WEEKLY BOND MARKET REPORT

August 19th-23rd, 2019

- Short-term interbank interest rates saw mild increase. The State Bank of Vietnam injected VND 23,979.3bn into the market.
- The spread between the USD/VND commercial bank exchange rate and the central exchange rate was reducing. The CNY/USD exchange rate continued to plunge
- The State Treasury offered VND 3,000bn of bonds. The total winning value reached VND 2,854bn.
- Total Outright and Repo transaction value increased by 26.3%, to VND 51,575bn.
- China responsed to the trade tension by additional tariffs. The US government bond yield curve inverted again.

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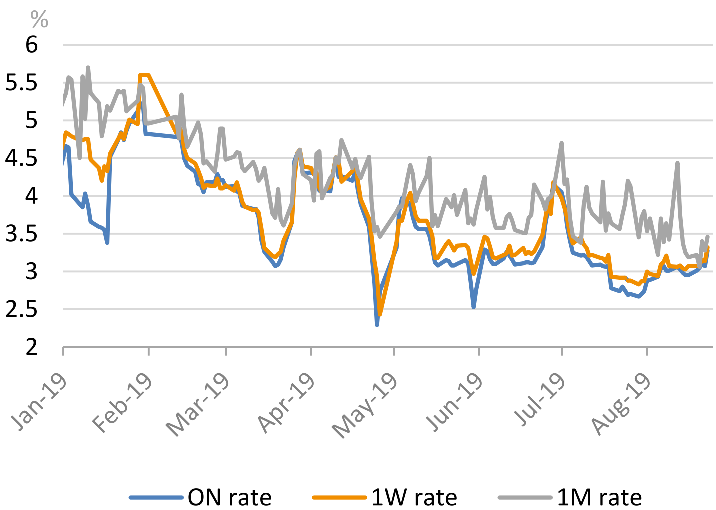
Money Market

Short-term interbank interest rates saw mild increase. The State Bank of Vietnam injected VND 23,979.3bn into the market.

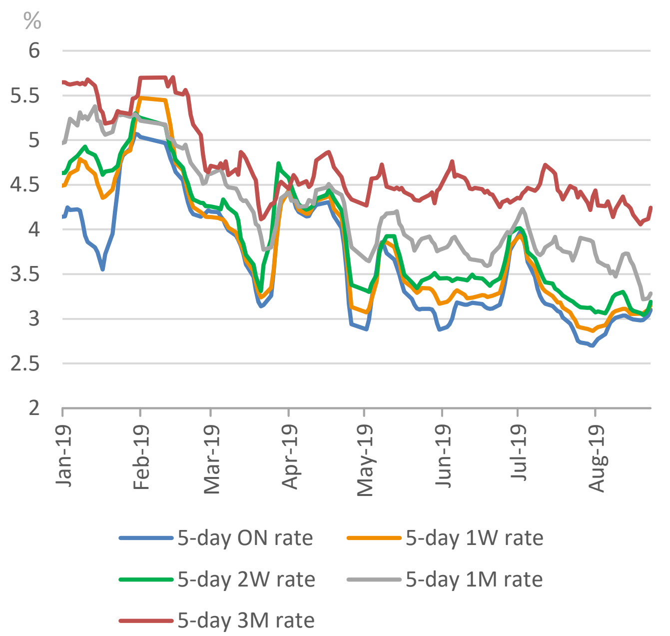
Interbank interest rates were converging. The weekly average overnight and 1-week rates rose to 3.10% and 3.15%, respectively. Meanwhile, there was a significant drop of 32bps in 1-month rate weekly average, which recoreded as 3.28%. The overnight tenor's volume was VND 231,534bn, accounting for 74.2% of the total volume of the week.

During the week, only VND 17,999.3bn of 7-day T-bill was issued at 2.75%, while VND 41,999.0bn of the security and VND 20.4bn of OMO was matured. Thus, VND 23,979.3bn was injected into the money market.

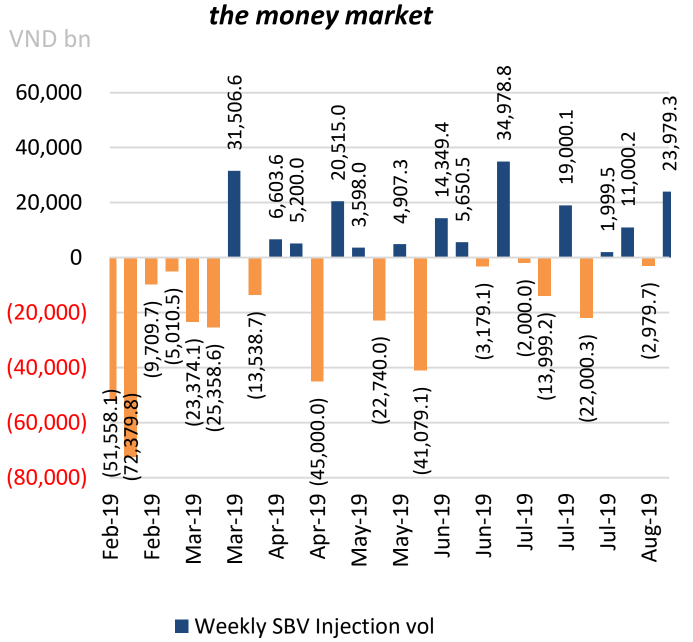
Daily interbank interest rates



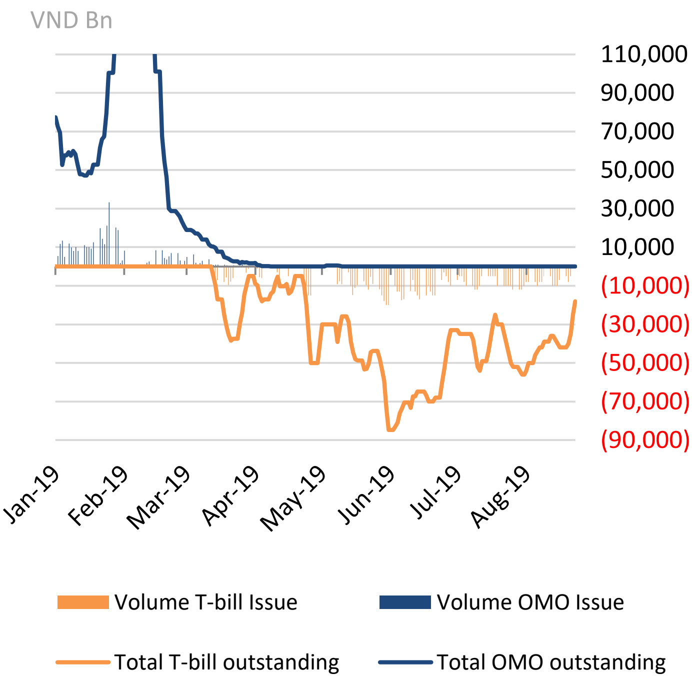
5-day average interbank interest rates



VND 23,979.3bn was injected into the money market



VND 17,999.3bn of 7-day T-bill was issued



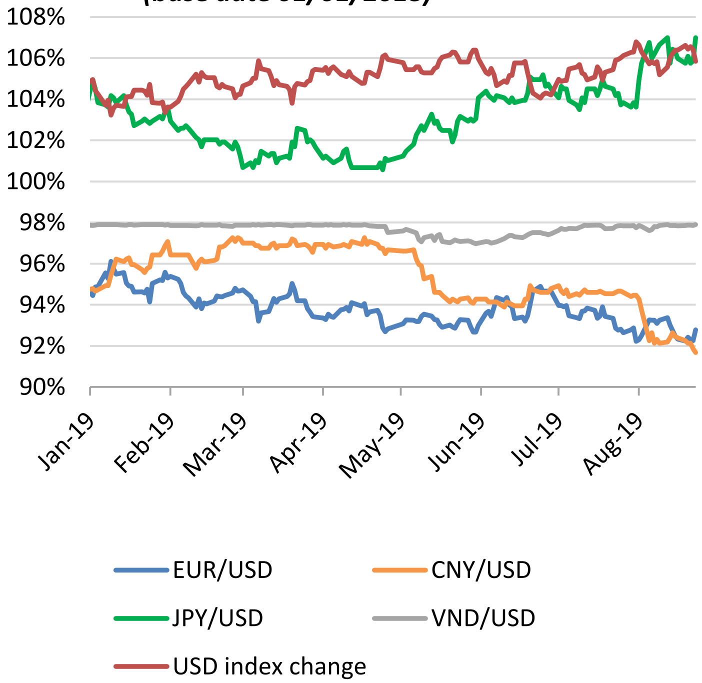
FX Market

The spread between the USD/VND commercial bank exchange rate and the central exchange rate was reducing. The CNY/USD exchange rate continued to plunge.

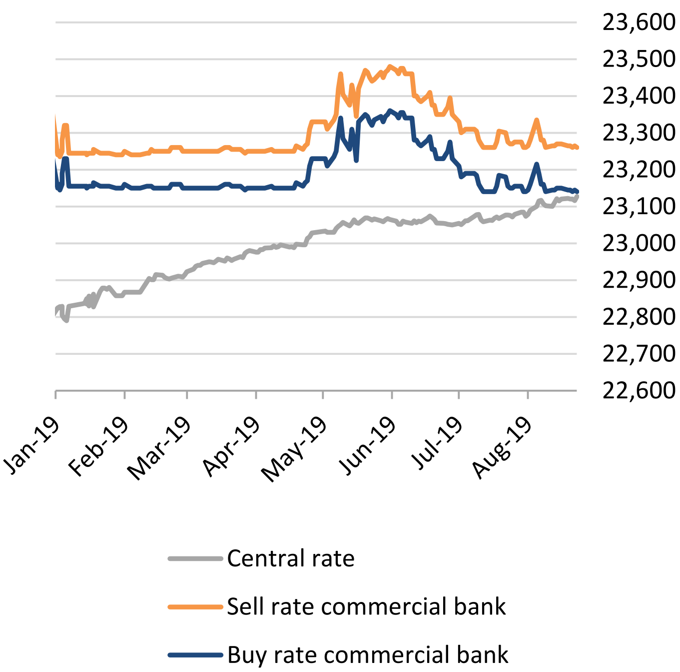
The central exchange rate continued to rise by 7 VND and ended the week at 23,127 VND/USD. Meanwhile, the commercial bank VND/USD exchange rate was quite stable with a small drop to 23,149/23,260 on Friday.

While, EUR/USD signaled recovery, CNY/USD continued to plunge in the light of increased tariffs proposed by both the US and China recently. By the end of the week, the exchange was 1 USD for 7.097 CNY. The situation drove demand to "safe" currencies such as the JPY, which created upward pressure on the JPY/USD exchange rate.

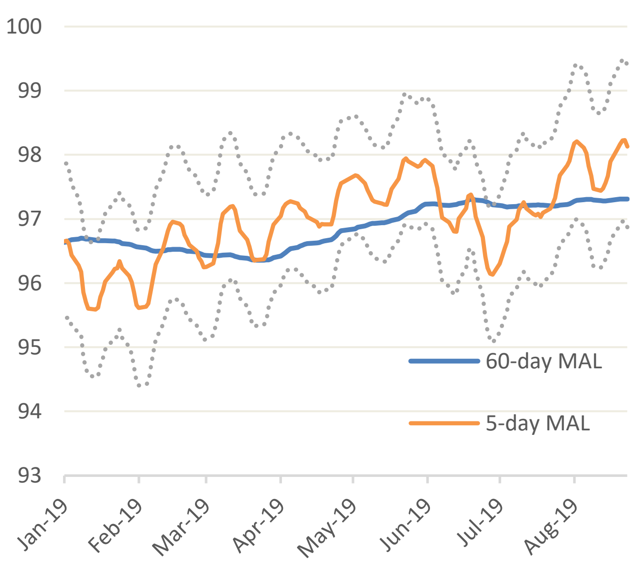
Exchange rate change (base date 01/01/2018)



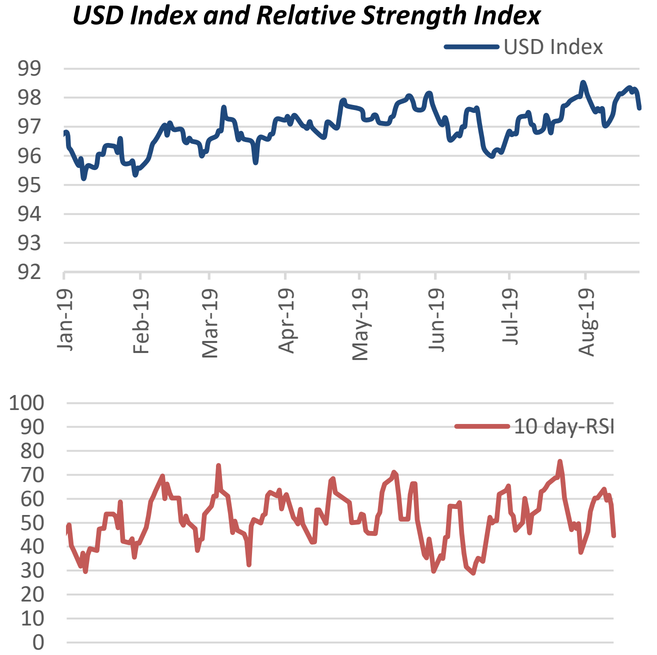
USD/VND exchange rate remained stable



USD Index Moving Average Lines



USD Index and Relative Strength Index



Primary Bond Market

The State Treasury offered VND 3,000bn of bonds. The total winning value reached VND 2,854bn.

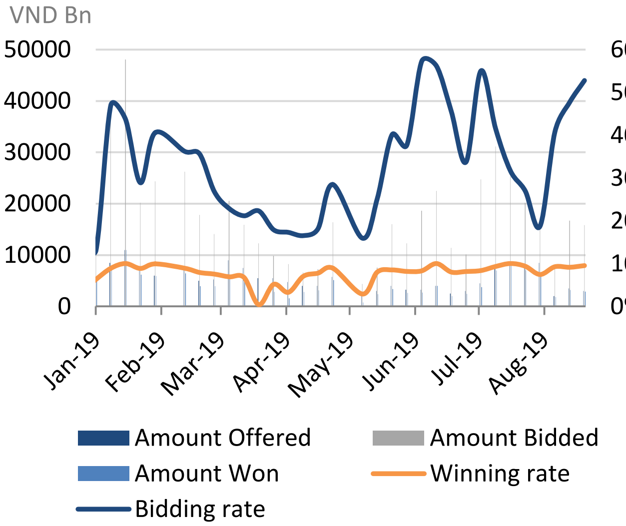
During the week, the State Treasury offered VND 3,000bn of 5y, 10y, 15y and 30y bonds. The total winning value reached VND 2,854bn. Thus, the overall winning rate was 95.1%. There was high demand as the bidding/offering volume ratio increased to 527.7%.

The winning interest rates were decreasing. In particular, the 5-year tenor saw the largest drop of 25bps compared to the previous week, to 3.30%/year.

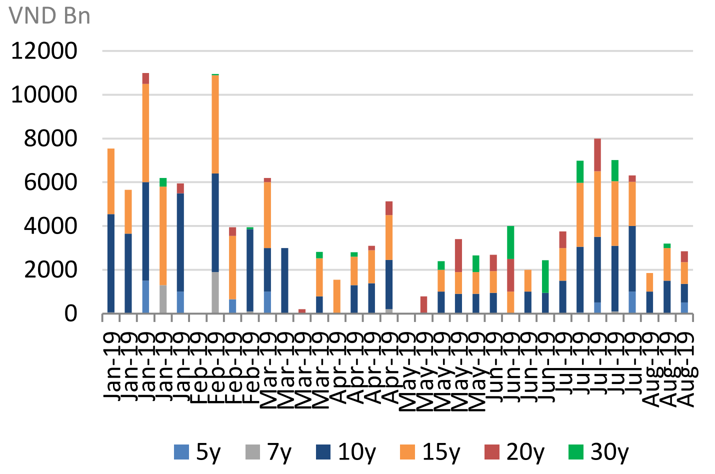
Bond auctions last week

No.	Bond code	Issuer	Tenor (year)	Auction date	Auction Value (VND bn)	Bidded value (VND bn)	Winning volume (VND bn)	Winning yield (%/y)	Bidded yield max/min	Compared to last session (bps)
1	TD1929179	State Treasury	10	21-Aug-19	1,000	5,054	854	4.20	4.35/4.15	-15
2	TD1924163	State Treasury	5	21-Aug-19	500	2,750	500	3.30	3.65/3.29	-25
3	TD1929175	State Treasury	15	21-Aug-19	1,000	5,378	1,000	4.50	5.1/4.45	-13
4	TD1929175	State Treasury	20	21-Aug-19	500	2,650	500	5.06	5.6/5.04	-9

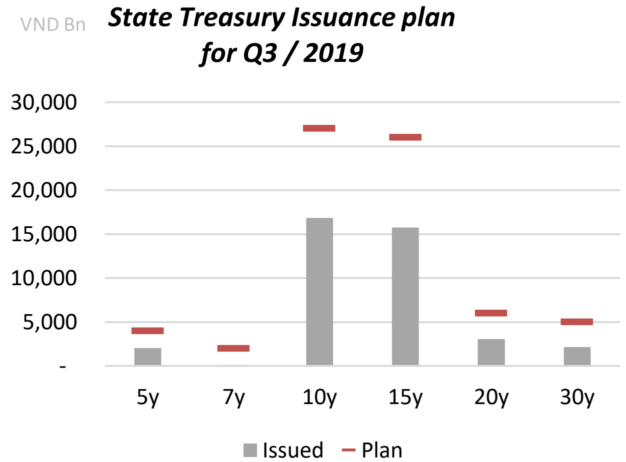
Bidding/Offering volume ratio stood at 527.7%



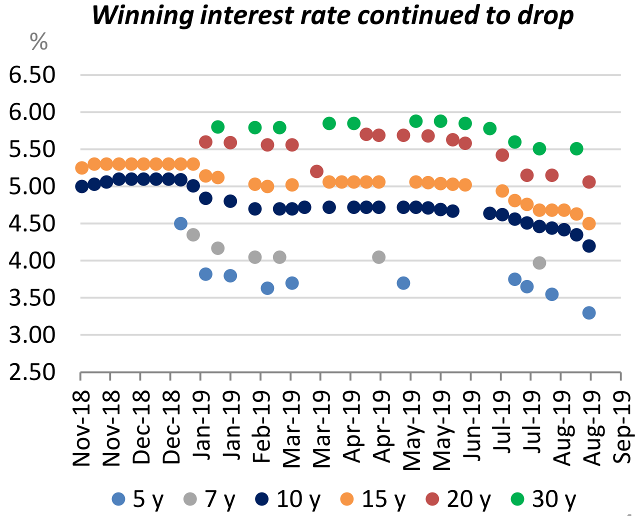
The total winning value reached VND 2,854bn



State Treasury Issuance plan for Q3 / 2019



Winning interest rate continued to drop



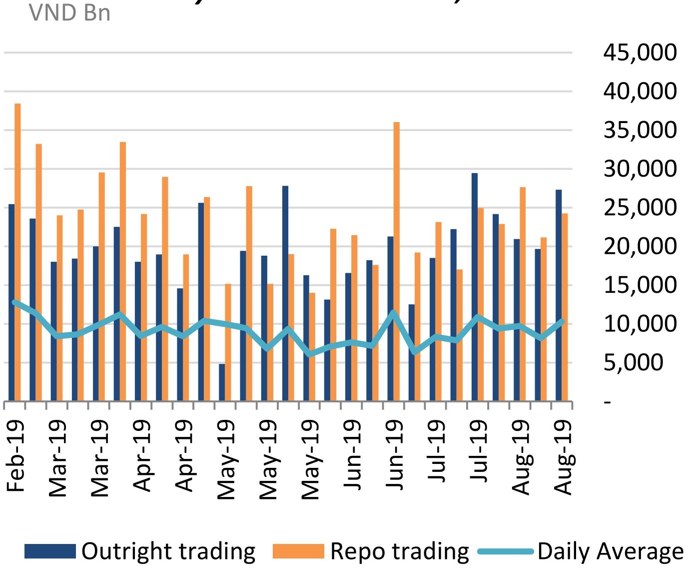
Secondary Bond Market

Total Outright and Repo transaction value increased by 26.3%, to VND 51,575bn.

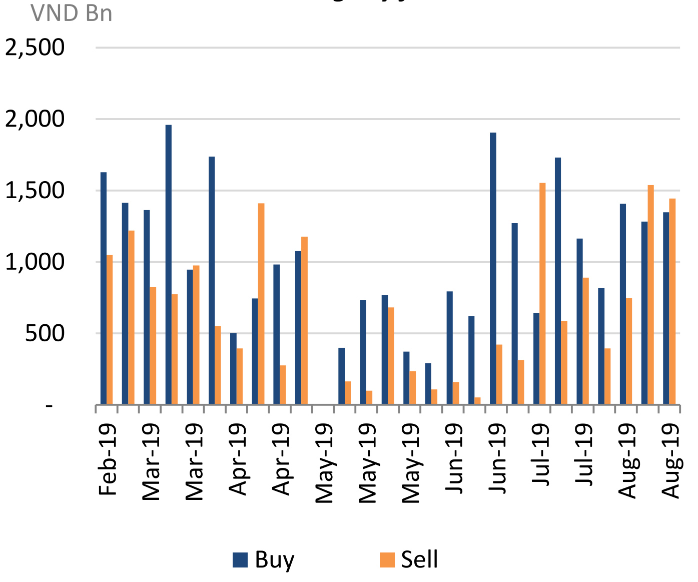
Total Outright and Repo transaction value stood at VND 51,575bn, 26.3% higher than the previous week. By the end of the week, total volume for Outright and Repo transaction stood at VND 27,332bn and VND 24,243bn, respectively. The daily average trading volume stood at VND 10,315bn.

Foreign investors' transaction volume slightly fell. In particular, their purchasing and selling value were VND 1,349bn and VND 1,444bn, respectively .

Weekly transaction volume on secondary market was VND 51,575bn

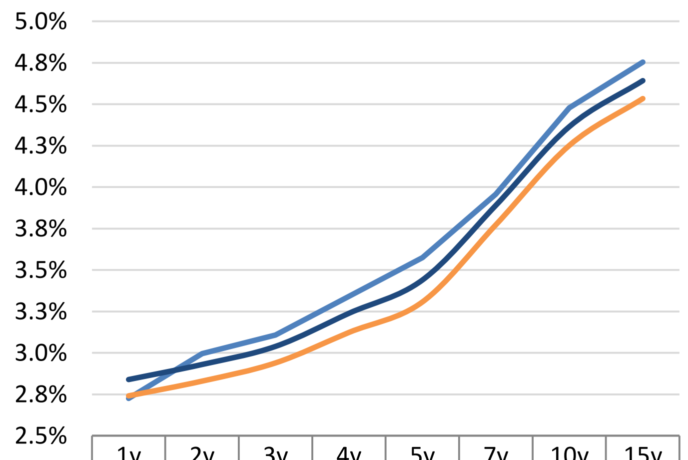


Foreign investors transaction volume slightly fell



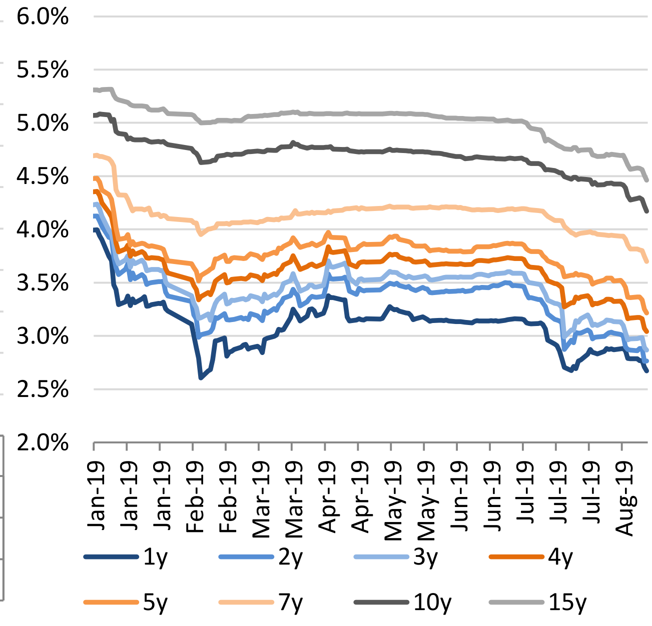
The weekly average VBMA Government Bond Yield continued to drop. All tenors underwent a decrease of 9.8-13.2bps in average yields, compared to the previous week.

Weekly average VBMA Government Bond Yield Fixing



	1y	2y	3y	4y	5y	7y	10y	15y
26-Jul-19	2.72%	3.00%	3.11%	3.34%	3.57%	3.96%	4.48%	4.75%
16-Aug-19	2.84%	2.93%	3.04%	3.24%	3.44%	3.89%	4.37%	4.64%
23-Aug-19	2.74%	2.83%	2.94%	3.12%	3.31%	3.77%	4.25%	4.54%

Daily VBMA Government Bond Yield Fixing



Global Market

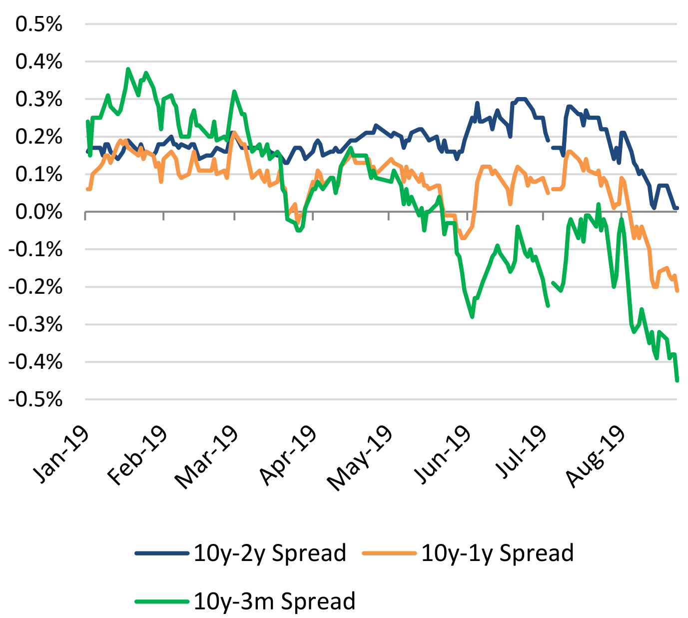
China responsed to the trade tension by additional tariffs. The US government bond yield curve inverted again.

In response to President Trump's policy against Chinese companies and goods, China imposed increased tariffs of 5-10% on USD 75bn the US imports. The US also fired back with additional 5% tax on Chinese goods.

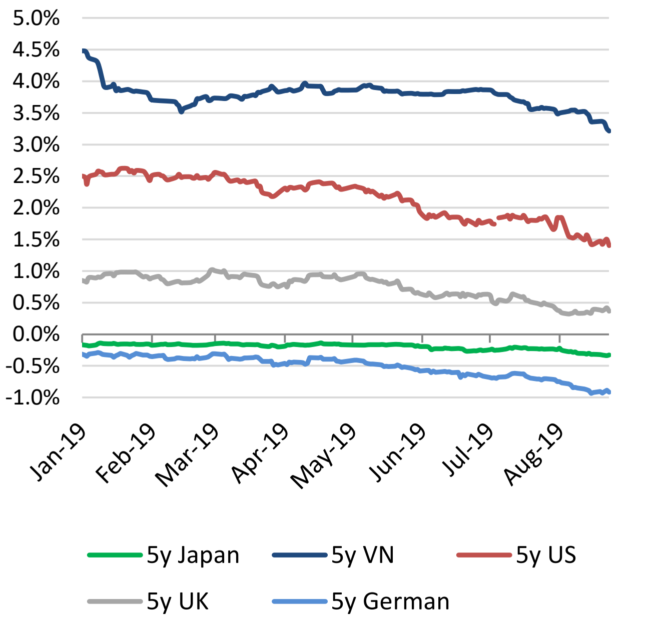
The dispute continued to drive capital flow to "safe haven" assets such as gold and government bonds. During the week, gold price rose by 1.92%. Meanwhile, the 10y-2y US Treasury Spread once again approach zero mark because of falling yields.

In Europe market, the scenario was more optimistic as ECB signaled monetary stimulus to deal with economic slowdown of the region.

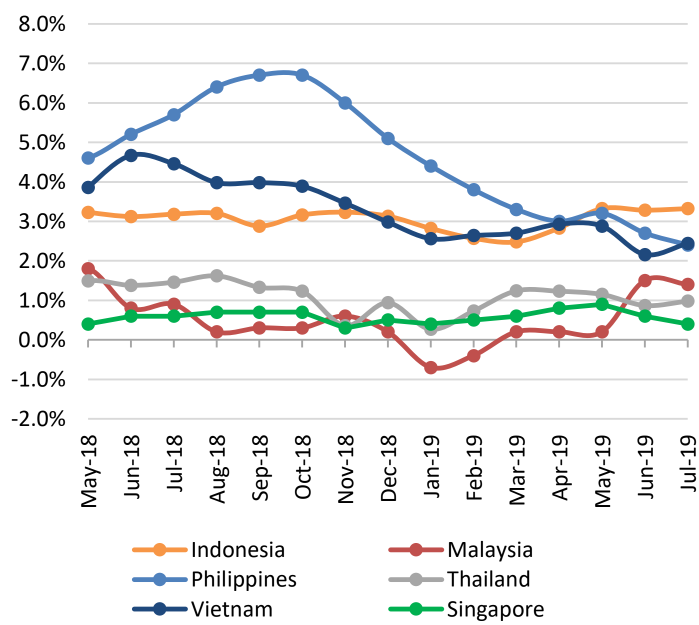
10y-3m, 10y-1y, 10y-2y US Treasury Spread



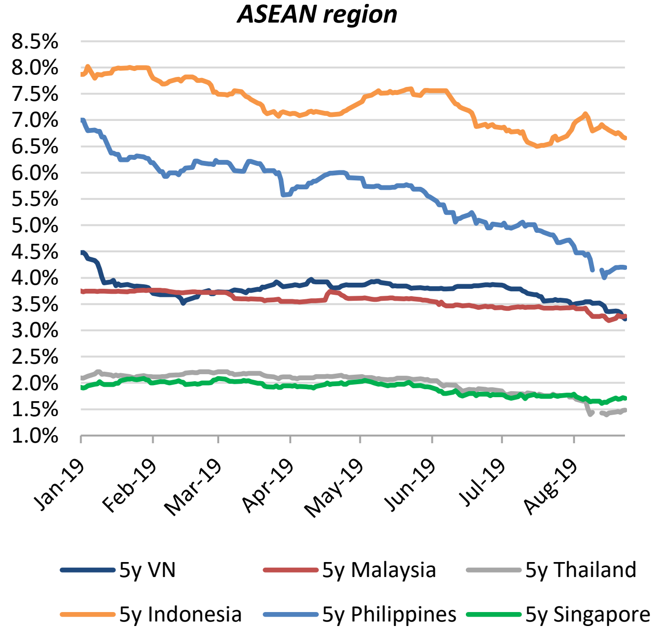
The 5-year Government Bonds yields



Inflation rates (yoy) in ASEAN region



The 5-year Government Bonds yields in ASEAN region



Appendix

Auction plan						
No.	**Auction date**	**Issuer**	**Bond code**	**Issuing type**	**Tenor (years)**	**Amount (VND bn)**
1	29-08-19	STV	TD1926170	Additional	7	500
2	29-08-19	STV	TD1949205	Additional	30	500
3	29-08-19	STV	TD1934191	Additional	15	1,000
4	29-08-19	STV	TD1929179	Additional	10	1,000

10 bond codes with the largest trading value last week						
No.	**Bond code**	**Issuer**	**Trade amount**	**Initial tenor (years)**	**Remaining tenor (years)**	**Trading yield**
1	State Treasury	TD1939200	1,911	20	19.39	5.0-5.2
2	State Treasury	TD1424092	1,503	10	4.76	3.2-3.4
3	State Treasury	TD1926170	1,482	7	6.37	3.7-3.9
4	State Treasury	TD1929178	1,385	10	9.43	4.2-4.4
5	State Treasury	TD1929179	1,052	10	9.91	4.2-4.8
6	State Treasury	TD1934191	1,018	15	14.91	4.5-4.7
7	State Treasury	TD1934190	1,006	15	14.76	4.5-4.7
8	State Treasury	TD1724417	975	7	4.86	3.2-3.5
9	State Treasury	TD1724415	933	7	4.72	3.3-3.6
10	State Treasury	TD1934189	923	15	14.41	4.5-4.7

Thank you for reading VBMA's Weekly Bond Market Report. For more information, please contact:

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