

## Fixed-Income Report

**June 24<sup>th</sup> – 28<sup>th</sup>/2019**

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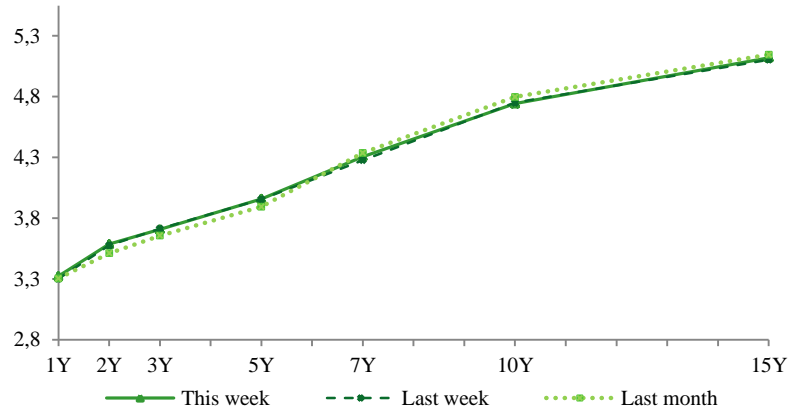
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## Round-up

- High demand recorded in long-term tenors.
- Yield curve inched up.
- Interbank rates increased considerably.

Yield Curve



Source: Bloomberg, VCBS

■ VND 2,440 bn was mobilized this week. VND 45,824 bn (+27.42%) was traded on the secondary market.

■ Yield curve inched up minimally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 3.273% (+2 bps), 3.537% (+1 bps), 3.658% (-0.5 bps), 3.91% (+0.5 bps), 4.257% (+2.9 bps), 4.692% (-0.8 bps), 5.07% (+1.5 bps), respectively.

■ Interbank rates increased considerably. In details, ON – 3M rates posted at 3.871%, 3.907%, 3.957%, 4.05% and 4.186%, respectively according to Bloomberg data.

■ Foreign investors net bought VND 1,484.33 bn this week.

■ SBV net injected VND 46,979 bn via OMO channel.

## VCBS Commentary July 1<sup>st</sup> – July 5<sup>th</sup>

■ To wrap up, the stability of macro-economy in this period still supports our argument that bond yields will move in a tight band, before entering the upward phase in Q3. Besides, bond future will launch on July 4<sup>th</sup> shall affect the volatility of bond yields in the market.

■ Interbank rates increased considerably in the last sessions of the previous 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. It should be noted that the last trading week of the first half year often recorded the high liquidity demand to ensure safety ratios. Therefore, this upward force shall not last long. We think that interbank rate may not increase speedily as it did last week.

**Bond Market**

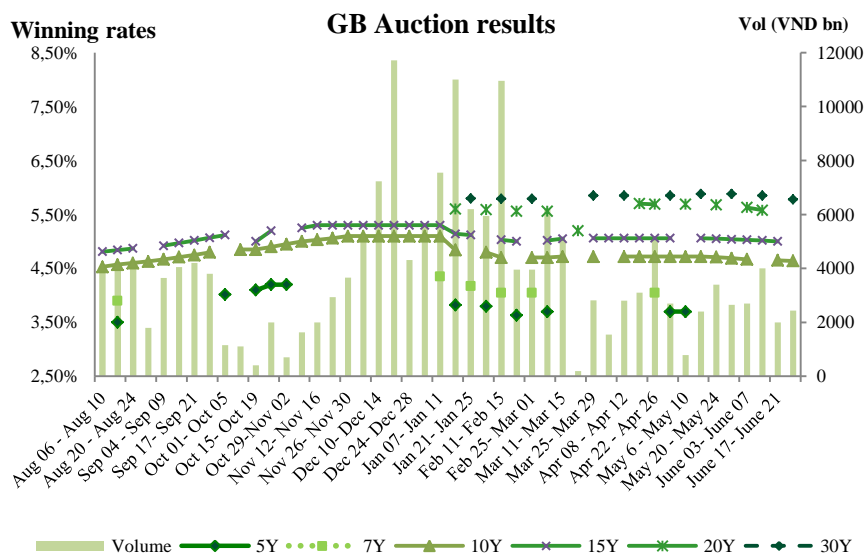
**Primary Market**

**High demand recorded in long-term tenors.**

**VND 2,440 bn (+22% wow) was mobilized this week.**

**VND 2,440 bn (+22% wow) was mobilized this week from ST.** Therein, ST planned to issue VND 500 bn at 7Y; VND 1,000 bn at 10Y plus VND 1,500 bn at 30Y bond. The registered volume to offering volume ratio for 7Y, 10Y & 30Y tenors were 1.30, 3.54 and 3.95 times, respectively. Only 30Y tenor was issued successfully, while the auction for 7Y tenor failed. Winning rate for 10Y and 30Y tenors stood at 4.64% (-1 bps) and 5.78% (-7 bps), respectively. It is clearly showed the high demand for long-term tenors from market participants, especially insurance companies and investment funds.

VBSP and VDB did not mobilize bond this week.



Source: HNX, VCBS

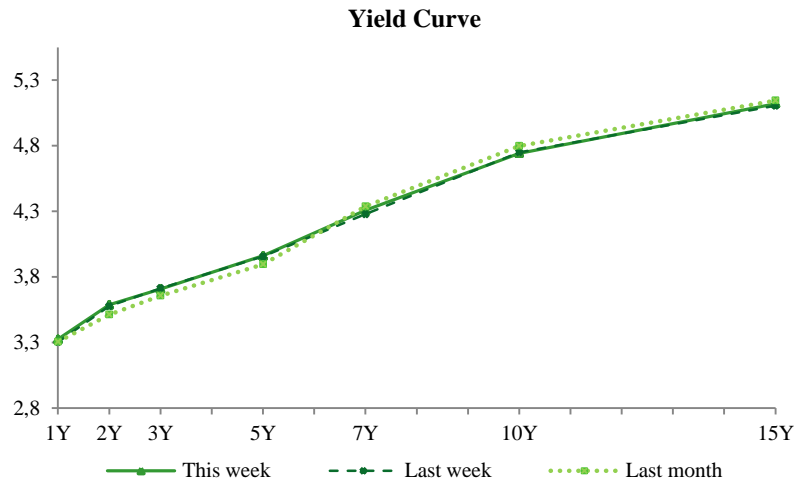
**Secondary Market**

**Repo volume boomed this week.**

**VND 45,824 bn (+27.42%) was traded on the secondary market.**

**VND 45,824 bn (+27.42%)** was traded on the secondary market. Average trading volume each session peaked at VND 9.165 bn (+27.42%) due to booming repo volume. In detail, Outright and repo values were at VND 21,066 bn (+14.67% wow) and VND 24,757 bn (+40.74% wow), respectively. Regarding outright, ST-Bond kept dominating trading volume with 80.67%. Remarkably, **this week a large proportion of bond trading (40.73%) belonged to short-term bond (<5year)** followed by long-term bond (>10 year) (22.76%).

**Yield curve inched up minimally.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 3.273% (+2 bps), 3.537% (+1 bps), 3.658% (-0.5 bps), 3.91% (+0.5 bps), 4.257% (+2.9 bps), 4.692% (-0.8 bps), 5.07% (+1.5 bps), respectively.



Source: Bloomberg, VCBS

The General Statistics Office (GSO) has released the socio – economic statistics of the first half of 2019. Accordingly, GDP in H1.2019 is expected to growth by 6.76% over the same period. Although this figure is lower than Q1.2018, this is still higher than the period from 2011 to 2017. From the stable economy, the CPI in June declined by 0.09% compared to the last month. However, the average CPI in 6 months increased by 2.64% compared to the previous period due to the effect of increasing food prices, housing maintenance prices and other prices.

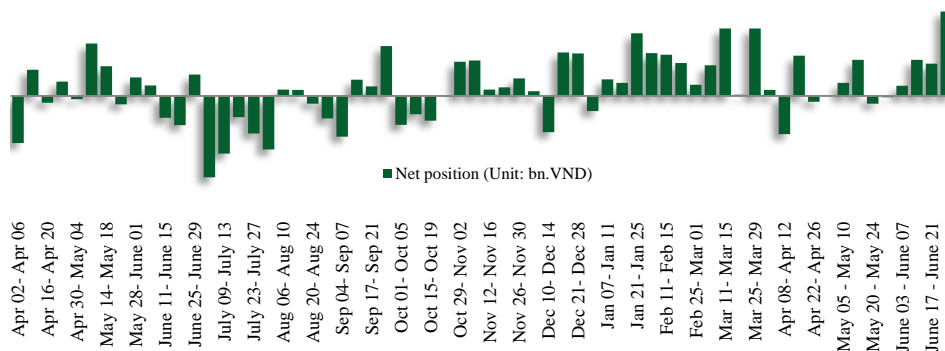
On the bilateral meeting at G20 summit in Japan, the US and China have agreed to resume negotiations with no further tariffs. Moreover, President Trump also revealed that US companies would be allowed to resume sales to Huawei, ending the ban on American trading with the Chinese tech giant. Obviously, the deal between two countries resulted in better sentiment of investors.

To wrap up, the stability of macroeconomic figures in this period as well as trade negotiations between the US and China still support our argument that bond yields will move in a tight band, before entering the upward phase in Q3. Besides, bond future will launch on July 4<sup>th</sup> shall affect the volatility of bond yields in the market.

**Foreign investors net bought VND 1,484.33 bn this week.**

**Foreign investors net bought VND 1,484.33 bn this week.** Therein, they mainly focused on 25-30Y tenors (VND 1,310.89 bn). It should be noted that insurances companies still have demand for long-term bonds.

**Foreign Investment in the secondary market 2018-2019**



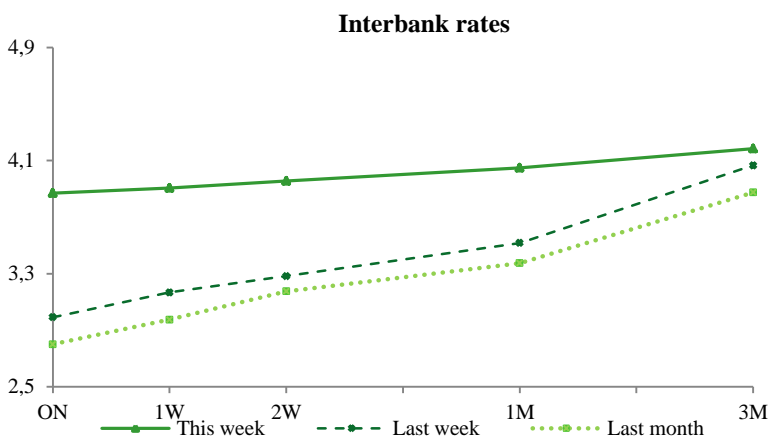
Source: HNX, VCBS

**INTEREST RATE**

**Interbank Rates**

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

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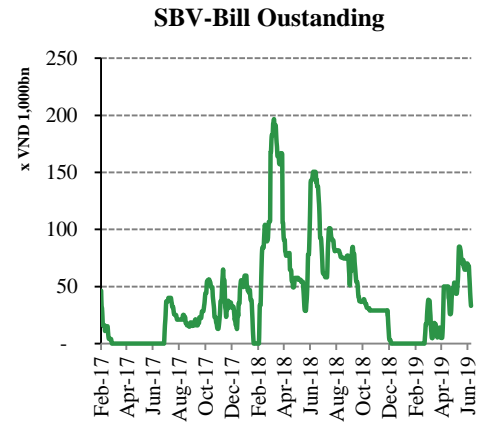
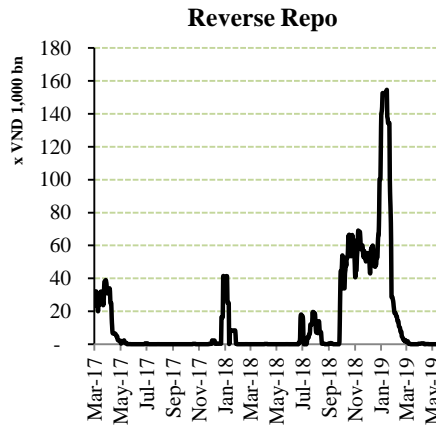
Source: Bloomberg, VCBS

Interbank rates increased considerably in the last session of the previous 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. It should be noted that the last trading week of the first half year often recorded the high liquidity demand to ensure safety ratios. Therefore, this upward force shall not last long. Moreover, liquidity shall be abundant in July, given that: (1) No pressure on exchange these days; (2) Inflows from both FDI and FII still remained; (3) Credit growth from the beginning of the year to June 18<sup>th</sup> was roughly 6.22% - same speed with last year, which indicated that credit demand does not significantly increase. To sum up, we think that interbank rate may not increase speedily as it did last week.

**Open Market Operation**

**SBV net injected VND 46,979 bn via OMO channel.**

**SBV net injected VND 46,979 bn via OMO channel.** In detail, SBV offer VND 12,000 bn of Reverse Repo the last session this week, and there was executed successfully. This indicated liquidity is less abundant than the previous week. VND 67,999 bn of SBV-Bills matured this week, while the issuance of new bills was VND 32,999 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
<b>ST bills</b>								
<b>Government and government-backed bonds</b>								
26-Jun-19	7Y	500	650	-	1.30	0	0.00%	ST
26-Jun-19	10Y	1,000	3,540	940	3.54	4.64	94.00%	ST
26-Jun-19	30Y	1,500	5,930	1,500	3.95	5.78	100.00%	ST

### Secondary Market

Issuer	Week 17 June – 21 June		Week 24 June – 28 June	
	Value	Value share	Value	Value share
<b>Outright</b>				
<b>ST</b>	17,067	92.90%	16,993	80.67%
<b>VDB</b>	1,305	7.10%	3,850	18.28%
<b>VBSP</b>	-	0.00%	223	1.06%
<b>Others</b>	-	0.00%	-	0.00%
<i>Subtotal (1)</i>	18,371	100.00%	21,066	100.00%
<b>Repo</b>				
Repo	17,591	41.89%	24,757	64.13%
Reserve Repo	24,405	58.11%	13,848	35.87%
<i>Subtotal (2)</i>	41,996	100.00%	38,606	100.00%
<b>ST bills</b>				
Outright				
Repo				
<i>Subtotal (3)</i>				
<b>Total (1)+(2)+(3)</b>	<b>60,367</b>		<b>59,672</b>	

### Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	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	18971	13961	(5010)	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
<b>06/24 - 06/28</b>	<b>21</b>	<b>12000</b>	<b>11979</b>	<b>12000</b>	<b>67999</b>	<b>32999</b>	<b>(34999)</b>	<b>32999</b>

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