

**Fixed-Income Report**

**October 14<sup>th</sup> – 18<sup>th</sup>/2019**

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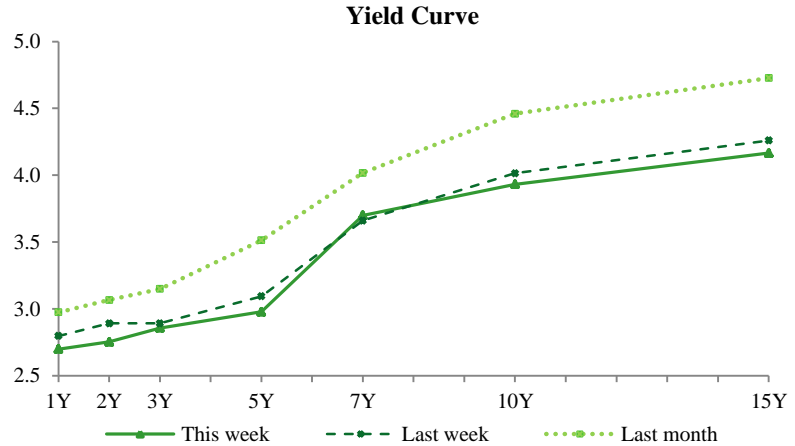
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**Round-up**

**Wining volume focused on long-term tenors.  
Yield curve shifted downward fictionally.  
Interbank rates ticked down minimally.**



Source: Bloomberg, VCBS

■ VND 4,190 bn was mobilized this week. VND 68,060 bn (-12.91%) was traded on the secondary market.

■ Yield curve shifted downward fictionally with bond yields decreased for short and long-term tenors. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 2.7% (-9.8 bps), 2.753% (-13.9 bps), 2.857% (-3.5 bps), 2.979% (-11.5 bps), 3.7% (+4 bps), 3.932% (-8.3 bps), 4.165% (-9.5 bps), respectively.

■ Interbank rates ticked down minimally. In details, ON – 3M rates posted at 1.9%, 2.183%, 2.475%, 2.875% and 4.175%, respectively according to Bloomberg data.

■ Foreign investors net sell VND 1,052 bn this week.

■ SBV net withdrew VND 2,502 bn via OMO channel.

**VCBS Commentary October 21<sup>st</sup> – October 25<sup>th</sup>**

■ Abundant liquidity in money market supporting better investors’ sentiment. Therefore, it is likely that downward force will continue to dominate on bond yields in the upcoming weeks.

■ There is a high probability that interbank rate will stay at this level because: (1) Public disbursement only increased fractionally; (2) Credit growth was slower than the same period last year and is projected at the same level for the whole year as 2018. (3) No pressure on exchange rates these days. With these assumptions, we anticipate that interbank rates shall be kept at low level until further information showed up.

**Bond Market**

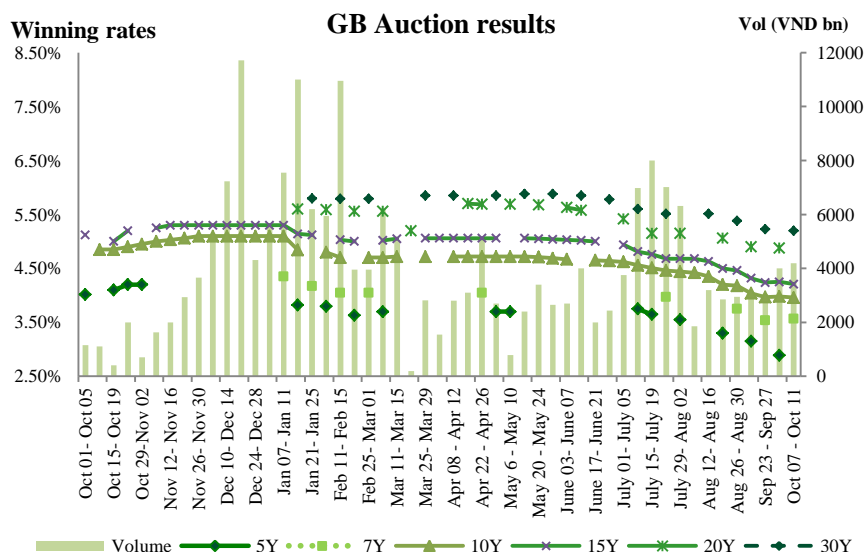
**Primary Market**

**Wining volume focused on long-term tenors.**

**VND 4,190 bn was mobilized this week.**

**VND 4,190 bn was mobilized this week from ST and VBSP.** Therein, ST issued VND 440 bn at 7Y, VND 1,500 bn at 10Y, VND 1,500 bn at 15Y plus VND 750 bn at 30Y bond. The registered volume to offering volume ratio for 7Y, 10Y, 15Y & 30Y tenors were 2.98, 2.20, 3.57 and 5.57 times. It is clearly showed the high demand for 30Y tenor from market participants, not only insurance companies but also commercial banks. Meanwhile, wining rate for 7Y, 10Y, 15Y & 30Y tenors stood at 3.57% (+3 bps), 3.96% (-2 bps), 4.21% (-4 bps), 5.20% (-3 bps), respectively.

Meanwhile, VBSP and VDB did not mobilize bond this week.



Source: HNX, VCBS

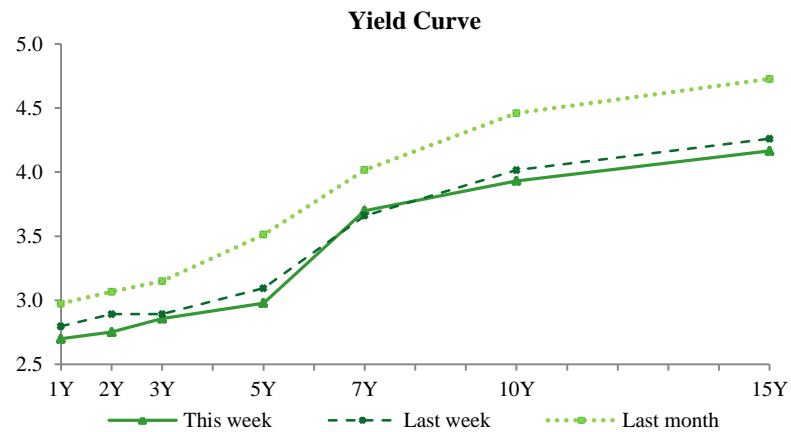
**Secondary Market**

**Liquidity continued to decrease considerably compared to the previous trading week.**

**VND 68,060 bn (-12.91%) was traded on the secondary market.**

**VND 68,060 bn (-12.91%)** was traded on the secondary market. Average trading volume each session declined to VND 13,612 bn. In detail, Outright and repo values were at VND 38,927 bn (+30.24% wow) and VND 29,133 bn (-39.63% wow), respectively. Regarding outright, ST-Bond kept dominating trading volume with 88.31%. Remarkably, **this week a large proportion of bond trading (33.86%) belonged to short-term bond (<5 year)** followed by long-term bond (>10 year) (30.19%).

**Yield curve shifted downward fictionally with bond yields decreased for short and long-term tenors.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 2.7% (-9.8 bps), 2.753% (-13.9 bps), 2.857% (-3.5 bps), 2.979% (-11.5 bps), 3.7% (+4 bps), 3.932% (-8.3 bps), 4.165% (-9.5 bps), respectively.



Source: Bloomberg, VCBS

Recently, Moody's Investors Service has just placed the Ba3 local and foreign currency issuer and senior unsecured ratings of the Government of Vietnam under review for downgrade. The key driver behind its decision is institutional weaknesses, as revealed by delayed payments to some foreign builders. However, Moody's only announces that the agency will consider lowering Vietnam's credit rating and the review may take place in three months. During the review period, the agency will assess the government system could ensure reliable and smooth payment. Moody's will downgrade Vietnam's rating if the review concludes that administrative gaps are such that a non-negligible risk of future delayed payments remains. Meanwhile, Moody's may maintain Ba3 rating if there is evidence that all debt obligations will be honored in a smooth and timely manner.

On the other hand, according to The Ministry of Finance, the delayed payments Moody's mentioned is a government-guaranteed debt which is a part of the government's reserve debt obligations, not its direct one. In addition, the government of Vietnam has fulfilled the guarantor's responsibility for payment even if not receiving a formal request from lender. It seemed that Moody's just based on a single incident and ignored the efforts that the government has achieved in maintaining stable macro-economy. The Ministry will discuss and provide information to Moody's and other credit ratings agencies to ensure the accurate information; and expect that Moody's will soon fully evaluate the appreciated rating.

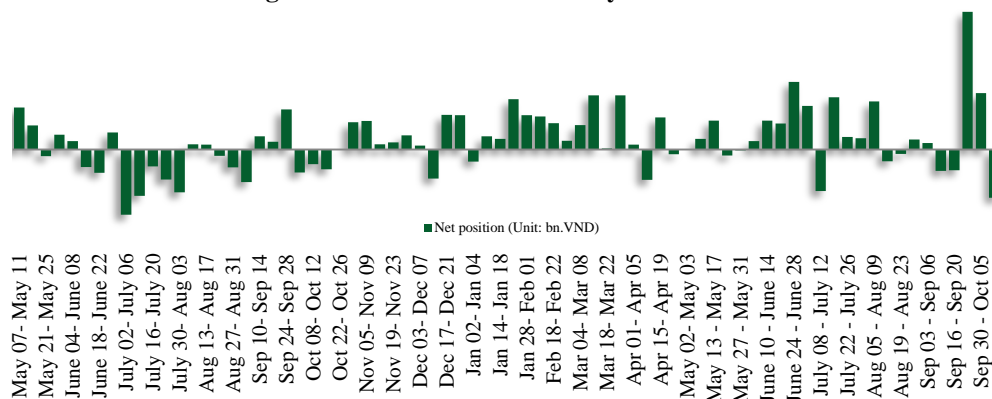
In the case that Moody's downgrades the credit rating, it is likely to have some detrimental impacts on the country and local businesses. If Moody's downgrades Vietnam's sovereign rating, it may lead to lower credit ratings in some cases. In detail, the yield of bonds issued by the government and businesses might be higher because of higher premium to attract foreign investors. As a result, the higher costs of capital may affect the efficiency of public investment and economic growth. Meanwhile, Moody's downgrades may also affect some credit ratings from other agencies and the potential upgrade of Vietnam's stock market. In our opinions, this can be considered as a motivation for the government to improve this issue to avoid downgrading credit rating. However, in the context of stable economy, we believe that Vietnam is still attractive country to foreign inflows (FDI & FII).

These days, abundant liquidity in money market supporting better investors' sentiment. Therefore, it is likely that downward force will continue to dominate on bond yields in the upcoming weeks.

**Foreign investors net sell VND 1,052 bn this week.**

**Foreign investor net sell VND 1,052 bn this week**, net buy recorded in all tenors, especially they mainly focused on long-term tenors. In detail, they net sell VND 1,461 bn for 25-30Y tenors.

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



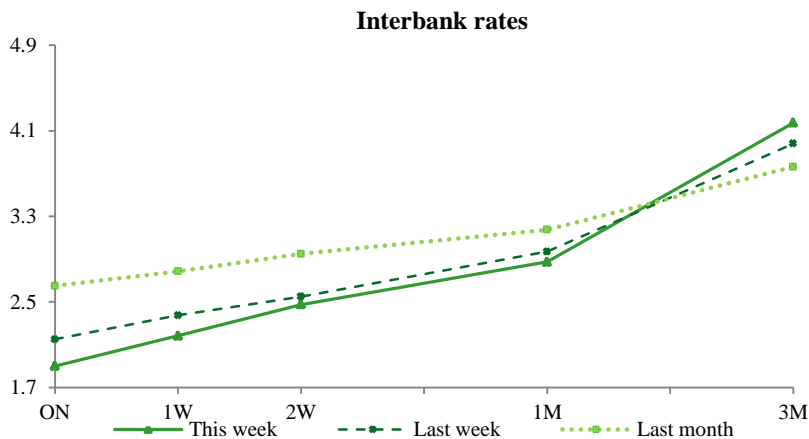
Source: HNX, VCBS

**INTEREST RATE**

**Interbank rates ticked down minimally this week.**

**Interbank Rates**

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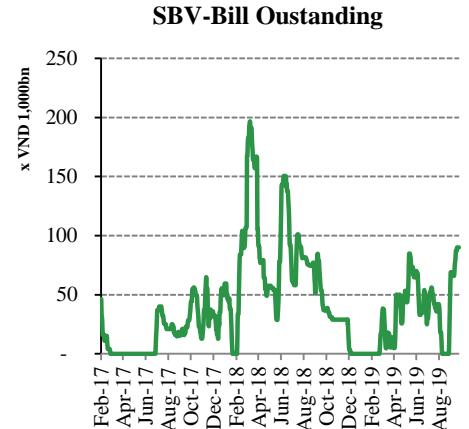
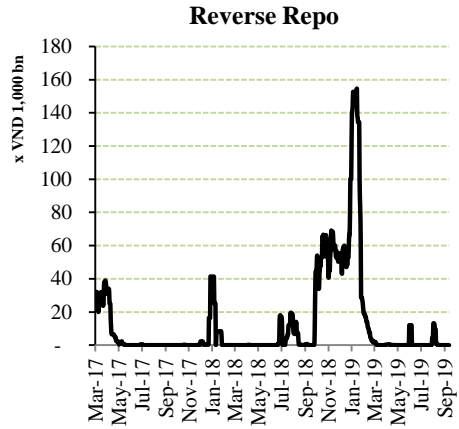
Source: Bloomberg, VCBS

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**Open Market Operation**

**SBV net withdrew VND 2,502 bn via OMO channel.**

**SBV net withdrew VND 2,502 bn via OMO channel.** In detail, SBV offered VND 497 bn of Repo this week. Besides, VND 65,996 bn of SBV-bill matured while SBV offered VND 89,996 bn of SBV-bill and lowered rates by 25 bps from October 9<sup>th</sup>.



Source: Bloomberg, VCBS

**END.**

## APPENDICES

### Bond Auctions

Auction dat	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>								
9-Oct-19	7Y	500	1,491	440	2.98	3.57	88.00%	ST
9-Oct-19	10Y	1,500	3,300	1,500	2.20	3.96	100.00%	ST
9-Oct-19	15Y	1,500	5,350	1,500	3.57	4.21	100.00%	ST
9-Oct-19	30Y	750	4,330	750	5.77	5.2	100.00%	ST

### Secondary Market

Issuer	Week 30 Sep – 04 Oct		Week 07 Oct – 11 Oct	
	Value	Value share	Value	Value share
<b>Outright</b>				
ST	26,288	88.31%	34,313	88.15%
VDB	2,037	6.84%	3,477	8.93%
VBSP	1,445	4.85%	1,136	2.92%
Others	-	0.00%	-	0.00%
Subtotal (1)	29,769	100.00%	38,927	100.00%
<b>Repo</b>				
Repo	48,257	54.66%	29,133	41.07%
Reserve Repo	40,030	45.34%	41,808	58.93%
Subtotal (2)	88,287	100.00%	70,941	100.00%
<b>ST bills</b>				
Outright				
Repo				
Subtotal (3)				
<b>Total (1)+(2)+(3)</b>	<b>118,056</b>		<b>109,868</b>	

### Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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
06/24 - 06/28	21	12000	11979	12000	67999	32999	(34999)	32999
07/01 - 07/05	12,000	-	(12,000)	-	32,999	34,999	2,000	34,999
07/08 - 07/12	-	-	-	-	34,999	48,998	13,999	48,998
07/15 - 07/19	-	-	-	-	48,998	29,998	(19,000)	29,998
07/22 - 07/26	-	-	-	-	29,998	51,999	22,000	51,999
08/05 - 08/09	-	-	-	-	49,999	38,999	(11,001)	38,999
08/12 - 08/16	-	-	-	-	38,999	41,999	3,000	41,999
08/19 - 08/23	-	-	-	-	41,999	18,000	(24,000)	18,000
08/26 - 08/30	-	13,134	13,134	13,134	18,000	-	(18,000)	-
09/02 - 09/06	13,134	988	(12,145)	988	-	-	-	-
09/09 - 09/13	988	-	(988)	-	-	-	-	-
09/16 - 09/20	-	-	-	-	-	68,997	68,997	68,997
09/23 - 09/27	-	-	-	-	68,997	65,996	(3,001)	65,996
09/30 - 10/04	-	-	-	-	65,996	86,997	21,000	86,997
<b>10/07 - 10/11</b>	-	<b>497</b>	<b>497</b>	<b>497</b>	<b>86,997</b>	<b>89,996</b>	<b>2,999</b>	<b>89,996</b>

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