted upward marginally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 3.257% (+7.9 bps), 3.373% (-8 bps), 3.508% (-5 bps), 3.878% (-0.4 bps), 4.2% (+0.7 bps), 4.825% (-1.7 bps), 5.148% (-0.7 bps), respectively.



Source: Bloomberg, VCBS

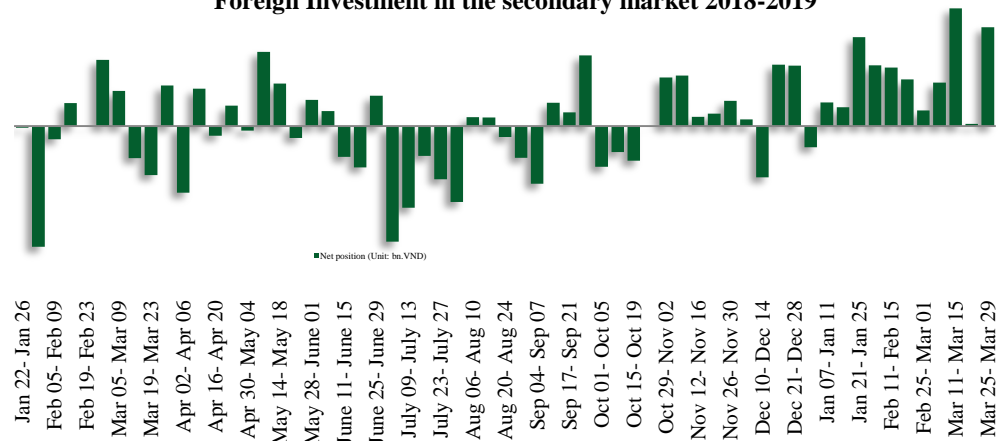
The General Statistics Office (GSO) has released the socio – economic statistics of the first 3 months of 2019. Accordingly, GDP in Q1.2019 is expected to growth by 6.79% over the same period. Although this figure is lower than Q1.2018, this is still higher than the period between 2009 – 2017. From the prospective of economic stabilization, the CPI in March declined by 0.21% comparing to the last month. In particular, the effect of increasing electricity prices, gasoline prices has been washed away due to the decline in pork prices. Exchange rates at commercial banks did not change much in the first quarter around VND 23,250 per USD. To wrap up, the stability of macroeconomic figures in this period still support our argument that bond yields are unlikely to increase.

At the present, we do not expect some events which may increase bond yields. Even with the expectation that a slight higher interbank rate in the next week, there is still downward force on bond yields.

Foreign investors net bought roughly VND 1,223.80 bn this week.

Foreign investors net bought roughly VND 1,223.80 bn this week. It is recorded that foreign investors had the 11th consecutive net buying week from the beginning of the year. Remarkably, this week a large proportion of bond trading focused on long-term bond (>10year). It should be noted that insurances companies still have demand for long-term bonds.

Foreign Investment in the secondary market 2018-2019



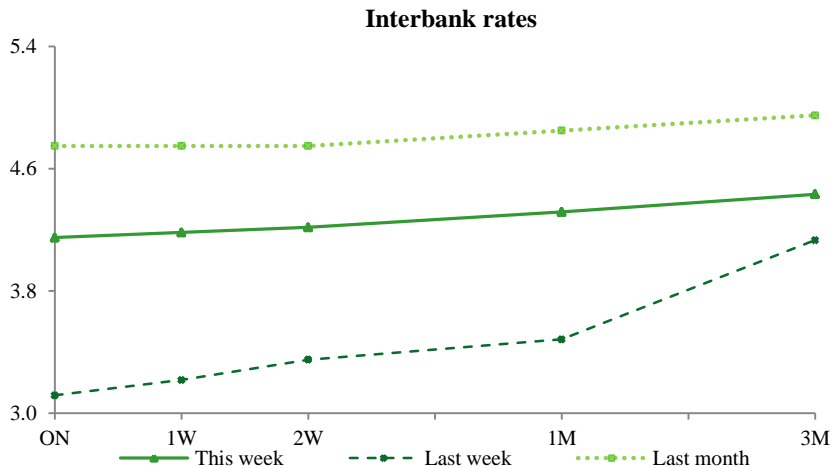
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rates increased considerably. However, we do not think that this high level shall last long.

Interbank rates increased considerably. In details, ON – 3M rates respectively posted at 4.15%, 4.183%, 4.217%, 4.317% and 4.433% according to Bloomberg data.



Source: Bloomberg, VCBS

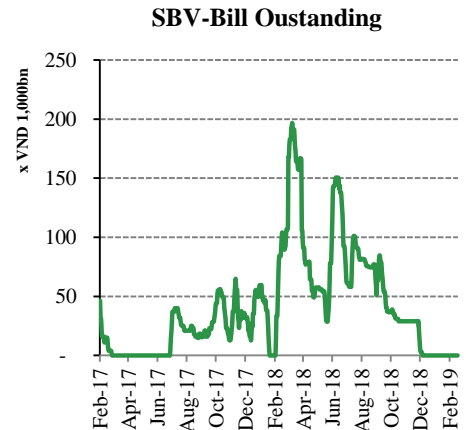
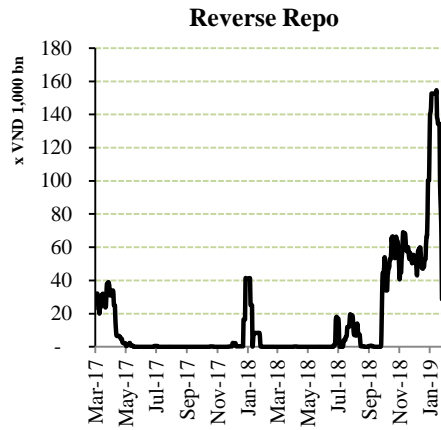
Interbank rates increased considerably this week. In our opinions, this did not refer an upward trend of interbank rates in the near future. Instead, the upward force may derive from abnormal liquidity demand of some particular banks and therefore shall not last long. Liquidity shall be abundant in April, given that: (1) No pressure recorded on exchange these days; (2) New inflows planned to arrive in upcoming period from both FDI and FII. In detail, registered FDI in Q1.2019 increased more than 30% compared to last year; (3) Credit growth in the first quarter of 2019 was roughly 2.28%- same speed with last year, which indicated that credit demand does not significantly increase.

To sum up, we think that interbank rate may decrease this week rather than increase as it did last week.

Open Market Operation

SBV net injected VND 31,506 bn via OMO channel.

SBV net injected VND 31,506 bn via OMO channel. For Outrights, VND 37,500 bn of SBV bills matured this week. Meanwhile, the issuance of new bills was only VND 4,900 bn at the time to maturity of 7 days at rate of 3%.



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								
27-Mar-19	7Y	500	1,151	-	2.30	0	0.00%	ST
27-Mar-19	10Y	2,250	5,130	780	2.28	4.72	34.67%	ST
27-Mar-19	15Y	2,250	2,850	1,750	1.27	5.06	77.78%	ST
27-Mar-19	30Y	500	700	290	1.40	5.85	58.00%	ST

Secondary Market

Issuer	Week 18 Mar – 22 Mar		Week 25 Mar – 29 Mar	
	Value	Value share	Value	Value share
Outright				
ST	17,399	92.10%	21,315	94.84%
VDB	683	3.62%	936	4.17%
VBSP	810	4.29%	223	0.99%
Others	-	0.00%	-	0.00%
Subtotal (1)	18,892	100.00%	22,474	100.00%
Repo				
Repo	28,902	53.45%	33,479	60.15%
Reserve Repo	25,168	46.55%	22,183	39.85%
Subtotal (2)	54,070	100.00%	55,661	100.00%
ST bills				
Outright				
Repo				
Subtotal (3)				
Total (1)+(2)+(3)	72,371		78,136	

Open Market Operation

Date	Due	Offer	Reverse Repo		Outright (SBV Bills)			
			Balance	Outstanding	Due	Offer	Balance	Outstanding
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
03/25 - 03/29	2,728	1,635	(1,094)	1,635	37,500	4,900	(32,600)	4,900

DISCLAIMER

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