

Fixed-Income Report

Jun 15th – 19th/2020

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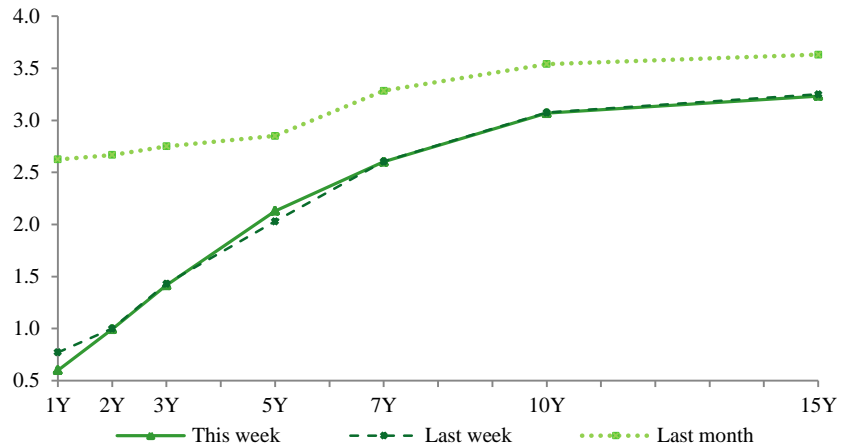
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Round-up

**Winning volume focused on 10Y & 15Y tenors.
Yield curve shifted downwards frictionally.
Interbank rates pressed lower this week.**

Yield Curve



Source: Bloomberg, VCBS

■ VND 8,864 bn was mobilized on the primary market. VND 40,875 bn (+12.15% wow) was traded on the secondary market.

■ Yield curve shifted downwards frictionally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 0.6% (-17.2 bps), 0.994% (-0.6 bps), 1.415% (-1.5 bps), 2.13% (+10.1 bps), 2.602% (-0.2 bps), 3.068% (-0.7 bps), 3.233% (-1.7 bps), respectively.

■ Interbank rates pressed lower this week. In details, ON – 3M rates posted at 0.275%, 0.267%, 0.3%, 0.567% and 1.783%, respectively according to Bloomberg data.

■ Foreign investors net sold VND 78.65 bn this week.

VCBS Commentary June 22th – June 26th

■ With abundant liquidity in the money market, we believe that downward force on bond yields still remains in upcoming weeks. Accordingly, bond yields are likely to move in a downward tight band.

■ In the context of stable economy, no pressure on exchange rates, low credit growth, we do not expect the factors which can make liquidity less ample at the present. Instead, we expect that in the upcoming period, interbank rates will stay at low levels.

Bond Market

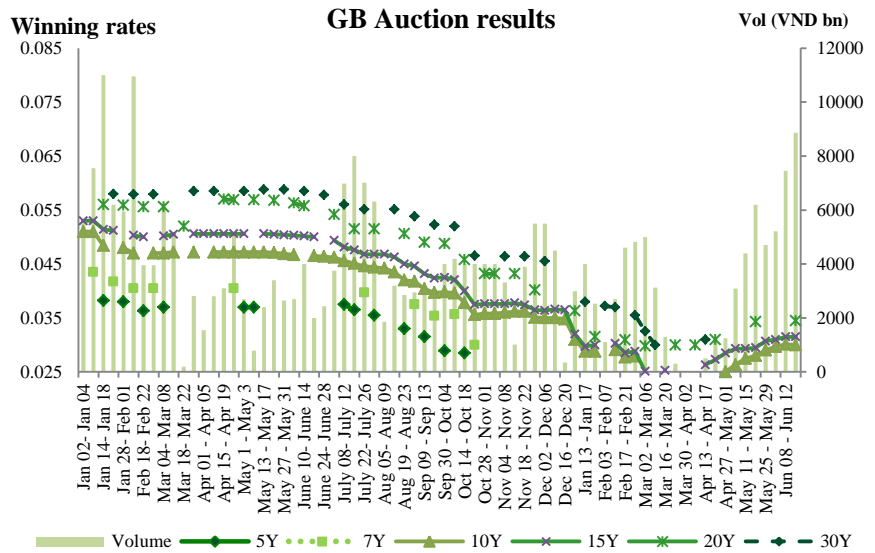
Primary Market

VND 8,864 bn was mobilized this week.

Primary market was active. Winning volume focused on 10Y & 15Y tenors.

VND 8,864 bn was mobilized this week from ST. Therein, ST issued **VND 1,635 bn** at 5Y, **VND 3,750 bn** at 10Y, **VND 3,000 bn** at 15Y and **VND 479 bn** at 20Y tenors. The registered volume-to-offering volume ratios for 5Y, 10Y, 15Y & 20Y tenors were 0.97, 5.57, 2.76 and 2.16 times. Winning rates for 5Y, 10Y, 15Y & 20Y tenors stood at 1.95% (+03 bps), 3.00% (-01 bps), 3.15% (0 bps), 3.45% (+02 bps) respectively.

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



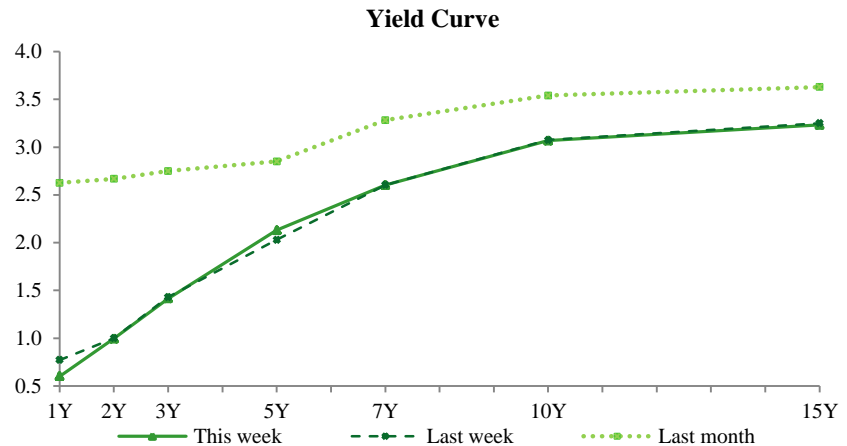
Source: HNX, VCBS

Secondary Market

VND 40,875 bn (+12.15% wow) was traded on the secondary market.

VND 40,875 bn (+12.15% wow) was traded on the secondary. In detail, Outright and repo values were at VND 24,588 bn (+1.40% wow) and VND 14,393 bn (+39.32% wow), respectively. Regarding outright, ST-Bond kept dominating trading volume with 92.85%. Remarkably, this week a large proportion of bond trading (31.8%) belonged to short-term bond (below 5Y tenors).

Yield curve shifted downwards frictionally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 0.6% (-17.2 bps), 0.994% (-0.6 bps), 1.415% (-1.5 bps), 2.13% (+10.1 bps), 2.602% (-0.2 bps), 3.068% (-0.7 bps), 3.233% (-1.7 bps), respectively.



Source: Bloomberg, VCBS

The week focused on the risk of the second wave in some countries and the signs of recovery after reopening the economy. In detail, the Coronavirus cases have exceeded 9 million, mainly in the US, Brazil, Russia. Meanwhile, President Trump reaffirmed not to shut down the economy even though the number of Covid-19 infections in the country remained high.

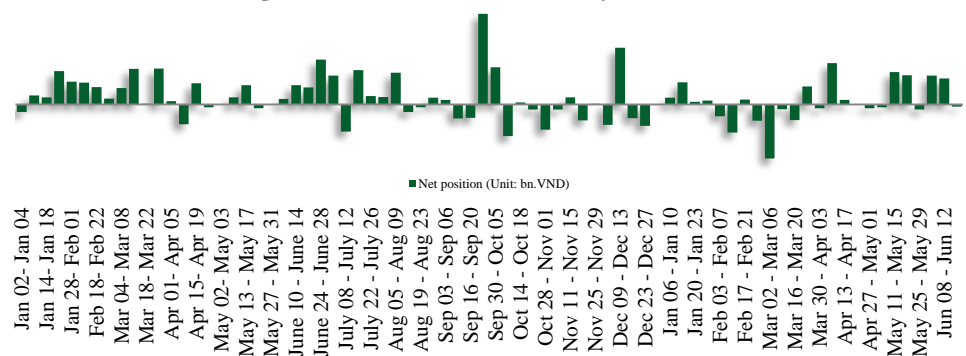
Regarding geopolitical tensions, the clashes between India and China on the border with human damage to both nations raises new fears of armed conflict even though the two countries agreed to ease tensions. In the context of escalating uncertainties, thanks to stable economy, Vietnam is still considered as an attractive country to inflow investments (FDI & FII). Accordingly, VCBS expects that the VND depreciation in 2020 will not exceed 2% as the previous reports.

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Foreign investors net sold VND 78.65 bn this week.

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Foreign Investment in the secondary market 2019-2020



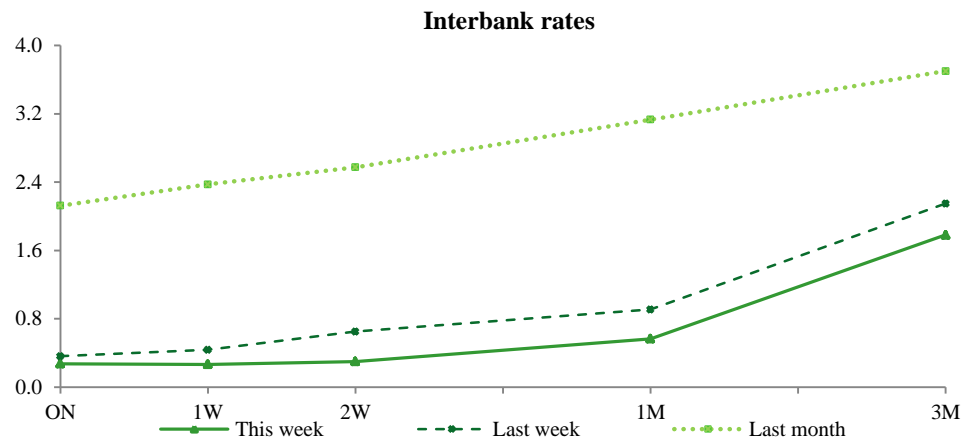
Source: HNX, VCBS

INTEREST RATE

Interbank rates pressed lower this week.

Interbank Rates

Interbank rates pressed lower this week. In details, ON – 3M rates posted at 0.275%, 0.267%, 0.3%, 0.567% and 1.783%, respectively according to Bloomberg data.



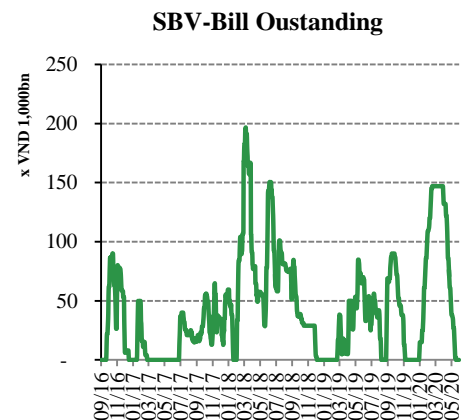
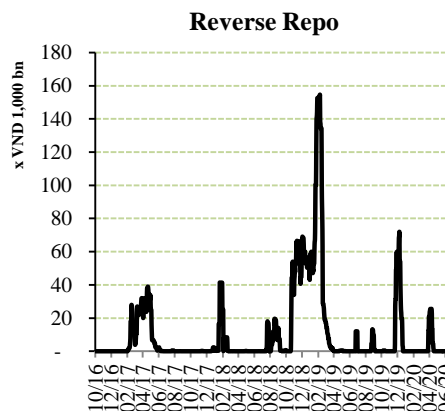
Source: Bloomberg, VCBS

Exchange rates continued to decrease in June. The exchange rate quoted at commercial banks was 23.130 VND/USD on June 19 (declined by 60 VND compared to the end of May). Besides, a group of investors led by US-based private equity firm KKR, including Temasek Holdings of Singapore, invested 15.1 trillion VND (650 million USD) in a stake of the Vinhomes Joint Stock Company. This news and low credit growth created abundant liquidity in the money market. Thus, we expect that interbank rates may stay at low level.

Open Market Operation

The balance via OMO remained at zero.

The balance via OMO remained at zero. The SBV did not issue repo and T-bill via OMO channel this week.



Source: Bloomberg, VCBS

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								
17-Jun-20	5Y	2,250	2,186	1,635	0.97	1.95	72.67%	ST
17-Jun-20	10Y	3,750	20,900	3,750	5.57	3	100.00%	ST
17-Jun-20	15Y	3,000	8,280	3,000	2.76	3.15	100.00%	ST
17-Jun-20	20Y	500	1,079	479	2.16	3.45	95.80%	ST

Secondary Market

Issuer	Last		Current	
	Value	Value share	Value	Value share
Outright				
ST	25,464	97.50%	24,588	92.85%
VDB	652	2.50%	1,687	6.37%
VBSP	-	0.00%	-	0.00%
Others	-	0.00%	208	0.78%
Subtotal (1)	26,116	100.00%	26,482	100.00%
Repo				
Repo	10,331	45.15%	14,393	43.86%
Reserve Repo	12,551	54.85%	18,423	56.14%
Subtotal (2)	22,881	100.00%	32,816	100.00%
ST bills				
Outright				
Repo				
Subtotal (3)				
Total (1)+(2)+(3)	48,997		59,298	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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
03/16 - 03/20	-	1	1	1	-	-	-	146,987
03/23 - 03/27	1	1	-	-	-	-	-	149,987
03/30 - 04/03	1	20,855	20,854	20,855	-	-	-	146,987
04/06 - 04/10	-	4,656	4,656	25,511	-	-	-	146,987
04/13 - 04/17	20,855	1	(20,854)	4,657	-	-	-	146,987
04/20 - 04/24	4,656	1	(4,655)	2	15,000	-	(15,000)	131,987
04/27 - 05/01	1	-	(1)	1	10,000	-	(10,000)	121,988
05/04 - 05/08	1	-	(1)	-	35,998	-	(35,998)	85,990
05/11 - 05/15	-	3	3	3	24,998	-	(24,998)	60,992
05/18 - 05/22	3	-	(3)	-	22,997	-	(22,997)	37,995
05/25 - 05/29	-	2	2	2	10,998	-	(10,998)	26,997
06/01 - 06/05	2	-	(2)	-	24,997	-	(24,997)	2,000
06/08 - 06/12	-	-	-	-	2,000	-	(2,000)	-
06/15 - 06/19	-	-	-	-	-	-	-	-

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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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