

Fixed-Income Report

June 17th – 21st/2019

In this issue

- Round up
- Bond market
- Interest rates

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See Disclaimer at Page 6

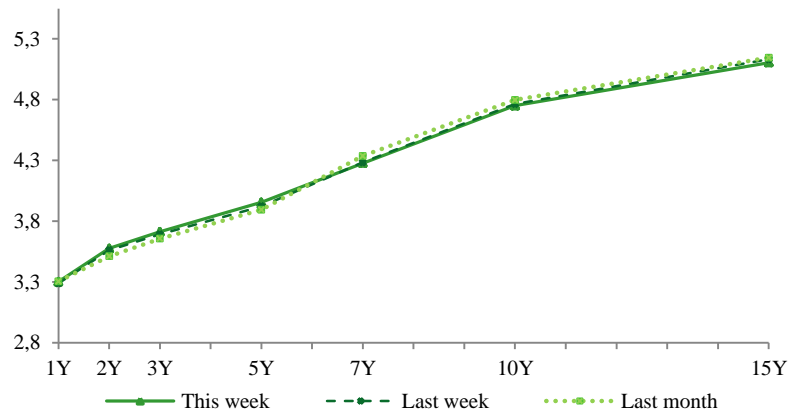
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Round-up

**Issuance volume focused on 10Y & 15Y tenors.
Yield curve experienced a minor change.
Interbank rates inched up.**

Yield Curve



Source: Bloomberg, VCBS

■ VND 2,000 bn was mobilized this week. VND 35,753 bn was traded on the secondary market.

■ Yield curve became flattened. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 3.253% (+1.3 bps), 3.527% (+1.5 bps), 3.663% (+2.1 bps), 3.905% (+3.2 bps), 4.228% (-0.7 bps), 4.7% (-1.3 bps), 5.055% (-2.7 bps), respectively.

■ Interbank rates inched up. In details, ON – 3M rates posted at 2.992%, 3.167%, 3.283%, 3.517% and 4.067%, respectively according to Bloomberg data.

■ Foreign investors net bought VND 567.81 bn this week.

■ SBV net withdrew VND 3,179 bn via OMO channel.

VCBS Commentary June 24th – June 28th

■ Economic figures are expect to keep growth stable as well as a more conservative approach from FED resulted in better sentiment of investors. Hence, we believe that yield curve will continue to be flattened as long-term bond yields may decrease a little bit more due to high demand. Whereas, the stable interbank rates prevent short-term bond yield from decreasing.

■ Market participants are all waiting for new moves in the worldwide market, especially the results of the bilateral meeting at G20 summit in Japan on June 28-29. Next week we believe that, interbank rate will only fluctuate in a tight band. No liquidity shortage shall be recorded in the context of a slow credit growth.

Bond Market

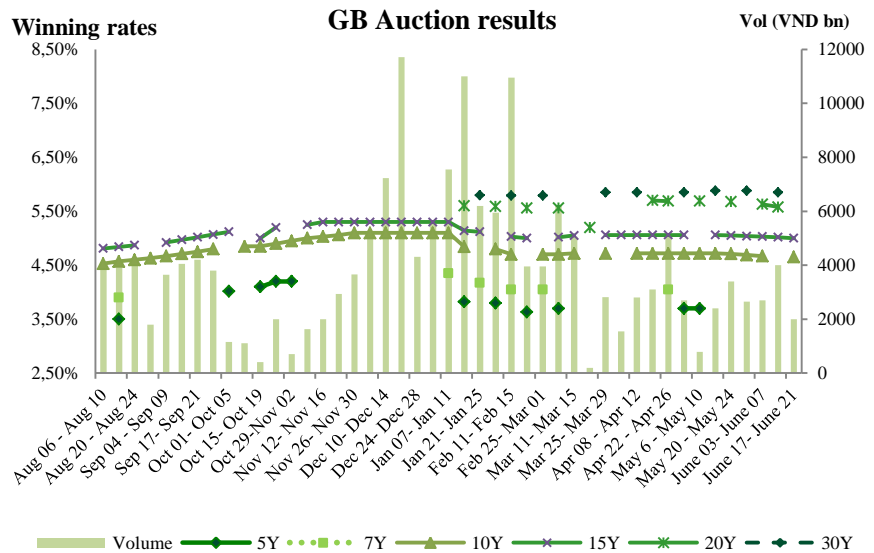
Primary Market

Issuance volume focused on 10Y & 15Y tenor.

VND 2,000 bn was mobilized this week.

VND 2,000 bn was mobilized this week from ST. Therein, ST planned to issue VND 500 bn at 5Y; VND 1,000 bn at 10Y plus VND 1,000 bn at 15Y bond. The registered volume to offering volume ratio for 5Y, 10Y & 15Y tenors were 2.00, 5.00 and 5.40 times respectively. The average register to offering ratio was 4.56 times. 10Y and 15Y tenors were issued successfully, while the auction for 5Y tenor failed. Wining rate for 10Y and 15Y tenors stood at 4.65% (-2 bps) and 5.00% (-2 bps), respectively.

VBSP and VDB did not mobilize bond this week.



Source: HNX, VCBS

Secondary Market

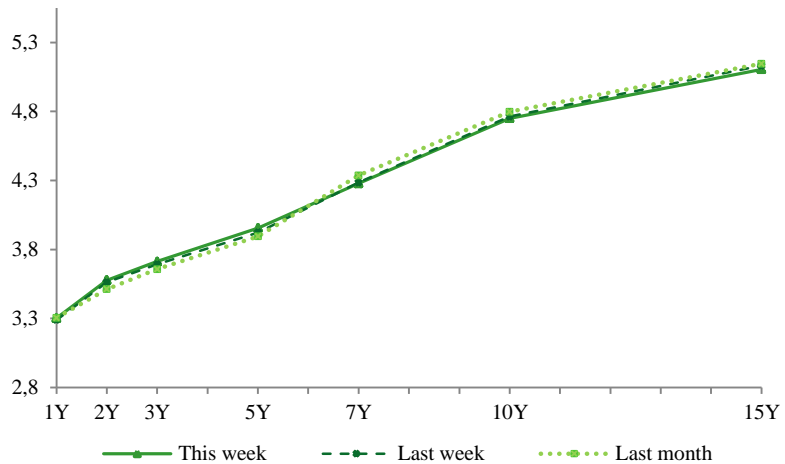
Average volume each session decreased slightly.

VND 35,753 bn (-5.89%) was traded on the secondary market.

VND 35,753 bn (-5.89%) was traded on the secondary market. Average trading volume each session declined slightly to VND 7.151 bn (-5.89%) due to decreasing repo volume. In detail, Outright and repo values were at VND 18,162 bn (+9.89% wow) and VND 17,591 bn (-18.05% wow), respectively. Regarding outright, ST-Bond kept dominating trading volume with 93.97%. Remarkably, **this week a large proportion of bond trading (46.00%) belonged to short-term bond (<5year)** followed by long-term bond (>10 year) (17.48%).

Yield curve became flattened. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 3.253% (+1.3 bps), 3.527% (+1.5 bps), 3.663% (+2.1 bps), 3.905% (+3.2 bps), 4.228% (-0.7 bps), 4.7% (-1.3 bps), 5.055% (-2.7 bps), respectively. In recent sessions, long-term bond yields tended to decrease minimally due to demand from increasing demand from market participants.

Yield Curve



Source: Bloomberg, VCBS

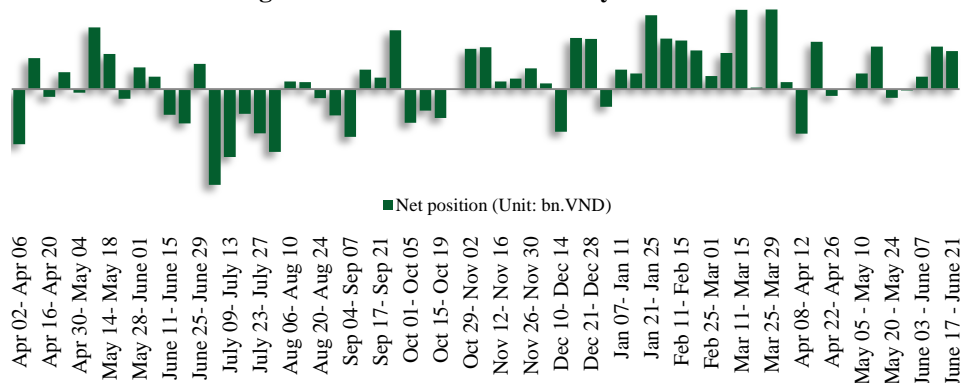
In FOMC took place last week, Fed officially unchanged level of interest rate within the range from 2.25% - 2.5% as expected by the majority of investors. Besides, Fed left the possibility of reducing interest rates till the end of year. The policy has impacted on the future value of the greenbacks. As a result, commodity prices such as gold and crude oil prices continued to increase considerably in the expectation of weaker USD. Besides, after approaching to 7 in May, last week saw USD/CNY exchange rate dropped to 6.8520. At the same time, the central exchange rate was listed at 23.055 VND/USD, down by 4 dong compared to the previous week. The movement of the international market will determine the trend of the USD/VND exchange rate. Accordingly, VCBS do not change the view that exchange rate is vulnerable to upward pressure when global market is surrounded by uncertainties. However, **we anticipate that VND depreciation for the whole year of 2019 will not exceed 2%.**

In the upcoming week, The General Statistics Office (GSO) will officially publish the macro-economic results in the first half of 2019. Economic growth remained strong in H1.2019, especially inflation well controlled and good inflows from FDI & FII. Obviously, these positive signs as well as a more conservative approach from FED resulted in better sentiment of investors. Hence, we believe that yield curve will continue to be flattened as long-term bond yields may decrease a little bit more due to high demand. Whereas, the stable interbank rates prevent short-term bond yield from decreasing.

Foreign investors net bought VND 567.81 bn this week.

Foreign investors net bought VND 567.81 bn this week. Therein, foreign recorded transactions focused almost on 3Y - 5Y tenors and 10Y tenor.

Foreign Investment in the secondary market 2018-2019



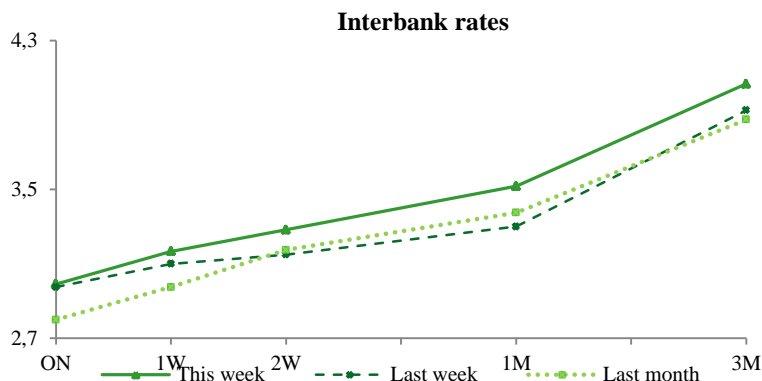
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rates inched up

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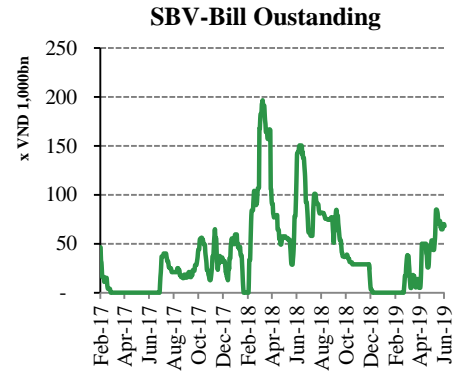
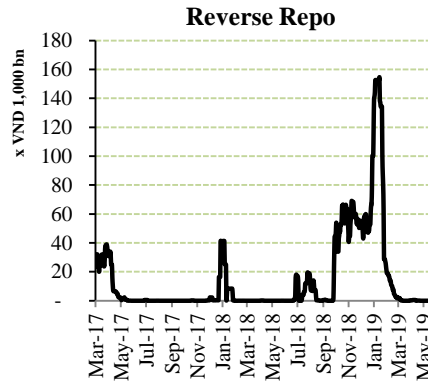
Source: Bloomberg, VCBS

Interbank markets as well as market participants are all waiting for new moves in the worldwide market, especially the results of the bilateral meeting between US and China at G20 summit in Japan on June 28-29. Next week we believe that, interbank rate will only fluctuate in a tight band. No liquidity shortage shall be recorded in the context of a slow credit growth.

Open Market Operation

SBV net withdrew VND 3,179 bn via OMO channel.

SBV net withdrew VND 3,179 bn via OMO channel. In detail, SBV continuously offer VND 1,000 bn of Reverse Repo each session this week, but there was only VND 21 billion executed in the first trading session of the week. VND 64,799 bn of SBV-Bills matured this week, while the issuance of new bills was VND 67,999 bn at the time to maturity of 7 days at rate of 3%. This indicated abundant liquidity and therefore it is considered a good signal to the market.



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-Jun-19	5Y	500	1,000	-	2.00	0	0.00%	ST
19-Jun-19	10Y	1,000	5,000	1,000	5.00	4.65	100.00%	ST
19-Jun-19	15Y	1,000	5,398	1,000	5.40	5	100.00%	ST

Secondary Market

Issuer	Week 03 June – 07 June		Week 10 June – 14 June	
	Value	Value share	Value	Value share
Outright				
ST	14,841	89.80%	17,067	93.97%
VDB	1,252	7.58%	1,095	6.03%
VBSP	433	2.62%	-	0.00%
Others	-	0.00%	-	0.00%
<i>Subtotal (1)</i>	16,527	100.00%	18,162	100.00%
Repo				
Repo	21,465	51.30%	17,591	41.89%
Reserve Repo	20,381	48.70%	24,405	58.11%
<i>Subtotal (2)</i>	41,846	100.00%	41,996	100.00%
ST bills				
Outright				
Repo				
<i>Subtotal (3)</i>				
Total (1)+(2)+(3)	58,372		60,158	

Open Market Operation

Date	Due	Offer	Reverse Repo		Outright (SBV Bills)			
			Balance	Outstanding	Due	Offer	Balance	Outstanding
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	52,815	100,336	47,521	100,336	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	(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
04/01 - 04/05	1,635	196	(1,439)	196	300	5,200	4,900	-
04/08 - 04/12	195.6	0	(195.6)	0	17,001	10,200	(6,801)	10,200
04/15 - 04/19	0	0	0	0	10,200	5,000	(5,200)	5,000
05/06 - 05/10	514.6	0	(514.6)	0	50,000	25,887	(24,111)	25,887
05/13 - 05/17	0	97.85	97.85	97.85	25,887	48,725	22,838	48,725
05/20 - 05/24	97.85	0	(97.85)	0	48,725	43,720	(5,005)	43,720
05/27 - 05/31	0	0	0	0	43,720	84,799	41,079	84,799
06/03 – 06/07	0	0	0	0	70,449	64,799	(5,651)	64,799
06/10 - 06/14	0	0	0	0	70,449	64,799	(5,651)	64,799

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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