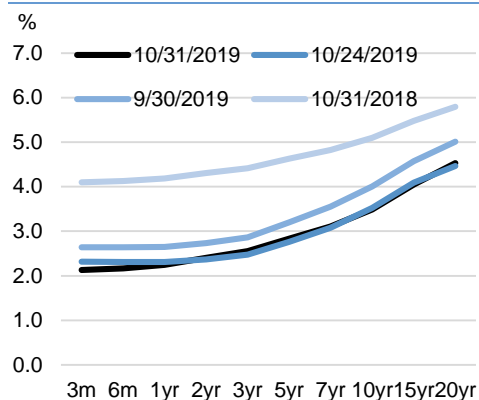


Macro Indicators

Quarterly data	3Q19	2Q19	1Q19
GDP growth (%YoY)	7.31	6.73	6.82
Disbursed FDI (USDbn)	5.12	4.98	4.12
Monthly data	Oct	Sep	Aug
CPI (%YoY)	2.24	2.44	2.26
PMI	50	50.5	51.4
Export (%YoY)	-0.79	10.68	10.41
Import (%YoY)	3.47	11.77	5.87

Source: GSO, Nikkei, IHS Markit, Bloomberg, FIA

G-bond yield curve



Source: HNX, Bloomberg

Lower yields spur trading activities

OMO sees modest injection. Data from SBV shows a net injection of liquidity via OMO market in October 2019. Similar to the recent months, the central bank mostly used 7-day T-bill to put a tightening pressure on the liquidity of the market. However, transactions recorded a slowdown by the end of last month. ([Page 2](#))

Interbank rates hit 2019-low. Interest rate on O/N decreased from 1.74% to 1.51%, 1-week declined from 2.49% to 2.05% while 1-month one decreased to 2.25%. The policy rate cut signal in the middle of September 2019 likely drove the O/N interest rate decrease to hit the 2019-low. ([Page 3](#))

G-bond gets excited thanks to lower yields. In the secondary market, total bond trading value increased by 21.44% MoM to post VND124trn, a year high, as lower yields spurred speculation activities from market players. In which, investors traded intensively 10-year and 15-year tenors, with the trading amounts of VND37.2trn (accounting for 29.89%) and VND17.9trn (accounting for 14.41%), respectively. Moreover, 3-year bond draw a remarkable attention as trading value on this tenor surged by 301.66% MoM to VND10.4trn. ([Page 5](#))

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OMO sees modest injection

Data from SBV shows a net injection of liquidity via OMO market in October 2019. Similar to the recent months, the central bank mostly used 7-day T-bill to put a tightening pressure on the liquidity of the market. However, transactions recorded a slowdown by the end of last month. In general, SBV offered a total of VND363trn, increasing by 137% MoM, to all counterparties and spent VND381trn to absorb due T-bills. As a result, SBV injected a modest amount of VND18bn to the banking system.

Fig 01. T-bill transaction

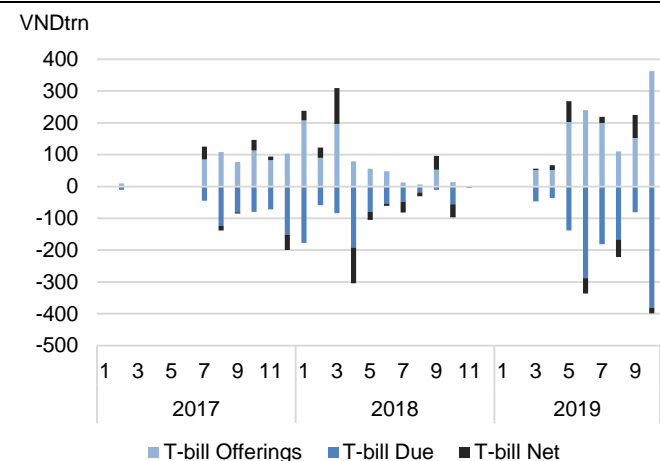
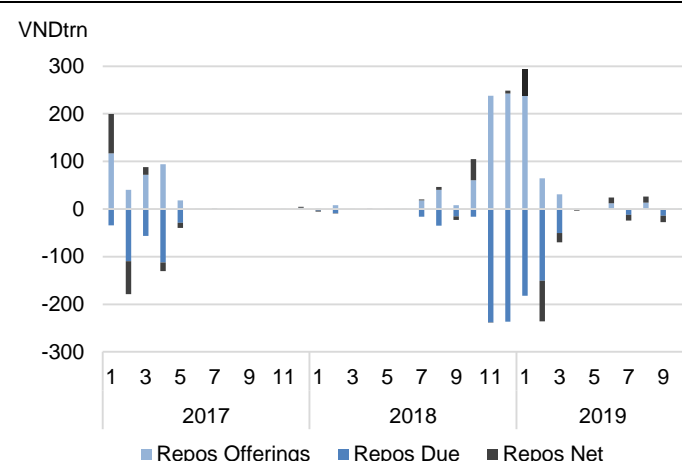
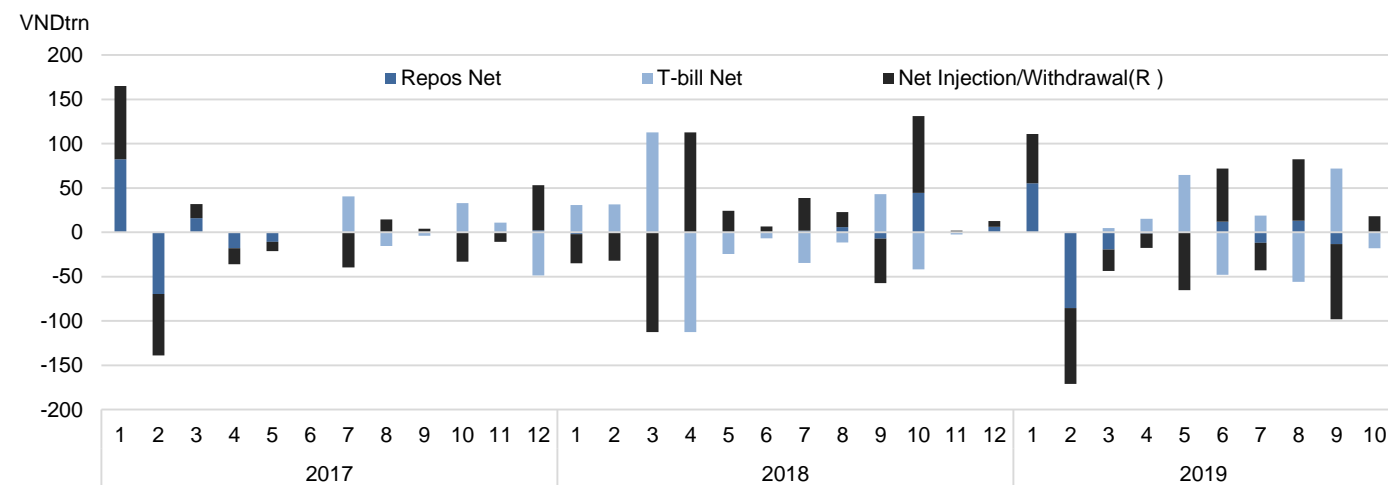


Fig 02. Repo transaction



Source: Bloomberg, KIS, SBV

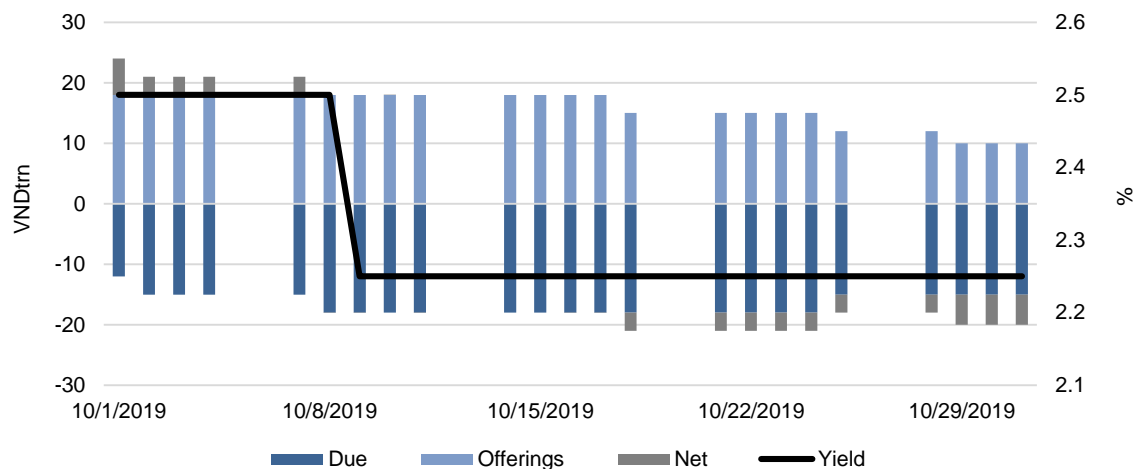
Fig 03. Net injection/withdrawal in OMO



Source: Bloomberg, KIS, SBV

In terms of daily transaction, SBV added liquidity to the market consecutively by the end of Oct by reducing continuously the amount of new T-bills offered relative to the amount of T-bills due. In addition, SBV also lowered T-bill yield offered from 2.5% to 2.25% since 07 October 2019, signaling a lower interest rate state in the future.

Fig 04. Daily 7-day T-bill transaction in October 2019

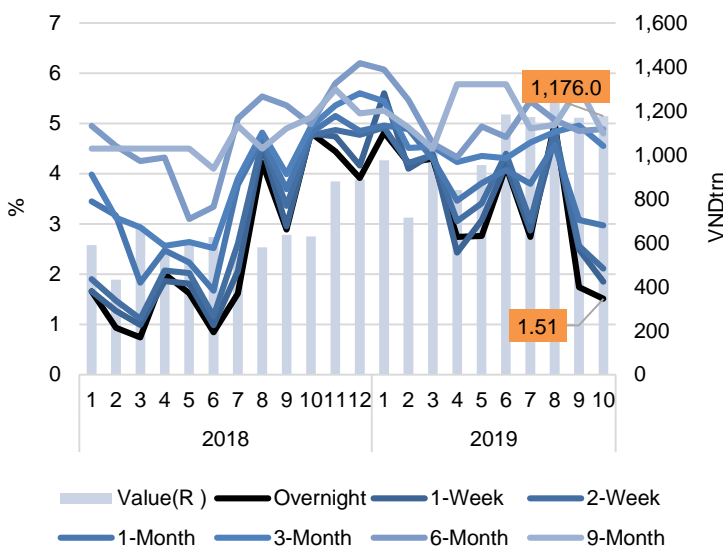


Source: Bloomberg, KIS,SBV

Interbank rates hit 2019-low

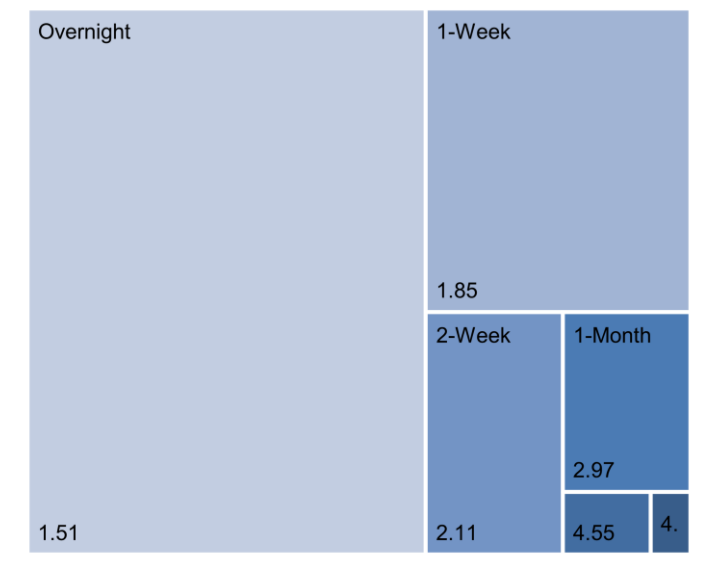
Generally, except 6-month, interbank rates on most of tenors decreased compared to the previous month. Specifically, interest rate on O/N decreased from 1.74% to 1.51%, 1-week declined from 2.49% to 2.05% while 1-month one decreased to 2.25%. The policy rate cut signal in the middle of September 2019 likely drove the O/N interest rate decrease to hit the 2019-low. Total interbank transaction value reached VND1,176trn in October, increasing by 0.7% MoM. Interbank operation continued to concentrate on short-term transactions, such as overnight, 1-week, and 2-week, contributing 66.0%, 21.8%, and 7.5% to total trading value, respectively.

Fig 05. Interbank rates



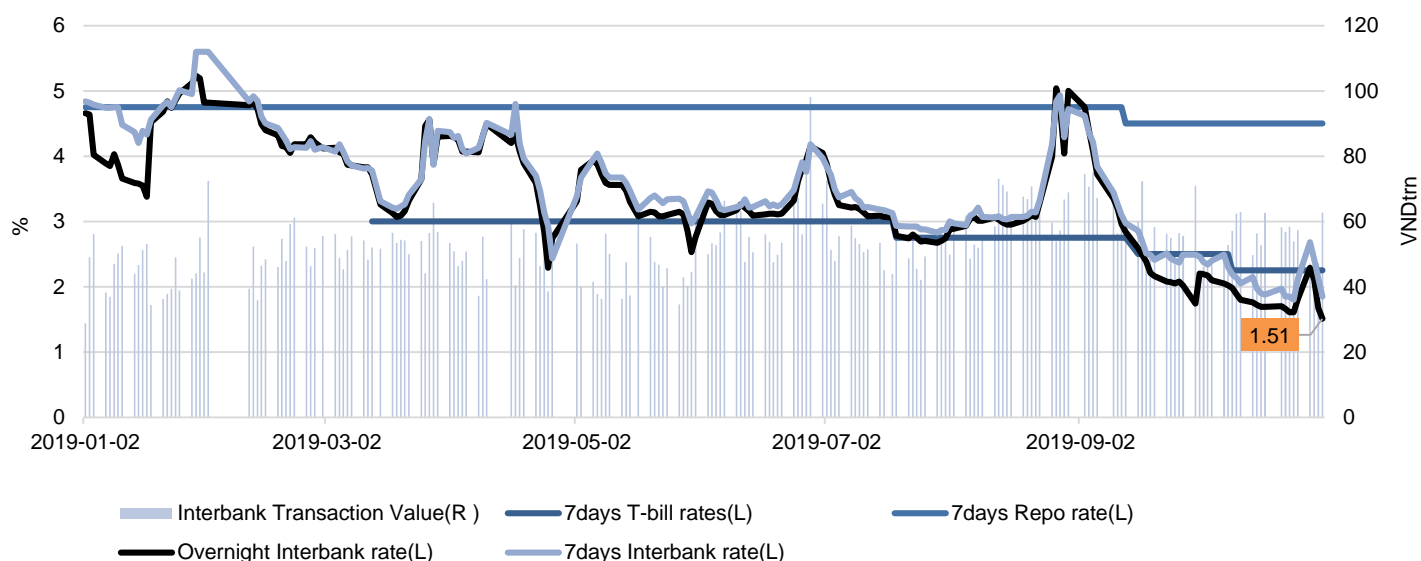
Source: Bloomberg, KIS,SBV

Fig 06. Interbank traded value by tenor (% , annual rate)



Being linked with OMO activities, 7-day interbank rate had mostly moved in range between 7-day T-bill yield and 7-day repo yield since the beginning of 2019. However, overnight and 7-day interbank rates have recently tended to trade slightly below the lower band of interest rate corridor. This phenomenon indicates the excess of liquidity in the interbank market.

Fig 07. 7-day T-bill, Repo and interbank rates



Source: Bloomberg, KIS,SBV

G-bond gets excited thanks to lower yields

In the primary market, according to data compiled by HNX, Vietnam State Treasury (VST) offered VND15trn and sold VND15.2trn (including VND0.25trn additional offerings) of government bonds, increasing respectively by 3.45% MoM and 12.52% MoM, via 5 auction sessions in October 2019. Of which, 10-year and 15-year bonds were the most traded instruments with transacted amounts of VND6trn and VND5.5trn, accounting for 39.5% and 36.2% of total value. Ten months through Oct 2019, VST sold VND176.7trn, fulfilling 63.5% of the year plan of government bond issuance.

Fig 08. Government bond auction value

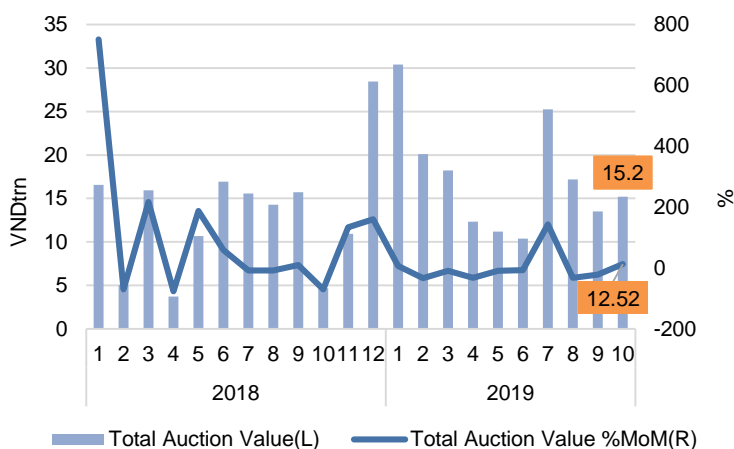
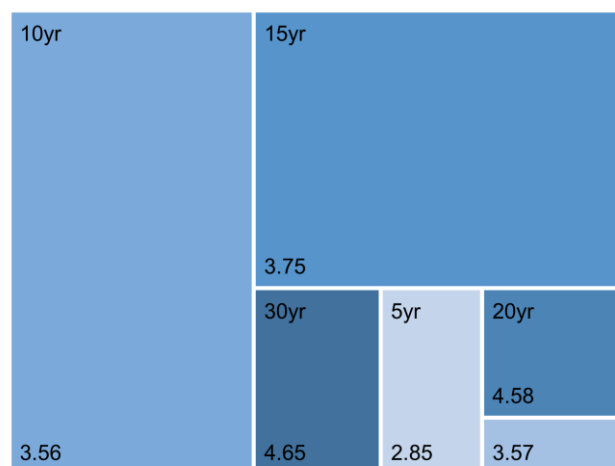


Fig 09. Auction value structure by tenor (% annual rate)

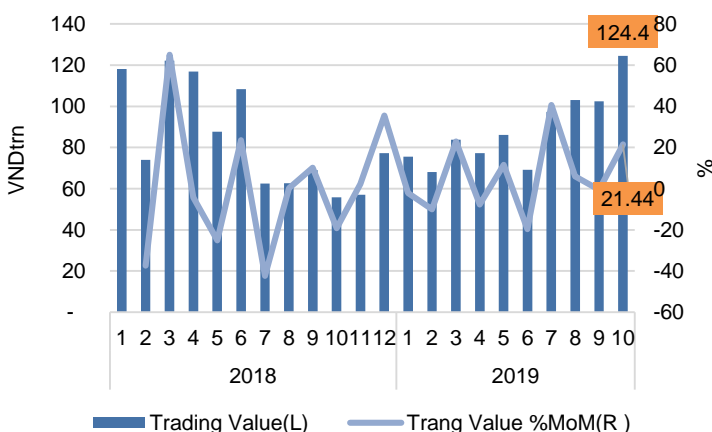


Source: Bloomberg, KIS,SBV

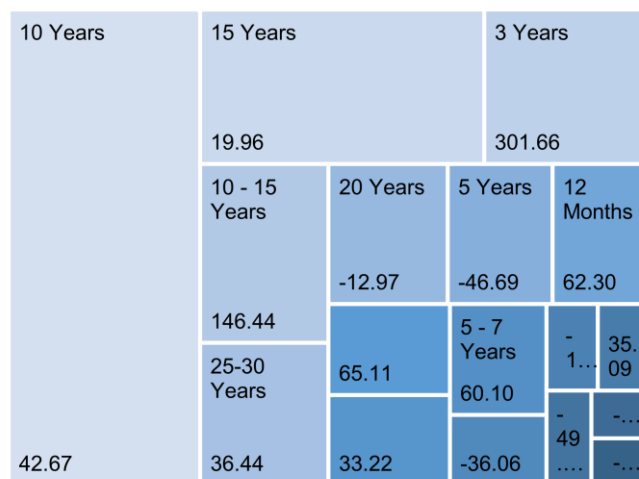
In the secondary market, total bond trading value increased by 21.44% MoM to post VND124trn in October, a year high, as lower bond yields spurred speculation activities from market players. In which, investors traded intensively 10-year and 15-year tenors, with the trading amounts of VND37.2trn (accounting for 29.89%) and VND17.9trn (accounting for 14.41%), respectively. Moreover, 3-year bond draw a remarkable attention as trading value on this tenor surged by 301.66% MoM to post VND10.4trn.

In October 2019, trading value of foreign investors reached VND9.98trn, approximate to twice higher than the previous month and accounting for 8.02% of total trading value. Selling pressure from this group was also mitigated, reducing net sell value to VND553bn from VND2.24trn of September.

Bond trading value



Trading value by tenor (% MoM)



Source: Bloomberg, KIS,SBV

Macro scorecard

	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	4Q18	1Q19	2Q19	3Q19	2016	2017	2018	2019P
Real GDP growth (%)							7.31	6.82	6.73	7.31	6.21	6.81	7.08	6.8
Registered FDI (USDbn)	2.15	1.73	1.75	2.41	3.54	2.95	5.04	10.09	10.81	7.66	20.95	35.88	35.47	18.20
GDP per capita (USD)											2,172	2,353	2,551	2,730
Unemployment rate (%)											2.33	2.21	2.21	2.25
Export (USDbn)	21.90	21.43	22.98	25.88	23.36	22.40	64.15	58.76	63.77	72.22	176.6	215.1	243.5	280.8
Import (USDbn)	23.19	19.49	22.94	22.45	21.75	22.50	63.81	57.09	63.68	67.14	175.0	213.2	236.7	268.3
Export growth (%)	9.50	7.66	11.10	10.41	10.68	-0.79	6.75	5.10	9.17	10.72	8.99	21.82	13.19	15.33
Import growth (%)	10.22	1.12	7.53	5.87	11.77	3.47	10.28	7.25	10.12	8.30	5.55	21.85	11.01	13.36
Inflation (%YoY)	2.88	2.16	2.44	2.26	1.98	2.48	3.44	2.63	2.66	2.23	2.66	3.53	3.54	4.00
USDVND	23,415	23,301	23,205	23,196	23,203	23,202	23,175	23,189	23,301	23,203	22,761	22,698	23,175	23,200
Credit growth (%)											18.25	18.24	13.89	14
10yr government bond (%)	4.80	4.75	4.69	4.87	4.07	3.67	5.07	4.78	4.66	4.07	6.23	5.14	5.07	5.00

Source: GSO, Bloomberg, FIA, IMF

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