

## Fixed-Income Report

October 21<sup>st</sup> – 25<sup>th</sup>/2019

### In this issue

- Round up
- Bond market
- Interest rates

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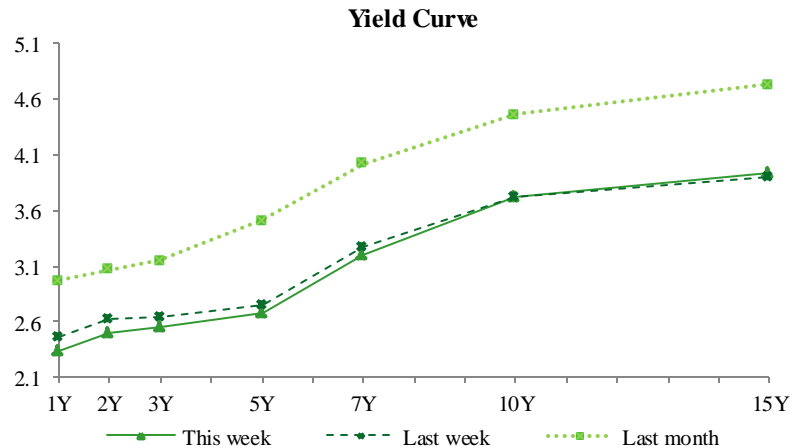
See Disclaimer at Page 5

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## Round-up

All tenors issued successfully.  
Yield curve shifted downward fictionally.  
Interbank rates ticked down minimally.



Source: Bloomberg, VCBS

■ VND 4,000 bn was mobilized this week. VND 79,537 bn (+7.94%) was traded on the secondary market.

■ Yield curve shifted downward fictionally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 2.343% (-12.9 bps), 2.5% (-12 bps), 2.56% (-9.2 bps), 2.672% (-8.7 bps), 3.2% (-7.5 bps), 3.726% (+1 bps), 3.928% (+2.6 bps), respectively.

■ Interbank rates inched up. In details, ON – 3M rates posted at 1.84%, 2.08%, 2.22%, 2.48% and 3.78%, respectively according to Bloomberg data.

■ Foreign investors net sell VND 173,68 bn this week.

■ SBV net withdrew VND 82,130 bn via OMO channel.

## VCBS Commentary October 28<sup>th</sup> – November 01<sup>st</sup>

■ Next week we draw attention to September's FOMC meeting result. Market participants are expecting a decrease in interest rate in that meeting. In addition, abundant liquidity in the system also supports market's sentiment. With all these factors, it is unlikely that bond yields will rebound sharply; instead, bond yields may tick down in the upcoming weeks.

■ At the present, we do not expect the factor which can make liquidity less ample in the context of good inflows to Vietnam. We believe that in the upcoming period, interbank rate will move in a tight band around this present level. No liquidity tense shall be recorded.

**Bond Market**

**Primary Market**

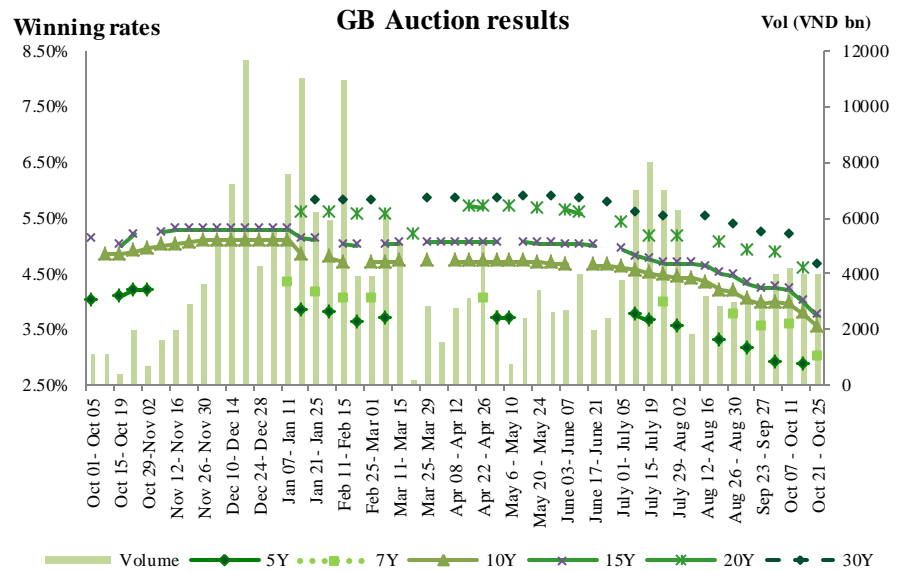
**All tenors issued successfully and winning rates decreased strongly.**

**VND 4,000 bn was mobilized this week.**

**VND 4,000 bn was mobilized this week from ST and VBSP.** Therein, ST issued **VND 500 bn** at 7Y, **VND 1,500 bn** at 10Y, **VND 1,500 bn** at 15Y plus **VND 500 bn** at 30Y bond. The demand for bonds was particularly high in this auction with remarkable registered volume to offering volume ratio. Especially, bond yields for 7Y & 30Y tenors decreased considerably.

The registered volume to offering volume ratio for 7Y, 10Y, 15Y & 30Y tenors were 7.02, 3.53, 3.33 and 5.55 times. Meanwhile, winning rate for 7Y, 10Y, 15Y & 30Y tenors stood at 3.00% (-57 bps), 3.56% (-22 bps), 3.75% (-25 bps), 4.65% (-55 bps), respectively. It is clearly showed the high demand for all tenors from market participants, both insurance companies and commercial banks. In addition, winning bond yields decreased strongly is supported by the approach from FED encouraging the market's sentiments.

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



Source: HNX, VCBS

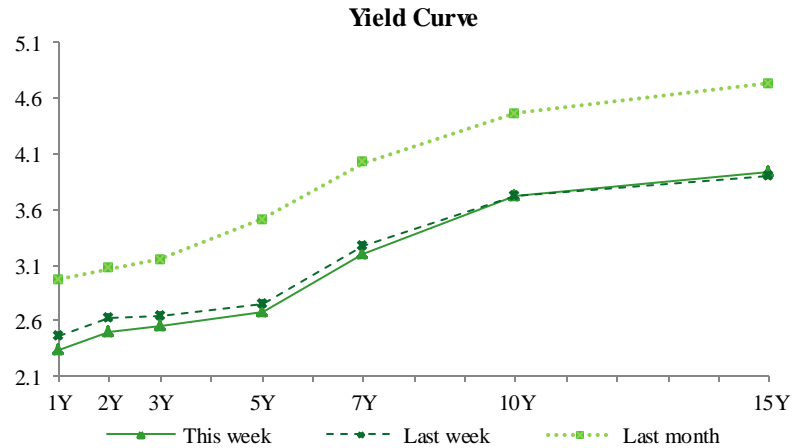
**Secondary Market**

**Liquidity remained at high level.**

**VND 79,537 bn (+7.94%) was traded on the secondary market.**

**VND 79,537 bn (+7.94%)** was traded on the secondary market. Average trading volume each session reached VND 15,907 bn. In detail, Outright and repo values were at VND 43,869 bn (+17.18% wow) and VND 35,668 bn (-1.61% wow), respectively. Regarding outright, ST-Bond kept dominating trading volume with 97.77%. Remarkably, **this week a large proportion of bond trading (34.27%) belonged to short-term bond (<5 year)** followed by long-term bond (>10 year) (32.44%).

**Yield curve shifted downward fictionally.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 2.343% (-12.9 bps), 2.5% (-12 bps), 2.56% (-9.2 bps), 2.672% (-8.7 bps), 3.2% (-7.5 bps), 3.726% (+1 bps), 3.928% (+2.6 bps), respectively.



Source: Bloomberg, VCBS

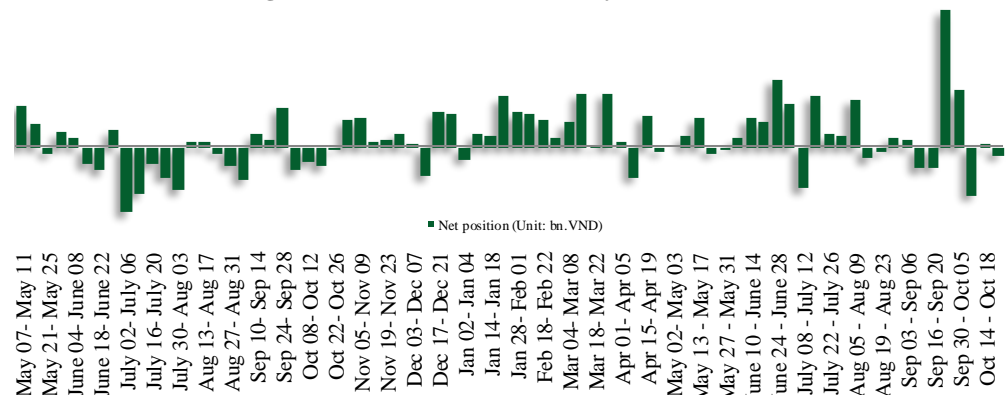
As expected before, ample liquidity in money market created downward force in bond market. It should be noted that short-term tenors are sensitive to liquidity in the banking systems. Besides, decreasing strongly winning rates in the primary market also affected bond yields in the secondary market. In addition, the downward force was supported by the stability of domestic macroeconomic factors.

Next week we draw attention to September's FOMC meeting result. Market participants are expecting a decrease in interest rate in that meeting. In addition, abundant liquidity in the system still supports market's sentiment. With all these factors, it is unlikely that bond yields will rebound sharply; instead, bond yields may tick down during next week.

**Foreign investors net sell VND 173,68 bn this week.**

**Foreign investor net sell VND 173,68 bn this week**, net sell recorded in long tenors, especially they mainly focused on 10Y tenor.

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



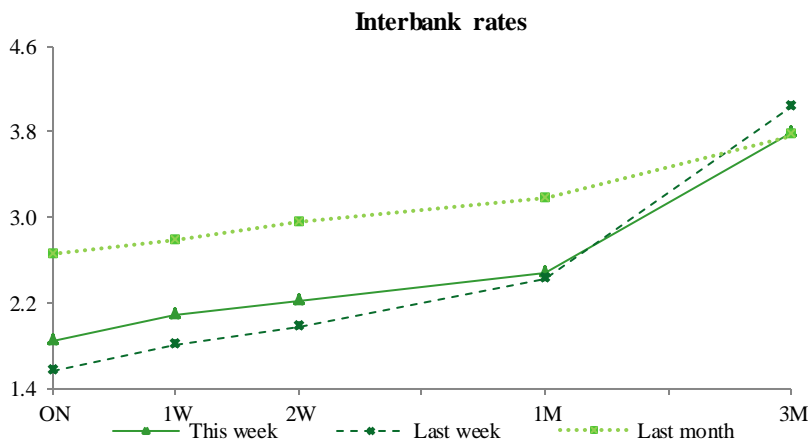
Source: HNX, VCBS

**INTEREST RATE**

**Interbank rates inched up.**

**Interbank Rates**

**Interbank rates inched up.** In details, ON – 3M rates posted at 1.84%, 2.08%, 2.22%, 2.48% and 3.78%, respectively according to Bloomberg data.



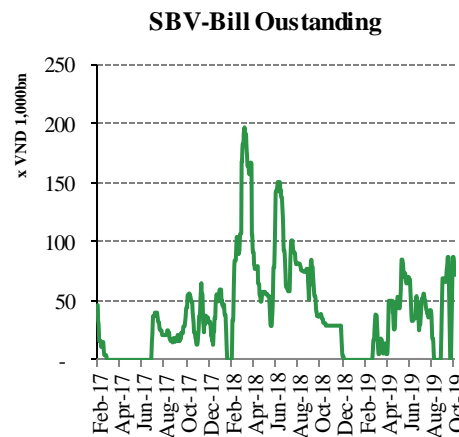
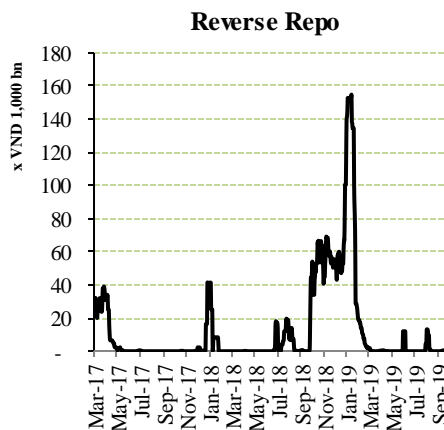
Source: Bloomberg, VCBS

At the present, we do not expect the factor which can make liquidity less ample in the context of good inflows from both FDI & FII. We believe that in the upcoming period, interbank rate will move in a tight band around this present level. No liquidity tense shall be recorded.

**Open Market Operation**

**SBV net withdrew VND 82,130 bn via OMO channel.**

**SBV net withdrew VND 82,130 bn via OMO channel.** In detail, VND 86,995 bn of SBV-bill matured while SBV offered VND 71,995 bn of SBV-bill of 7 days at 3%. This indicated liquidity is still abundant.



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>								
23-Oct-19	7Y	500	3,510	500	7.02	3	100.00%	ST
23-Oct-19	10Y	1,500	5,300	1,500	3.53	3.56	100.00%	ST
23-Oct-19	15Y	1,500	4,996	1,500	3.33	3.75	100.00%	ST
23-Oct-19	30Y	500	2,777	500	5.55	4.65	100.00%	ST

### Secondary Market

Issuer	Week 14 Oct – 18 Oct		Week 21 Oct – 28 Oct	
	Value	Value share	Value	Value share
<b>Outright</b>				
ST	37,283	99.59%	42,889	97.77%
VDB	154	0.41%	979	2.23%
VBSP	-	0.00%	-	0.00%
Others	-	0.00%	-	0.00%
<i>Subtotal (1)</i>	37,437	100.00%	43,869	100.00%
<b>Repo</b>				
Repo	36,251	44.60%	35,668	51.05%
Reserve Repo	45,032	55.40%	34,205	48.95%
<i>Subtotal (2)</i>	81,283	100.00%	69,873	100.00%
<b>ST bills</b>				
Outright				
Repo				
<i>Subtotal (3)</i>				
<b>Total (1)+(2)+(3)</b>	<b>118,720</b>		<b>113,742</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
10/07 - 10/11	-	497	497	497	86,997	89,996	2,999	89,996
10/14 - 10/18	497	-	(497)	-	-	86,995	86,995	86,995
<b>10/21 - 10/25</b>	-	-	-	-	<b>86,995</b>	<b>71,996</b>	<b>(14,999)</b>	<b>71,996</b>

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