

**Fixed-Income Report**

May 27<sup>th</sup> – 31<sup>st</sup>/2019

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**Le Thu Ha**

+84 24 3936 6990 (ext. 7182)

[ltha\\_ho@vcbs.com.vn](mailto:ltha_ho@vcbs.com.vn)

**Dang Khanh Linh**

+84 24 3936 6990 (ext. 7183)

[dklinh@vcbs.com.vn](mailto:dklinh@vcbs.com.vn)

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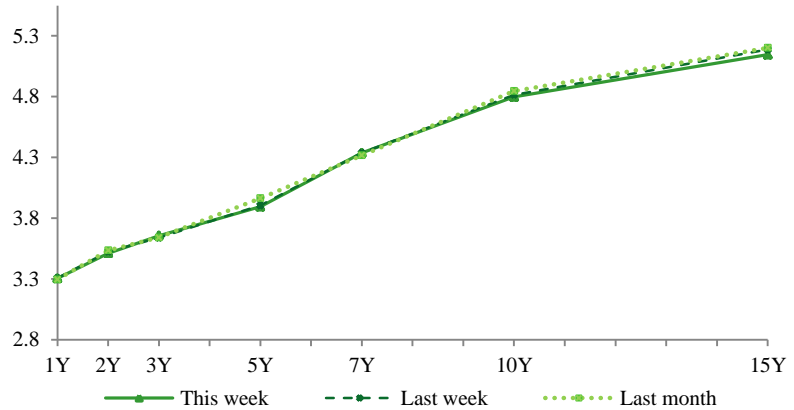
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**Round-up**

- Wining rates decreased slightly.
- Yield curve shifted downward minimally.
- Interbank rates kept decreasing this week.

**Yield Curve**



Source: Bloomberg, VCBS

- VND 2,650 bn was mobilized this week. VND 30,09 bn was traded on the secondary market.
- Yield curve shifted downward minimally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 3.255% (-0.3 bps), 3.462% (-1.3 bps), 3.607% (+1.7 bps), 3.845% (-1 bps), 4.287% (0 bps), 4.748% (-1.7 bps), 5.095% (-4.2 bps), respectively.
- Interbank rates kept decreasing this week. In details, ON – 3M rates posted at 2.8%, 2.975%, 3.175%, 3.375% and 3.875%, respectively according to Bloomberg data. Market liquidity was abundant in recent sessions.
- Foreign investors net sell only VND 17.90 bn this week.
- SBV net withdrew VND 41,097 via OMO channel.

**VCBS Commentary June 03<sup>rd</sup> – June 07<sup>th</sup>**

- At the present, we do not expect some events which may increase bond yields strongly. Instead, it is likely that bond yields will move in a tight downward band.
- According to The General Statistics Office (GSO), in the first 5 months of 2019, the balance of state budget revenues and expenditures is surplus VND 66.6 trillion. This positive news shall support market’s sentiment. In the upcoming weeks, interbank rates may experience a minor change.

**Bond Market**

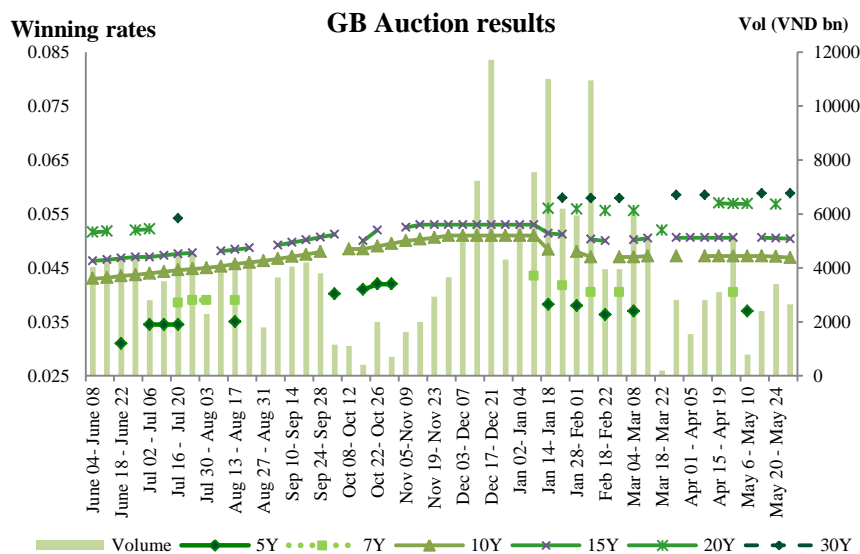
**Primary Market**

**Wining rates decreased slightly**

**VND 2,650 bn was mobilized this week.**

**VND 2,650 bn was mobilized this week from ST. Therein, ST planned to issue VND 500 bn at 5Y; VND 1,000 bn at 10Y; VND 1,000 bn at 15Y plus VND 750 bn at 30Y bond.** The registered volume to offering volume ratio for 5Y, 10Y, 15Y & 30Y tenors were 1.40, 5.55, 4.00 and 2.66 times respectively. The average register to offering ratio was 3.40 times, which showed that investors' sentiment was more optimistic. Besides, the total wining to offering ratio was 82% with 15Y, 30Y tenor were issued successfully, while the auction for 5Y tenor failed. Wining rate for 10Y, 15Y and 30Y tenors stood at 4.69% (-2 bps), 5.04% (-1 bps) and 5.88% (0 bps), respectively.

VBSP and VDB did not mobilize bond this week.



Source: HNX, VCBS

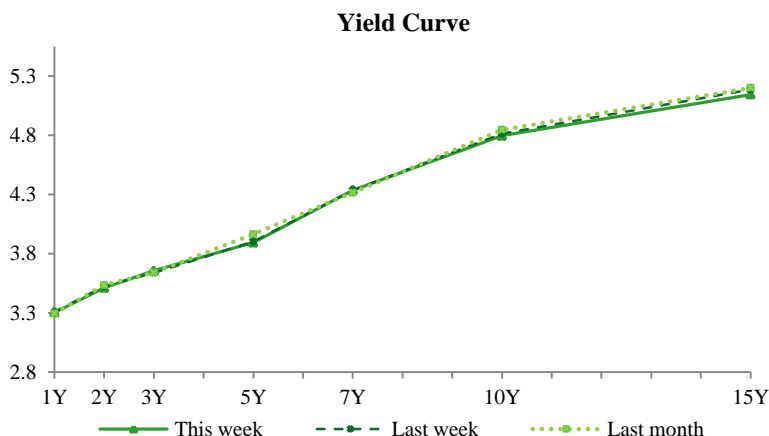
**Secondary Market**

**Outright trading felt strongly after booming last week.**

**VND 30,091 bn (-35.50%) was traded on the secondary market.**

**VND 30,091 bn (-35.50%) was traded on the secondary market.** In detail, Outright and repo values were at VND 16,092 bn (-41.76% wow) and VND 13,999 bn (-26.42% wow), respectively. Regarding outright, ST-Bond kept dominating trading volume with 85.80%. Remarkably, **this week a large proportion of bond trading (42.68%) belonged to short-term bond (<5year)** followed by long-term bond (>10 year) (25.51%).

**Yield curve shifted downward minimally.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 3.255% (-0.3 bps), 3.462% (-1.3 bps), 3.607% (+1.7 bps), 3.845% (-1 bps), 4.287% (0 bps), 4.748% (-1.7 bps), 5.095% (-4.2 bps), respectively.



Source: Bloomberg, VCBS

As expected before, abundant liquidity in money market created downward force in bond market last week.

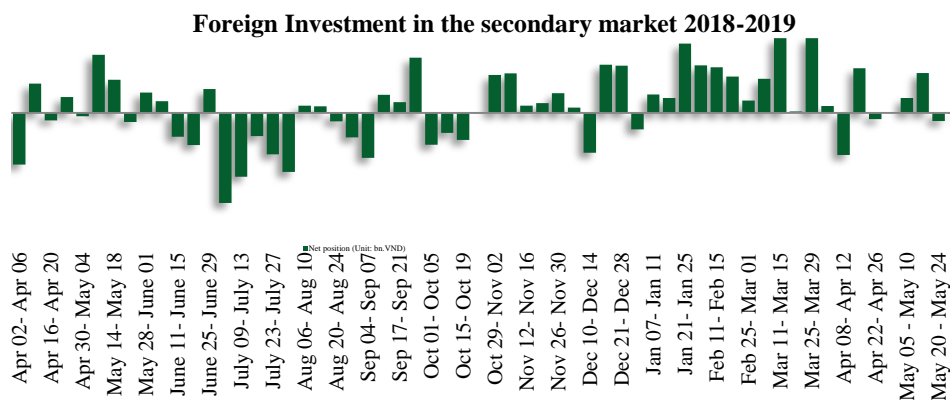
Chinese tariff on \$60 billion of imports has started to take effect on June 1<sup>st</sup>. In addition, China released a comprehensive white paper to formalize its positions on trade negotiations with the U.S. The set of statements come as the trade war escalates and Beijing threatens to hit back with a retaliatory blacklist of U.S. firms. It seems that investors get used to the fact that trade war will not end soon when no sell-off recorded recently.

Besides, CPI in May of 2019 increased by 0.49% mom, which equivalent to an increase of 2.88% over the same period of 2018. Therein, the main reason was the higher price of electricity, water and gasoline. We still believe that CPI increase target set by Government this year is still within reach at around 4%.

At the present, we do not expect some events which may increase bond yields strongly. Instead, it is likely that bond yields will move in a tight downward band.

**Foreign investors net sell only VND 17.90 bn this week.**

**Foreign investors net sell only VND 17.90 bn this week.** This week, foreign did not show a clear trend. Therein, foreign recorded transactions focused mostly on 5Y tenor.



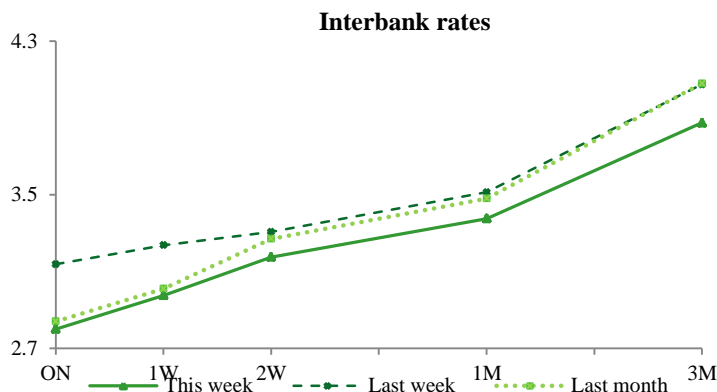
Source: HNX, VCBS

**INTEREST RATE**

**Interbank Rates**

**Interbank rates kept decreasing this week.**

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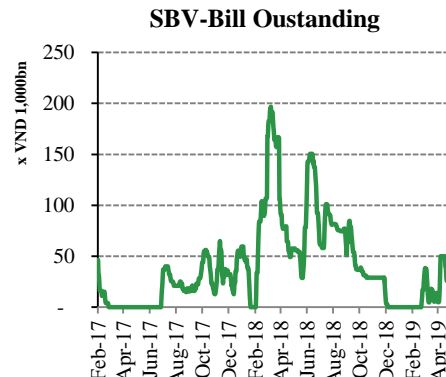
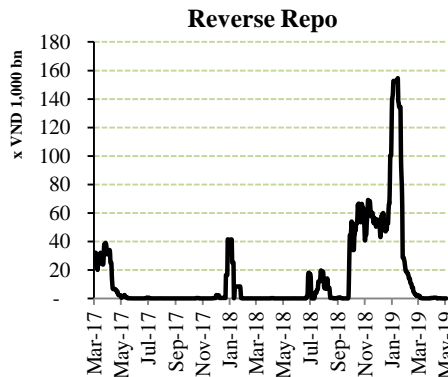
Source: Bloomberg, VCBS

According to The General Statistics Office (GSO), in the first 5 months of 2019, the balance of state budget revenues and expenditures is surplus VND 66.6 trillion. This positive news shall support market’s sentiment. In the upcoming weeks, interbank rates may experience a minor change.

**Open Market Operation**

**SBV net withdrew VND 41,097 bn via OMO channel.**

**SBV net withdrew VND 41,079 bn via OMO channel.** SBV continuously offer VND 1,000 bn of Reverse Repo each session this week, but there was no winning volume recorded. In this week, outstanding for Reverse Repo remained at VND 0 bn. For Outrights, VND 84.799 bn bills of 7 days at rate of 3% were absorb by some financial institutions, which is the highest volume from the beginning of 2019. 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
<b>ST bills</b>								
<b>Government and government-backed bonds</b>								
29-May-19	5Y	500	700	-	1.40	0	0.00%	ST
29-May-19	10Y	1,000	5,550	900	5.55	4.69	90.00%	ST
29-May-19	15Y	1,000	4,000	1,000	4.00	5.04	100.00%	ST
29-May-19	30Y	750	1,998	750	2.66	5.88	100.00%	ST

### Secondary Market

Issuer	Week 20 May – 24 May		Week 27 May – 31 May	
	Value	Value share	Value	Value share
<b>Outright</b>				
ST	24,977	91.09%	11,679	72.58%
VDB	2,338	8.53%	4,294	26.69%
VBSP	105	0.38%	118	0.74%
Others	-	0.00%	-	0.00%
Subtotal (1)	27,420	100.00%	16,092	100.00%
<b>Repo</b>				
Repo	19,025	51.04%	13,999	50.01%
Reserve Repo	18,247	48.96%	13,994	49.99%
Subtotal (2)	37,272	100.00%	27,993	100.00%
<b>ST bills</b>				
Outright				
Repo				
Subtotal (3)				
<b>Total (1)+(2)+(3)</b>	<b>64,692</b>		<b>44,085</b>	

### Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
12/17- 12/21	60,033	52,799	(7,234)	52,799	25,960	0	(25,960)	3,000
12/24- 12/28	52,799	51,064	(1,735)	51,064	3,000	0	(3,000)	0
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	52,814.9	100,335.8	47,520.9	100,335.8	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	13,796.10	(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	10199.7	(6,801.3)	10,199.7
04/15 - 04/19	0	0	0	0	10,199.7	4,999.8	(5,199.9)	4,999.8
05/06 - 05/10	514.6	0	(514.6)	0	49,998.4	25,887	(24,111.4)	25,887
05/13 - 05/17	0	97.85	97.85	97.85	25887	48725	22838	48725
05/20 - 05/24	97.85	0	(97.85)	0	48725	43719.7	(5005.3)	43719.7
<b>05/27 - 05/31</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>43719.7</b>	<b>84798.8</b>	<b>41079.1</b>	<b>84798.8</b>

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## CONTACT INFORMATION

<b>Tran Minh Hoang</b>	<b>Le Thu Ha</b>	<b>Dang Khanh Linh</b>
Head of Research	Senior Analyst - Economic research	Analyst - Economic research
tmhoang@vcbs.com.vn	ltha_ho@vcbs.com.vn	dklinh@vcbs.com.vn

### VIETCOMBANK SECURITIES COMPANY

<http://www.vcbs.com.vn>

<b>Ha Noi Headquarter</b>	Floor 12 <sup>th</sup> & 17 <sup>th</sup> , Vietcombank Tower, 198 Tran Quang Khai Street, Hoan Kiem District, Hanoi Tel: (84-4)-39366990 ext: 140/143/144/149/150/151
<b>Ho Chi Minh Branch</b>	Floor 1 <sup>st</sup> and 7 <sup>th</sup> , Green Star Building, 70 Pham Ngoc Thach Street, Ward 6, District No. 3, Ho Chi Minh City Tel: (84-28)-3820 8116 Ext:104/106
<b>Da Nang Branch</b>	Floor 12 <sup>th</sup> , 135 Nguyen Van Linh Street, Thanh Khe District, Da Nang City. Tel: (+84-236) 3888 991 ext: 801/802
<b>Nam Sai Gon Transaction Unit</b>	Floor 3 <sup>rd</sup> , V6 Tower, Plot V, Him Lam Urban Zone, 23 Nguyen Huu Tho Street, Tan Hung Ward, District No. 7, Ho Chi Minh City Tel: (84-28)-54136573
<b>Giang Vo Transaction Unit</b>	Floor 1 <sup>st</sup> , Building C4 Giang Vo, Giang Vo Ward, Ba Dinh District, Hanoi. Tel: (+84-24) 3726 5551
<b>Tay Ho Transaction Unit</b>	1st & 3rd Floor, 565 Lac Long Quan Street, Tay Ho District, Hanoi. Tel: (+84-24) 2191048 (ext: 100)
<b>Hoang Mai Transaction Unit</b>	1st Floor Han Viet Building, 203 Minh Khai Street, Hai Ba Trung District, Hanoi. Tel: (+84-24) 3220 2345
<b>Can Tho Representative Office</b>	Floor 1 <sup>st</sup> , Vietcombank Can Tho Building, 7 Hoa Binh Avenue, Ninh Kieu District, Can Tho City. Tel: (+84-292) 3750 888
<b>Vung Tau Representative Office</b>	Floor 1 <sup>st</sup> , 27 Le Loi Street, Vung Tau City, Ba Ria - Vung Tau Province. Tel: (+84-254) 351 3974/75/76/77/78
<b>An Giang Representative Office</b>	Floor 7 <sup>th</sup> , Vietcombank An Giang Tower, 30-32 Hai Ba Trung, My Long Ward, Long Xuyen City, An Giang Province Tel: (84-76)-3949843
<b>Dong Nai Representative Office</b>	Floor 1 <sup>st</sup> & 2 <sup>nd</sup> , 79 Hung Dao Vuong, Trung Dung Ward, Bien Hoa City, Dong Nai Province. Tel: (84-61)-3918815
<b>Hai Phong Representative Office</b>	Floor 2 <sup>nd</sup> , 11 Hoang Dieu Street, Minh Khai Ward, Hong Bang District, Hai Phong City. Tel: (+84-225) 382 1630
<b>Binh Duong Representative Office</b>	Floor 3 <sup>th</sup> , 516 Cach Mang Thang Tam Street, Phu Cuong Ward, Thu Dau Mot City, Binh Duong Province. Tel: (+84-274) 3855 771