

**Fixed-Income Report**

**November 11<sup>th</sup> – 15<sup>th</sup>/2019**

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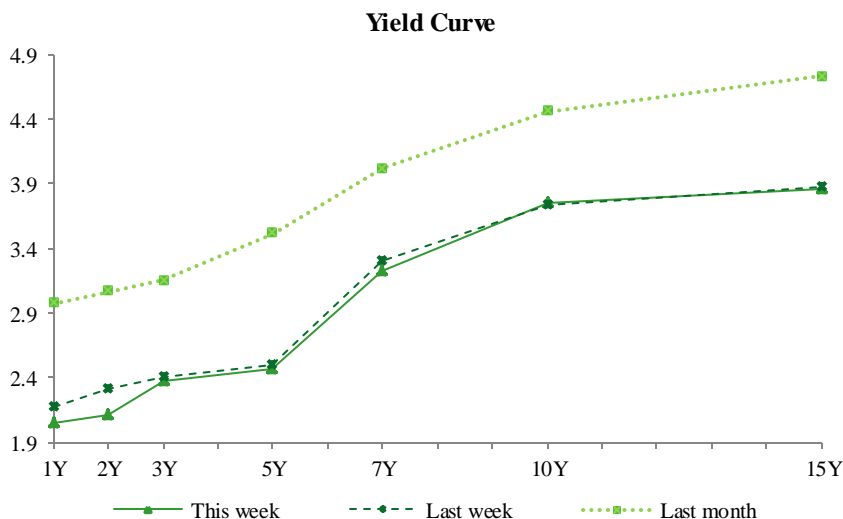
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**Round-up**

**Winning rates inched up.  
Yield curve become stepped and shifted downward minimally.  
Interbank rates inched up.**



Source: Bloomberg, VCBS

- VND 4,000 bn was mobilized this week. VND 70,223 bn (-6.45%) was traded on the secondary market.
- Yield curve become stepped and shifted downward minimally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 2.044% (-13.4 bps), 2.114% (-20.2 bps), 2.365% (-3.3 bps), 2.472% (-2.6 bps), 3.228% (-8 bps), 3.744% (+1.2 bps), 3.862% (-1.8 bps), respectively.
- Interbank rates inched up. In details, ON – 3M rates posted at 1.875%, 2.133%, 2.317%, 2.65% and 4%, respectively according to Bloomberg data.
- Foreign investors net bought VND 233,44 bn this week.
- SBV net injected VND 8,000 bn via OMO channel.

**VCBS Commentary November 18<sup>th</sup> – November 22<sup>nd</sup>**

- 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.
- In response to Decision No.2415/QDD-NHNN, many banks announced to cut both deposit rates and lending rates by 0.2% - 0.5%. In the context of good in flows from both FDI & FII, we still believe that no liquidity tense shall be recorded in the upcoming week.

**Bond Market**

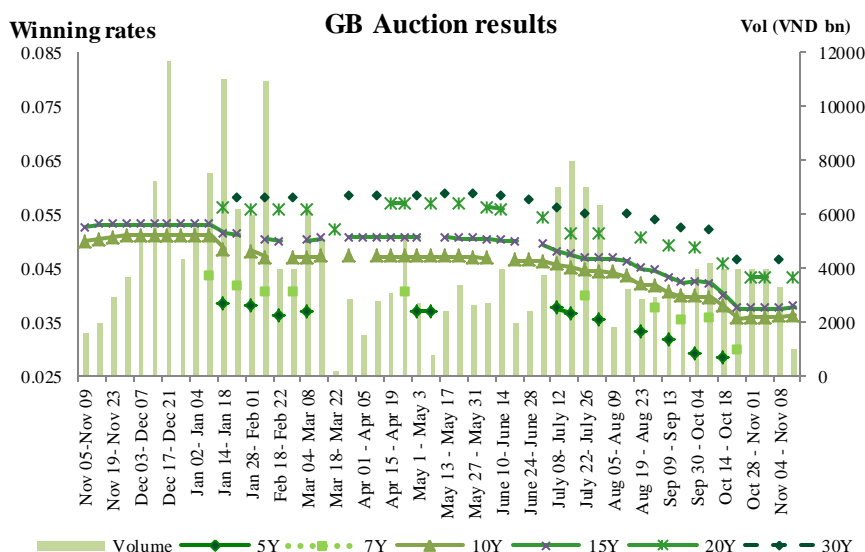
**Primary Market**

**Winning rates inched up.**

**VND 3,513 bn was mobilized this week.**

**VND 3,513 bn was mobilized this week from ST and VDB.** In detail, **VND 1,013 bn was mobilized this week from ST.** Therein, ST issued **VND 450 bn** at 10Y, **VND 345 bn** at 15Y, plus **VND 218 bn** at 20Y bond. The registered volume to offering volume ratio for 10Y, 15Y & 20Y tenors were 3.40, 4.96, 2.60 and 1.32 times. Total winning volume to offering volume ratio declined to 25.33%. Meanwhile, winning rate for 10Y, 15Y & 20Y tenors stood at 3.62% (+02 bps), 3.78% (+02 bps), 4.32%, respectively.

Meanwhile, VDP mobilized VND 2,500 bn at 5Y, 7Y, 10Y and 15Y. VBSP did not mobilize bond this week.



Source: HNX, VCBS

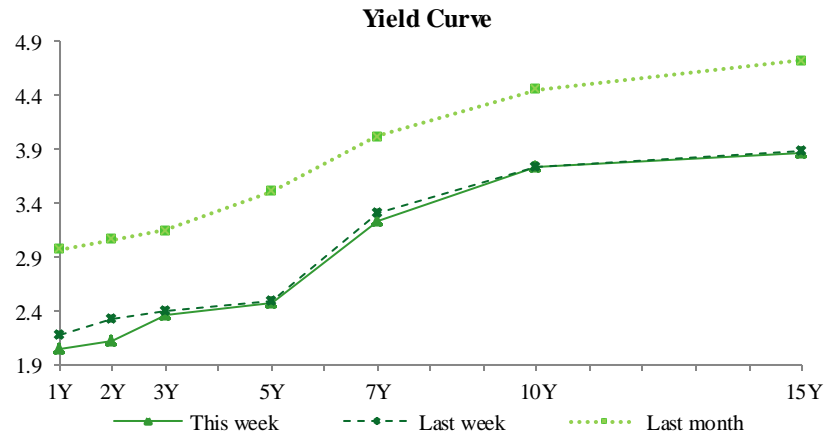
**Secondary Market**

**Trading volume decreased slightly compared to the previous trading week.**

**VND 70,223 bn (-6.45%) was traded on the secondary market.**

**VND 70,223 bn (-6.45%) was traded on the secondary market.** Average trading volume each session remained at VND 14,045 bn. In detail, Outright and repo values were at VND 35,886 bn (+0.96% wow) and VND 34,337 bn (-13.12% wow), respectively. Regarding outright, ST-Bond kept dominating trading volume with 97.77%. Remarkably, **this week a large proportion of bond trading (40.23%) belonged to short-term bond (<5 year)** followed by long-term bond (>10 year) (23.74%).

**Yield curve become stepped and shifted downward minimally.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 2.044% (-13.4 bps), 2.114% (-20.2 bps), 2.365% (-3.3 bps), 2.472% (-2.6 bps), 3.228% (-8 bps), 3.744% (+1.2 bps), 3.862% (-1.8 bps), respectively.



Source: Bloomberg, VCBS

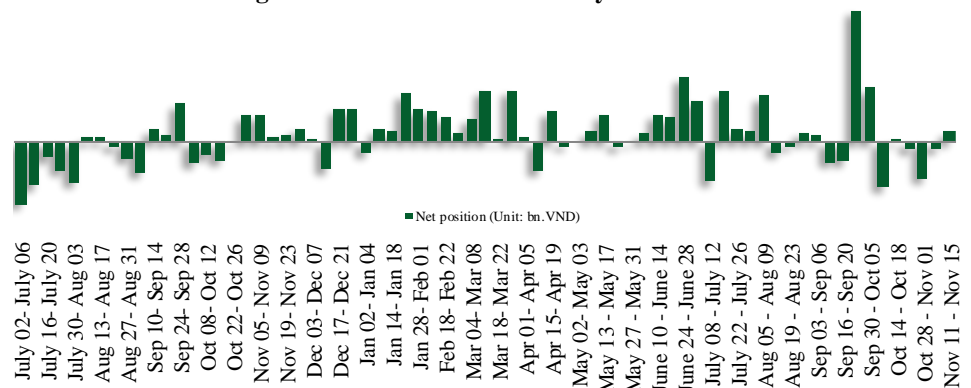
On Wednesday, U.S. Federal Reserve Chair Jerome Powell pushed back against a favorite talking point of President Donald Trump’s, telling Congress that the negative interest rates are not appropriate for a U.S. economy with ongoing growth, a strong labor market and steady inflation. In his opinion, the impact of three rate cuts this year are still supporting household and business spending. It also implied that rates may be on hold until next year.

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 VND 233,44 bn this week.**

**Foreign investor net bought VND 233,44 bn this week**, net sell recorded in long tenors, especially they mainly focused on long-term tenor.

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



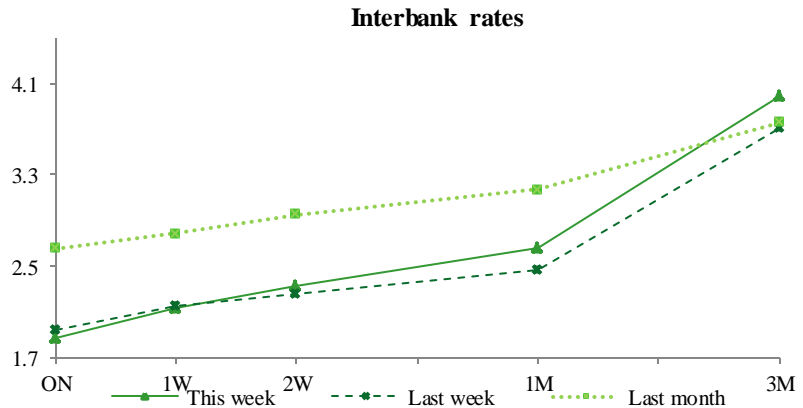
Source: HNX, VCBS

**INTEREST RATE**

**Interbank Rates**

**Interbank rates inched up.**

**Interbank rates inched up.** In details, ON – 3M rates posted at 1.875%, 2.133%, 2.317%, 2.65% and 4%, respectively according to Bloomberg data.



Source: Bloomberg, VCBS

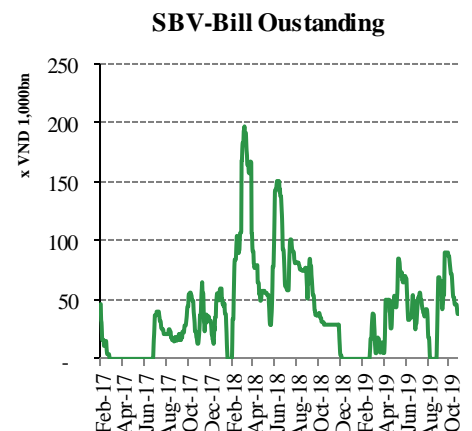
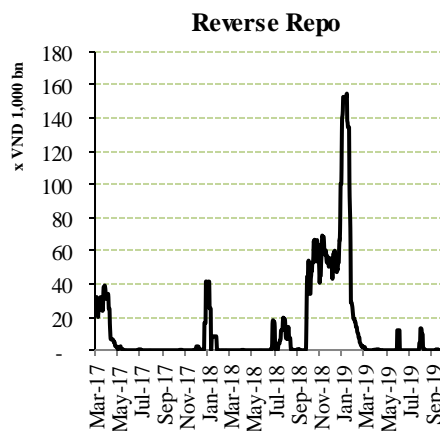
SBV has made decision on reducing interest rates, effective from November 19, 2019, as follows: (1) Decision No. 2415/QĐ-NHNN providing for the maximum interest rate applicable to VND deposits of organizations and individuals at credit institutions under the Circular No. 07/2014 / TT-NHNN dated March 17, 2014. (2) Decision No. 2416/ QĐ-NHNN providing for the maximum interest rate of VND short-term loans imposed by credit institutions on borrowers to satisfy the capital demand serving some economic sectors and fields under the Circular. No. 39/2016/TT-NHNN dated December 30, 2016. The key purpose of these decisions is lowering average cost of funds for the banking systems as well as lowering lending rates to support businesses' operation activities. Accordingly, in response to the SBV's request, many commercial banks has simultaneously announced to cut interest rates for both short-term deposits and loans by 0.2% - 0.5%. This action was in line with Government's policy in order to support the economy.

In the context good inflows from both FDI & FII, we still believe that interbank rates will move in a tight band around this level. No liquidity tense shall be recorded.

**Open Market Operation**

**SBV net injected VND 8,000 bn via OMO channel.**

**SBV net injected VND 8,000 bn via OMO channel.** In detail, VND 45,997 bn of SBV-bill matured while SBV offered VND 37,997 bn of SBV-bill of 7 days at 2.25%. This indicated liquidity is still abundant.



## 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> |       |                 |                    |                |                            |                  |                  |        |
| 13-Nov-19                                     | 10Y   | 1,500           | 5,101              | 450            | 3.40                       | 3.62             | 30.00%           | ST     |
| 13-Nov-19                                     | 15Y   | 1,500           | 3,895              | 345            | 2.60                       | 3.78             | 23.00%           | ST     |
| 13-Nov-19                                     | 20Y   | 1,000           | 1,318              | 218            | 1.32                       | 4.32             | 21.80%           | ST     |
| 12-Nov-19                                     | 5Y    | 2,000           | 700                | 200            | 0.35                       | 3.75             | 10.00%           | VDB    |
| 12-Nov-19                                     | 7Y    | 2,000           | 1,000              | 300            | 0.50                       | 4                | 15.00%           | VDB    |
| 12-Nov-19                                     | 10Y   | 1,000           | 2,800              | 1,000          | 2.80                       | 4.5              | 100.00%          | VDB    |
| 12-Nov-19                                     | 15Y   | 1,000           | 4,045              | 1,000          | 4.05                       | 4.57             | 100.00%          | VDB    |

### Secondary Market

| Issuer                   | Week 04 Nov – 08 Nov |             | Week 11 Nov – 15 Nov |             |
|--------------------------|----------------------|-------------|----------------------|-------------|
|                          | Value                | Value share | Value                | Value share |
| <b>Outright</b>          |                      |             |                      |             |
| ST                       | 33,081               | 93.07%      | 31,896               | 88.88%      |
| VDB                      | 1,342                | 3.77%       | 2,659                | 7.41%       |
| VBSP                     | 1,121                | 3.15%       | 1,330                | 3.71%       |
| Others                   | -                    | 0.00%       | -                    | 0.00%       |
| Subtotal (1)             | 35,544               | 100.00%     | 35,886               | 100.00%     |
| <b>Repo</b>              |                      |             |                      |             |
| Repo                     | 39,520               | 49.19%      | 34,337               | 44.48%      |
| Reserve Repo             | 40,826               | 50.81%      | 42,858               | 55.52%      |
| Subtotal (2)             | 80,346               | 100.00%     | 77,195               | 100.00%     |
| <b>ST bills</b>          |                      |             |                      |             |
| Outright                 |                      |             |                      |             |
| Repo                     |                      |             |                      |             |
| Subtotal (3)             |                      |             |                      |             |
| <b>Total (1)+(2)+(3)</b> | <b>118,720</b>       |             | <b>113,081</b>       |             |

### Open Market Operation

| Date          | Reverse Repo |        |          |             | Outright (SBV Bills) |        |          |             |
|---------------|--------------|--------|----------|-------------|----------------------|--------|----------|-------------|
|               | Due          | Offer  | Balance  | Outstanding | Due                  | Offer  | Balance  | Outstanding |
| 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      |
| 10/21 - 10/25 | -            | -      | -        | -           | 86,995               | 71,996 | (14,999) | 71,996      |
| 10/28 - 11/01 | -            | -      | -        | -           | 71,995               | 51,996 | (19,999) | 51,996      |
| 11/04 - 11/08 | -            | -      | -        | -           | 51,996               | 45,998 | (5,999)  | 45,998      |
| 11/11 - 11/15 | -            | -      | -        | -           | 45,998               | 37,996 | (8,001)  | 37,996      |

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