

## Fixed-Income Report

**March 16<sup>th</sup> – 20<sup>th</sup>/2020**

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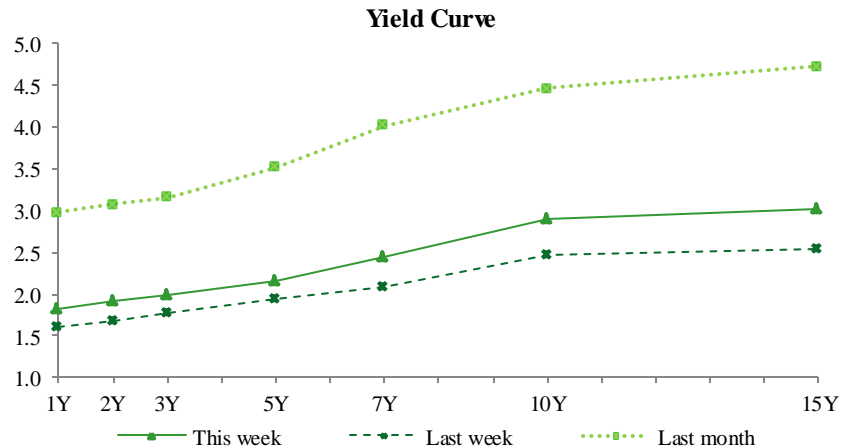
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## Round-up

**Winning rates inched up.  
Yield curve shifted upward.  
Interbank rates decreased slightly.**



Source: Bloomberg, VCBS

■ VND 1,300 bn (-68.4% wow) was mobilized this week. VND 63,860 bn (-18.85% wow) was traded on the secondary market.

■ Yield curve shifted upward. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 1.812% (+21.2 bps), 1.91% (+24.3 bps), 2% (+21.7 bps), 2.164% (+22.8 bps), 2.439% (+35 bps), 2.907% (+44.9 bps), 3.02% (+47.6 bps), respectively.

■ Interbank rates decreased slightly. In details, ON – 3M rates posted at 1.85%, 2.08%, 2.2%, 2.575% and 2.875%, respectively according to Bloomberg data.

■ Foreign investors net sold VND 516.55 bn this week.

■ SBV net injected VND 1 bn via OMO channel.

## VCBS Commentary March 23<sup>rd</sup> – March 27<sup>th</sup>

■ It seemed that investors' sentiment is conservative in the market. Thus, it is likely that bond yields will move in an upward tight band in the upcoming weeks.

■ Most recently, the State Bank of Vietnam (SBV) issued Decision No. 418/QĐ-NHNN on reduction of official interest rates. In our opinions, the decision was made in line with foreign and domestic economic situation to support the macro-economic stability. Meanwhile, abundant resources are still available on banking system with some supportive factors (i) Credit growth is still low; (ii) Public disbursement is behind the schedule. Thus, we believe that next week interbank shall be kept at low level.

**Bond Market**

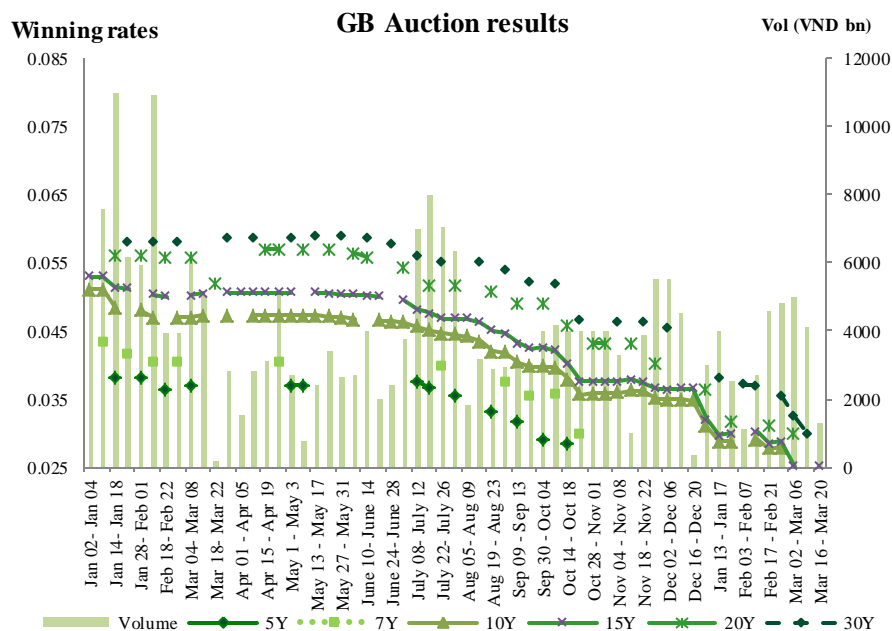
**Primary Market**

**Primary was laggard. Winning rates inched up.**

**VND 1,300 bn (-68.4% wow) was mobilized this week.**

**VND 1,300 bn (-68.4% wow) at 15Y bond was mobilized this week from ST.** The registered volume to offering volume ratio for 15Y tenor was 2.28 times and winning volume to offering volume was 52%, it showed the less demand from participants. Besides, winning rate for 15Y tenor stood at 2.53% (+02 bps).

Besides, VDB and VBSP did not mobilize bond this week.



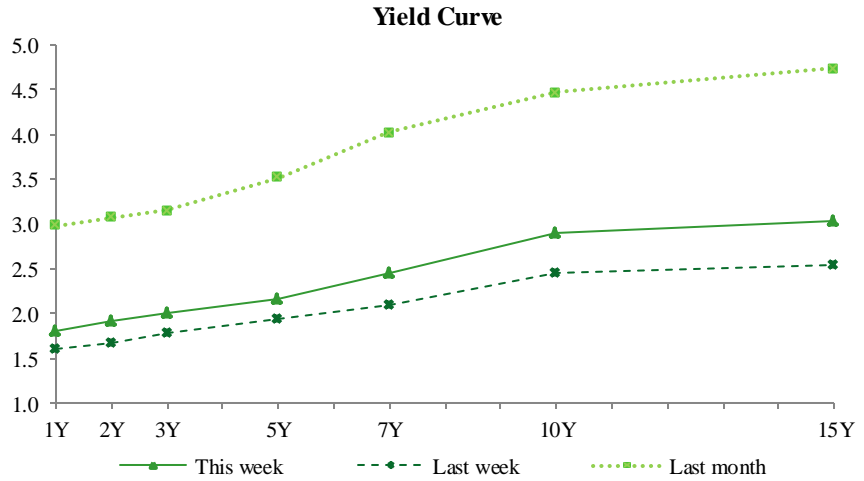
Source: HNX, VCBS

**Secondary Market**

**VND 63,860 bn (-18.85% wow) was traded on the secondary market.**

**VND 63,860 bn (-18.85% wow)** was traded on the secondary. In detail, Outright and repo values were at VND 47,011 bn (-0.31% wow) and VND 16,849 bn (-46.57% wow), respectively. Regarding outright, ST-Bond kept dominating trading volume with 87.42%.

**Yield curve shifted upward.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 1.812% (+21.2 bps), 1.91% (+24.3 bps), 2% (+21.7 bps), 2.164% (+22.8 bps), 2.439% (+35 bps), 2.907% (+44.9 bps), 3.02% (+47.6 bps), respectively.



Source: Bloomberg, VCBS

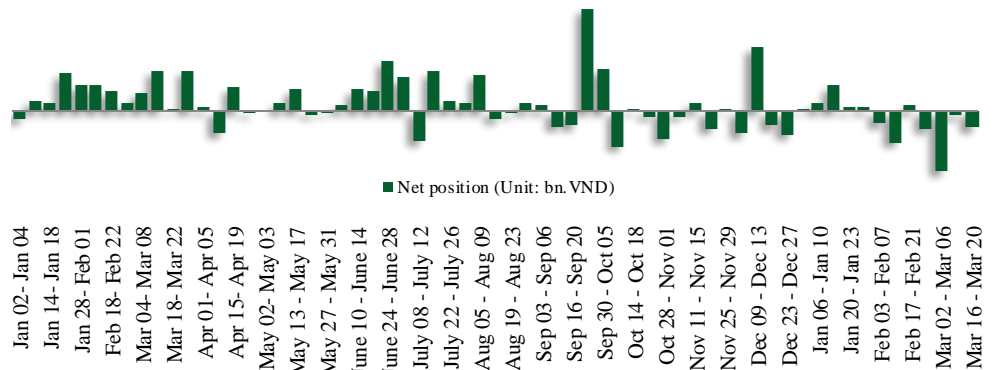
The US Federal Reserve cut rates by half a percentage point March 3, the first emergency rate cut since the financial crisis more than a decade ago. After that, Fed continued to cut interest rates to a target range of 0% - 0.25% on Sunday March 15<sup>th</sup> to shield the economy from the impact of the Covid-19 epidemic. The Fed's decision to cut interest rates before its next scheduled policy meeting on March 17-18 Federal Reserve cuts rates to zero and a massive \$700 billion quantitative easing program reflect act in order to prevent the possibility of a global recession.

This week, exchange rates in free market as well as the ones stated at commercial banks increased due to the fact that participants have a tendency to invest in safe-haven assets. It seemed that investors' sentiment is conservative in the market. This matter will be the short-term risk to the G-bond market. Therefore, it is likely that bond yields will move in an upward tight band in the upcoming weeks.

**Foreign investors net sold VND 516.55 bn this week.**

**Foreign investor net sold VND 516.55 bn this week**, they mainly focused on long-term tenors (>7 years).

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



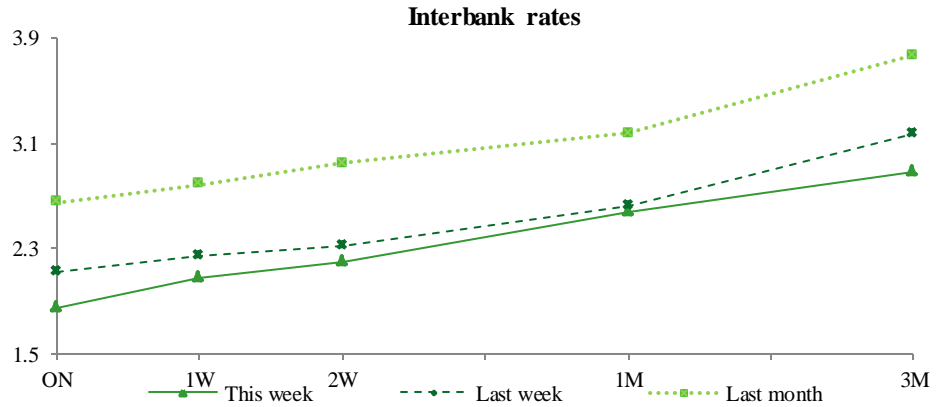
Source: HNX, VCBS

**INTEREST RATE**

**Interbank rates decreased slightly.**

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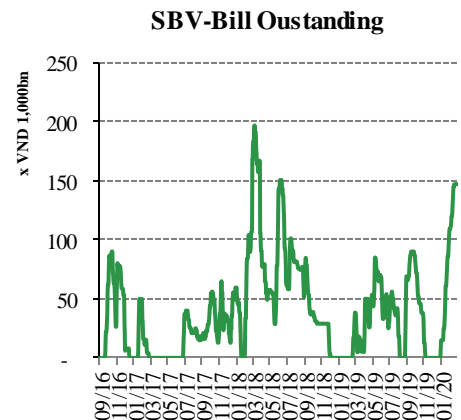
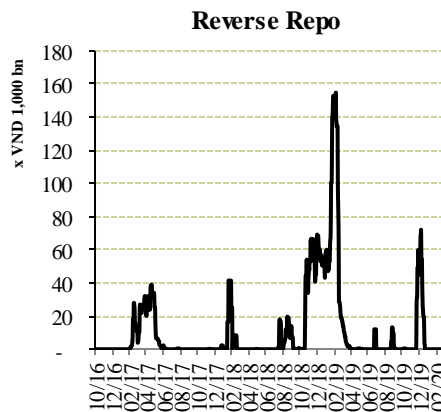
Source: Bloomberg, VCBS

Most recently, the State Bank of Vietnam (SBV) issued Decision No. 418/QD-NHNN on reduction of official interest rates, applicable since March 16<sup>th</sup> and the SBV also lowered other interest rates. In our opinions, the decision was made in line with foreign and domestic economic situation to support the macro-economic stability. Meanwhile, abundant resources are still available on banking system with some supportive factors (i) Credit growth is still low; (ii) Public disbursement is behind the schedule. Thus, we believe that next week interbank shall be kept at low level.

**Open Market Operation**

**SBV net injected VND 1 bn via OMO channel.**

**SBV net injected VND 1 bn via OMO channel.** On March 18<sup>th</sup>, SBV issued VND 1 bn of repo of 7 days at 3.50% (-50 bps).



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>								
18-Mar-20	10Y	2,500	5,651	-	2.26	2	0.00%	ST
18-Mar-20	15Y	2,500	5,700	1,300	2.28	2.53	52.00%	ST

### Secondary Market

Issuer	Week 09 Mar – 13 Mar		Week 16 Mar – 20 Mar	
	Value	Value share	Value	Value share
<b>Outright</b>				
ST	43,689	92.65%	41,098	87.42%
VDB	2,600	5.51%	4,958	10.55%
VBSP	867	1.84%	955	2.03%
Others	-	0.00%	-	0.00%
Subtotal (1)	47,156	100.00%	47,011	100.00%
<b>Repo</b>				
Repo	31,537	59.40%	16,849	47.10%
Reserve Repo	21,557	40.60%	18,922	52.90%
Subtotal (2)	53,093	100.00%	35,771	100.00%
<b>ST bills</b>				
Outright				
Repo				
Subtotal (3)				
<b>Total (1)+(2)+(3)</b>	<b>100,249</b>		<b>82,783</b>	

### Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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
11/18 - 11/22	-	-	-	-	37,996	12,999	(24,997)	12,999
11/25 - 11/29	-	49,179	49,179	-	12,999	-	(12,999)	-
12/02 - 12/06	31,286	34,593	3,307	-	-	-	-	-
12/09 - 12/13	17,893	19,520	1,627	-	-	-	-	-
12/16 - 12/20	34,593	-	(34,593)	-	-	-	-	-
12/23 - 12/27	19,520	-	(19,520)	-	-	-	-	-
12/30 - 01/03	-	-	-	-	-	-	-	-
01/06 - 01/10	-	-	-	-	-	-	-	-
01/13 - 01/17	-	-	-	-	-	-	-	-
01/20 - 01/24	-	-	-	-	-	15,000	15,000	15,000
01/27 - 01/31	-	-	-	-	-	10,000	10,000	24,999
02/03 - 02/07	-	-	-	-	-	35,998	35,998	60,997
02/10 - 02/14	-	-	-	-	-	24,998	24,998	85,995
02/17 - 02/21	-	21	21	21	-	22,997	22,997	108,992
02/24 - 02/28	21	-	(21)	-	-	10,998	10,998	119,990
03/02 - 03/06	-	-	-	-	-	24,997	24,997	144,987
03/09 - 03/13	-	-	-	-	-	2,000	2,000	146,987
<b>03/16 - 03/20</b>	-	<b>1</b>	<b>1</b>	<b>1</b>	-	-	-	<b>146,987</b>

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