

Fixed-Income Report

July 08th – 12th/2019

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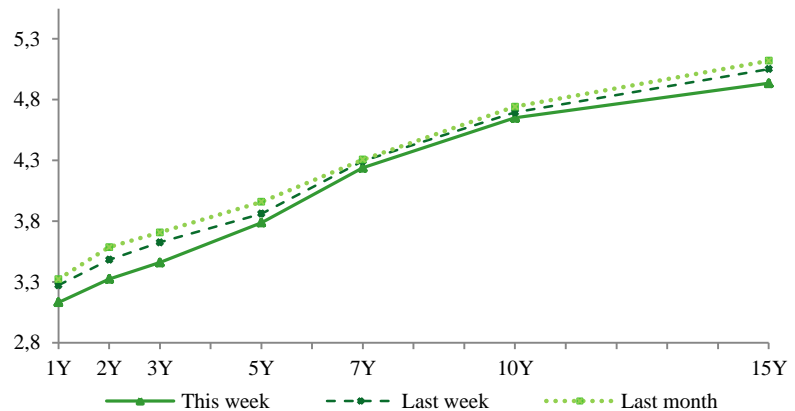
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Round-up

- Winning rates decreased strongly for long-term tenors.
- Yield curve moved downward.
- Interbank rates kept decreasing this week.

Yield Curve



Source: Bloomberg, VCBS

■ VND 3,983 bn (+6% wow) was mobilized this week. VND 41,662 bn (+32.51%) was traded on the secondary market.

■ Yield curve moved downward and bond yields for short-term and long-term tenors decreased considerably. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 3.083% (-14 bps), 3.275% (-15.8 bps), 3.41% (-16.7 bps), 3.738% (-7.4 bps), 4.19% (-5.5 bps), 4.6% (-4.5 bps), 4.885% (-11.7 bps), respectively.

■ Interbank rates pull down significantly, especially ON-rate thanks to better liquidity. In details, ON – 3M rates posted at 3.021%, 3.121%, 3.25%, 3.457% and 3.986%, respectively according to Bloomberg data.

- Foreign investors net sell VND 750.82 bn this week.
- SBV net withdrew VND 13,999 bn via OMO channel.

VCBS Commentary July 15th – July 19th

■ We believe that downward force on bond yields less likely remain in upcoming weeks. Instead, losing momentum shall become gradually become weaker because market expectation may have already been reflected.

■ The credit growth in the first half of 2019 was 7.33% ytd, which is below than the figure of 7.8% in the same period last year. These figures indicated that credit growth kept at moderate level and abundant resources are still available on banking system, especially given the fact that public fund disbursement is still behind the schedule. Next week we believe that, interbank rate will only fluctuate in a tight band. No liquidity shortage shall be recorded this period.

Bond Market

Primary Market

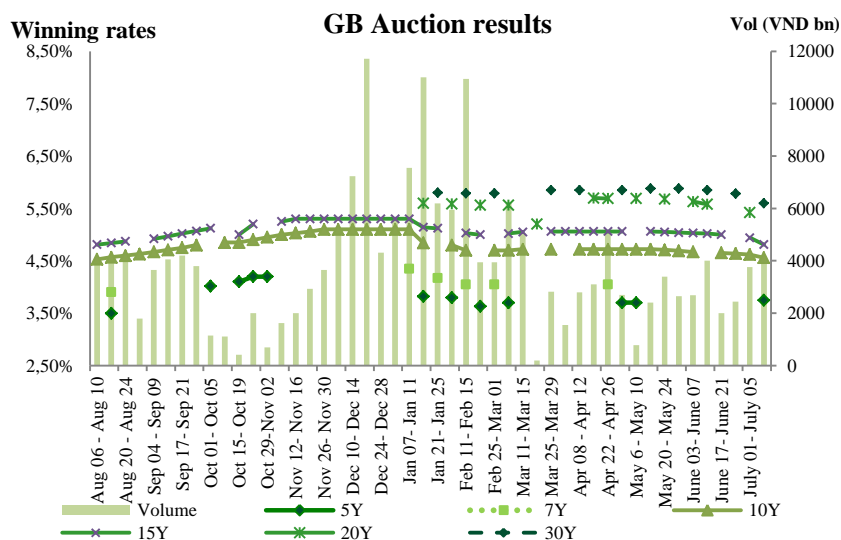
Winning rates decreased strongly for long-term tenors

VND 3,983 bn (+6% wow) was mobilized this week.

VND 3,983 bn (+6% wow) was mobilized this week from ST. Therein, ST planned to issue VND 500 bn at 5Y; VND 2,000 bn at 10Y; VND 2,000 bn at 15Y plus VND 1,000 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 15Y & 30Y tenors decreased considerably.

The registered volume to offering volume ratio for 5Y, 10Y, 15Y & 30Y tenors were 3.00, 4.35, 4.40 and 3.36 times, respectively. Wining rate for 5Y, 10Y, 15Y and 30Y tenors stood at 3.75% (+5 bps), 4.56 (-6 bps), 4.81% (-13 bps) and 5.60% (-18 bps), respectively. It is clearly showed the high demand for long-term tenors from market participants, not only insurance companies but also commercial banks. In addition, that winning rates decreased in three weeks in a row resulted from the fact that FED is considering to decrease interest rate in the next meeting.

VBSP and VDB did not mobilize bond this week.



Source: HNX, VCBS

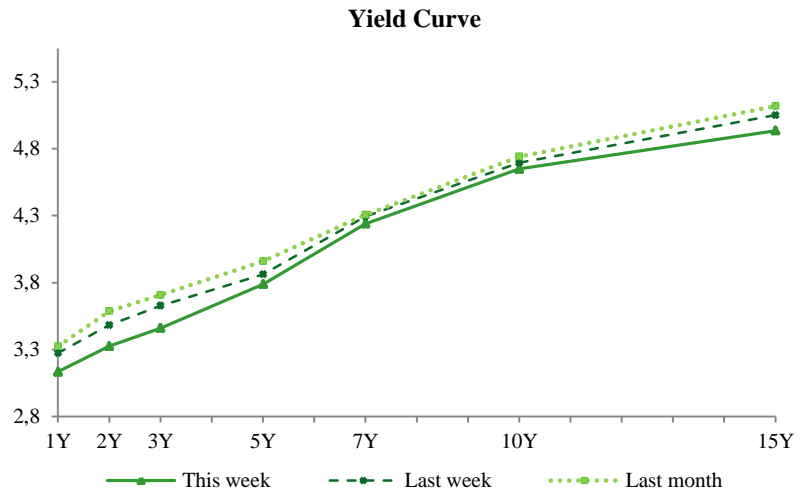
Secondary Market

Average trading volume each session increased remarkably.

VND 41,662 bn (+32.51%) was traded on the secondary market.

VND 41,662 bn (+32.51%) was traded on the secondary market. Average trading volume each session reached VND 8.332 bn (+32.12%) due to booming outright volume. In detail, Outright and repo values were at VND 18,521 bn (+51.79% wow) and VND 23,141 bn (+20.28% wow), respectively. Regarding outright, ST-Bond kept dominating trading volume with 99.41%. Remarkably, **this week a large proportion of bond trading (34.47%) belonged to long-term bond (>10year)** followed by short-term bond (<5 year) (32.86%).

Yield curve moved downward and bond yields for short-term and long-term tenors decreased considerably. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 3.083% (-14 bps), 3.275% (-15.8 bps), 3.41% (-16.7 bps), 3.738% (-7.4 bps), 4.19% (-5.5 bps), 4.6% (-4.5 bps), 4.885% (-11.7 bps), respectively.



Source: Bloomberg, VCBS

As expected before, better 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 winning rates in the primary market also affected long-term bond yields in the secondary market. In addition, the downward force was supported by the stability of domestic macroeconomic factors.

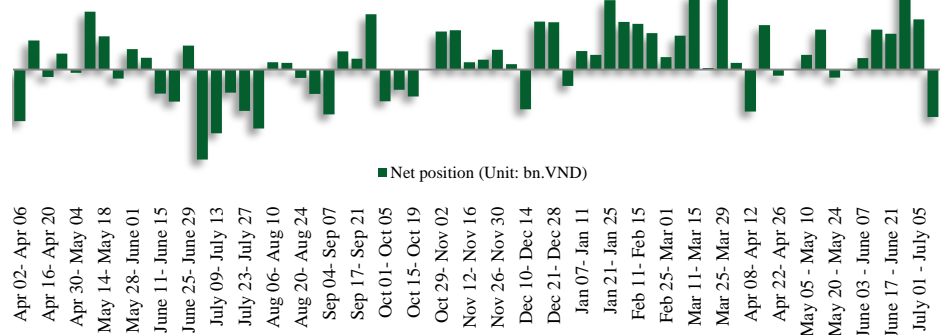
Meanwhile, according to China government figures, GDP of the country grew at 6.2% in the second quarter, the lowest quarterly growth rate since 1992 and down from 6.4% in the previous quarter. In our opinions, China's economic growth has slumped to its lowest level in nearly three decades as the prolonged trade war with the US. This is also one of the main factors that affect global economic slowdown concerns and the worldwide uncertainties.

We believe that downward force on bond yields less likely remain in upcoming weeks. Instead, losing momentum shall become gradually become weaker because market expectation may have already been reflected.

Foreign investors net sell VND 750.82 bn this week.

Foreign investors net sell VND 750.82 bn this week, put an end to net-bought activities recorded in the last five weeks. Therein, they mainly focused on long-term tenors, especially 25-30Y tenors.

Foreign Investment in the secondary market 2018-2019



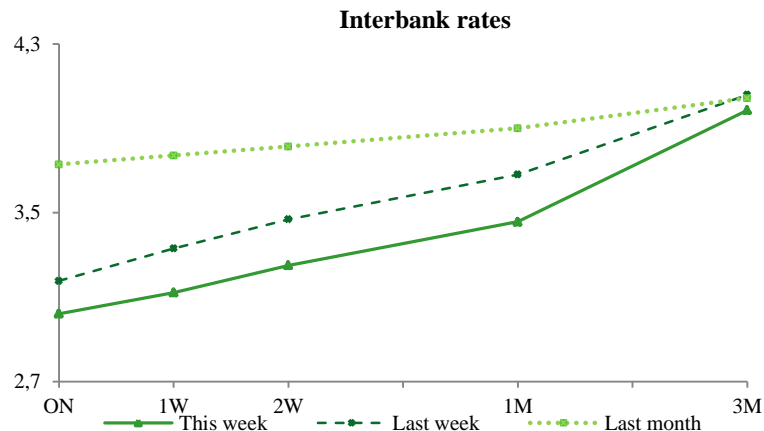
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rates kept decreasing this week.

Interbank rates pull down significantly, especially ON-rate thanks to better liquidity. In details, ON – 3M rates posted at 3.021%, 3.121%, 3.25%, 3.457% and 3.986%, respectively according to Bloomberg data.



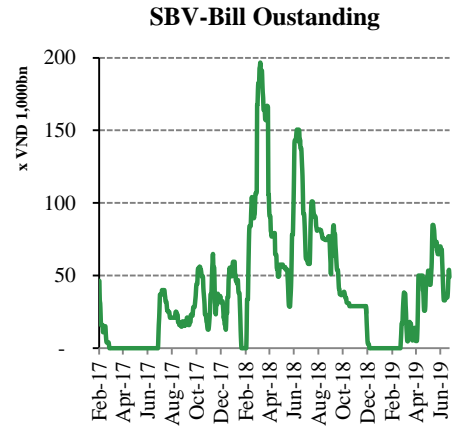
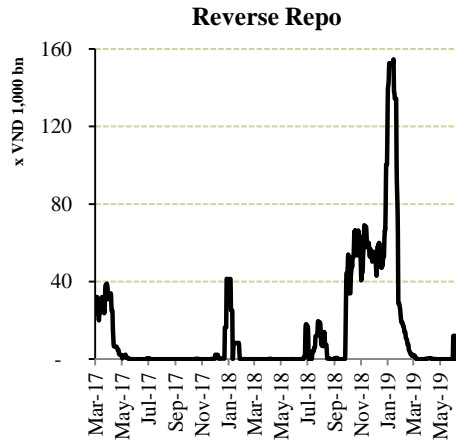
Source: Bloomberg, VCBS

The credit growth in the first half of 2019 was 7.33% ytd, which is below than the figure of 7.8% in the same period last year. These figures indicated that credit growth kept at moderate level and abundant resources are still available on banking system, especially given the fact that public fund disbursement is still behind the schedule. Next week we believe that, interbank rate will only fluctuate in a tight band. No liquidity shortage shall be recorded this period.

Open Market Operation

SBV net withdrew VND 13,999 bn via OMO channel.

SBV net withdrew VND 13,999 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. For SBV-bills, VND 34,999 bn of SBV-Bills matured this week, while the issuance of new bills was VND 48,998 bn at the time to maturity of 7 days at rate of 3%. This indicated liquidity is more abundant than the last week of the previous month.



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
ST bills								
Government and government-backed bonds								
10-Jul-19	5Y	500	1,500	50	3.00	3.75	10.00%	ST
10-Jul-19	10Y	3,000	13,050	3,000	4.35	4.56	100.00%	ST
10-Jul-19	15Y	3,000	13,200	2,933	4.40	4.81	97.77%	ST
10-Jul-19	30Y	1,000	3,358	1,000	3.36	5.60	100.00%	ST

Secondary Market

Issuer	Week 17 June – 21 June		Week 24 June – 28 June	
	Value	Value share	Value	Value share
Outright				
ST	12,096	99.14%	18,412	99.41%
VDB	105	0.86%	108	0.59%
VBSP	-	0.00%	-	0.00%
Others	-	0.00%	-	0.00%
<i>Subtotal (1)</i>	12,201	100.00%	18,521	100.00%
Repo				
Repo	19,239	51.09%	23,141	42.80%
Reserve Repo	18,414	48.91%	30,929	57.20%
<i>Subtotal (2)</i>	37,653	100.00%	54,070	100.00%
ST bills				
Outright				
Repo				
<i>Subtotal (3)</i>				
Total (1)+(2)+(3)	49,854		72,591	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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	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	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
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

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This report is designed to provide updated information on the fixed-income, including bonds, interest rates, some other related. The VCBS analysts exert their best efforts to obtain the most accurate and timely information available from various sources, including information pertaining to market prices, yields and rates. All information stated in the report has been collected and assessed as carefully as possible.

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