

## Fixed-Income Report

Oct 05<sup>th</sup> – Oct 09<sup>th</sup>/2020

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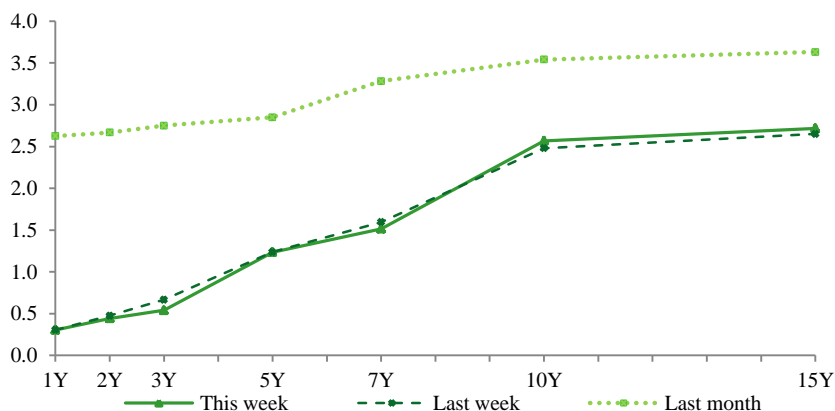
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## Round-up

**ST focused on issuing long-term bonds. Winning rates plummeted.  
Yield curve fluctuated in a tight band.  
Interbank rates stayed at low levels.**

**Yield Curve**



Source: Bloomberg, VCBS

■ VND 11,146 bn was mobilized on the primary market this week. VND 61,443 bn (+1.7% wow) was traded on the secondary market.

■ Yield curve fluctuated in a tight band, bond yields for long-tenors inched up while bond yields for short-tenors decreased slightly. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted 0,306% (0 bps), 0,444% (-3,2 bps), 0,54% (-12,7 bps), 1,236% (-0,1 bps), 1,515% (-8 bps), 2,568% (+8,7 bps), 2,717% (+6,6 bps), respectively.

■ Interbank rates stayed at low levels. In details, ON – 3M rates posted at 0.145%, 0.19%, 0.26%, 0.363% and 1.275%, respectively according to Bloomberg data.

■ Foreign investors net bought VND 47.05 bn this week.

■ Last week saw no new transaction via OMO channel.

## VCBS Commentary Oct 12<sup>th</sup> – Oct 16<sup>th</sup>

■ According to [the last report](#), VCBS believes that there is still room for a reduction in bond yields in the last quarter of 2020 as long as abundant liquidity remains.

■ We are confident that liquidity in the banking system continued to be abundant based on some supporting ideas: (i) Credit growth is slower than the same period last year and projected at 10% for the whole 2020 (ii) The exchange rates shall remain stable in the next period. Thus, there is a high probability that interbank rates will stay at current low levels.

**Bond Market**

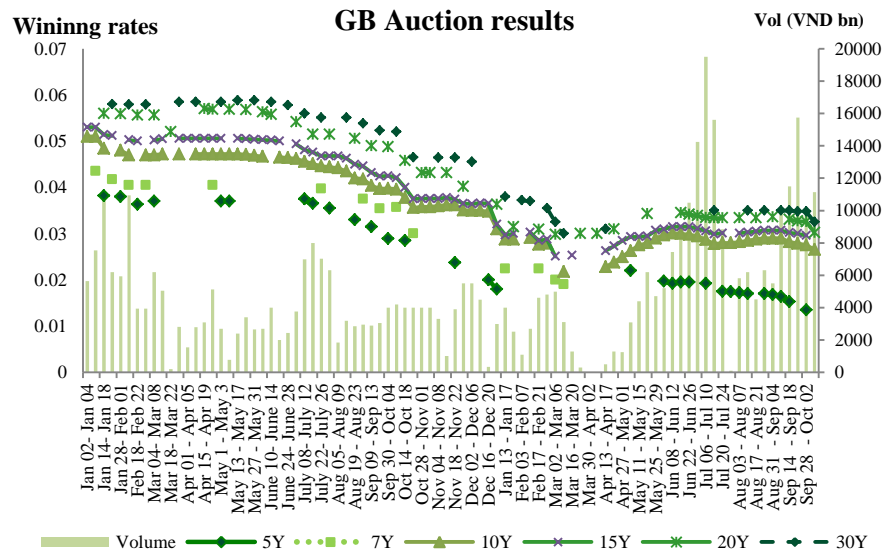
**VND 11,146 bn was mobilized this week.**

**Primary Market**

**ST focused on issuing long-term bonds. Winning rates plummeted.**

**VND 11,146 bn was mobilized this week from ST.** Therein, ST issued VND 7,500 bn at 15Y tenors, VND 3,000 bn at 20Y tenors and VND 646 bn at 30Y. The registered volume-to-offering volume ratios for 15Y, 20Y & 30Y tenors were 2.24, 2.25, 1.51 times. Wining volume-to-offering ratios for 15Y, 20Y tenors recorded at 100%. Wining rates for 15Y, 20Y and 30Y tenors stood at 2.66% (-30 bps), 3.02% (-24 bps), 3.25% (-23 bps), respectively.

VDB and VBSP did not mobilize bond this week.



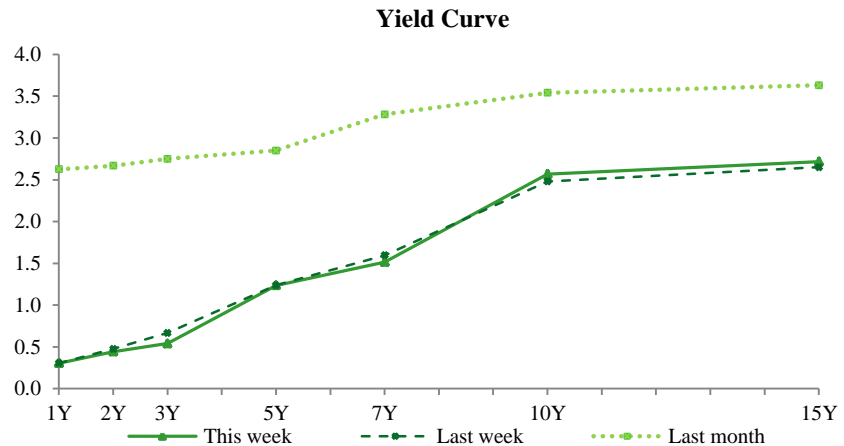
Source: HNX, VCBS

**Secondary Market**

**VND 61,443 bn (+1.7% wow) was traded on the secondary market.**

**VND 61,443 bn (+1.7% wow) was traded on the secondary.** In detail, Outright and repo values were at VND 47,932 (+10.2% wow) and VND 13,511 bn (-20.1% wow), respectively. Regarding outright, ST-Bond kept totally dominating trading volume with 100%. Remarkably, about 60% of trading volume recorded in medium-tenors (5Y-10Y).

**Yield curve fluctuated in a tight band, bond yields for long-tenors inched up while bond yields for short-tenors decreased slightly.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted 0,306% (0 bps), 0,444% (-3,2 bps), 0,54% (-12,7 bps), 1,236% (-0,1 bps), 1,515% (-8 bps), 2,568% (+8,7 bps), 2,717% (+6,6 bps), respectively.



Source: Bloomberg, VCBS

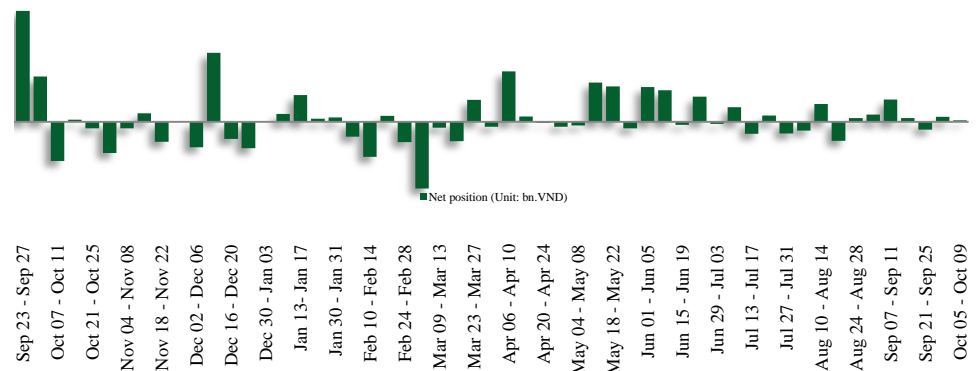
Minutes of the September FOMC meeting and Fed Chairman Jerome Powell's remarks last week all show that the US economy needs time to recover. (1) The day before the minutes were released, Fed Chairman Jerome Powell warned that the full recovery process will last long. At this early stage, the supporting policies are not commensurate with the level of risk. He stressed that the speed of economic recovery will depend on monetary policy and fiscal policy. (2) FOMC agreed to keep interest rate at a low level (close to zero) until the labor market reached its maximum level and inflation exceeded 2.0%. Besides, officials shared the view that the economy will not achieve those goals until 2023 or 2024. All information released showed consensus with market's participants expect. Thus, the market reacts quite calmly to this news as US bond yields slightly tick up.

According to [the last report](#), VCBS believes that there is still room for a reduction in bond yields in the last quarter of 2020 as long as abundant liquidity remains.

**Foreign investors net bought VND 47.30 bn this week.**

**Foreign investors net bought VND 47.05 bn this week.** This week, there is no clear trend for their favor tenor as the figure was mixed.

**Foreign Investment in the secondary market 2020**



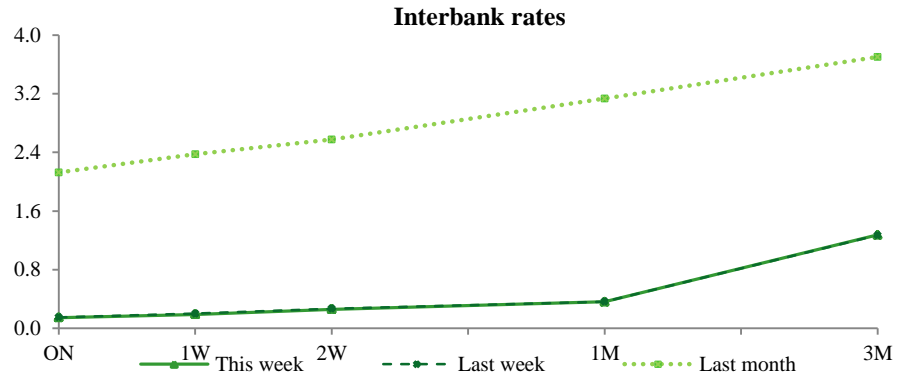
Source: HNX, VCBS

**INTEREST RATE**

**Interbank rates stayed at low levels.**

**Interbank Rates**

**Interbank rates stayed at low levels.** In details, ON – 3M rates posted at 0.145%, 0.19%, 0.26%, 0.363% and 1.275%, respectively according to Bloomberg data.



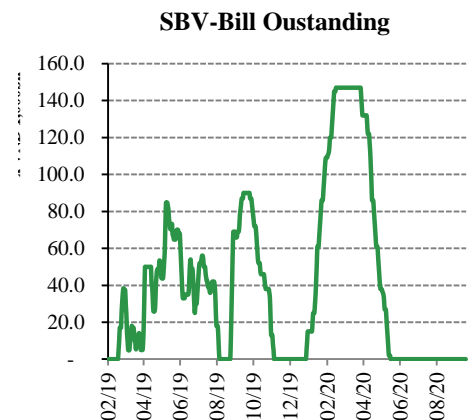
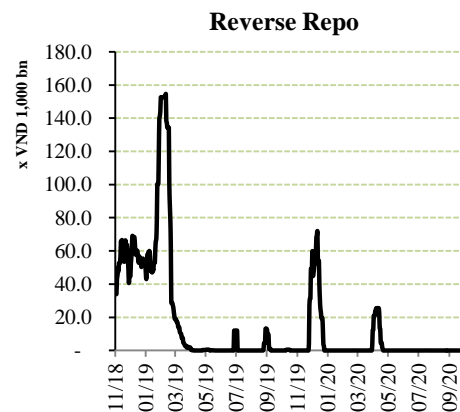
Source: Bloomberg, VCBS

In the context of abundant liquidity and low credit growth, banks have lowered their deposit rates last week. In detail, deposit rates declined by 10-20 bps for all tenors. So far, in 2020, deposit rates have dropped 100-120 basis points. We are confident that liquidity in the banking system continued to be abundant based on some supporting ideas: (i) Credit growth is still slower than the same period last year, which recorded 6.09% after 9M.2020 and projected at roughly 10% for the whole 2020 (ii) The exchange rates shall remain stable in the next period. Thus, there is a high probability that interbank rates will stay at current low levels.

**No intervention needed as abundant liquidity recorded.**

**Open Market Operation**

**Last week saw no new transaction via the OMO channel.** The outstanding amount of repo and T-bill stood at VND 0 bn. SBV has not made any significant changes in the open market for the last 4 months as the banking system liquidity remains abundant while interbank interest rates stably stood at low levels.



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>								
7-Oct-20	15Y	7,500	16,813	7,500	2.24	2.66	100.00%	ST
7-Oct-20	20Y	3,000	6,736	3,000	2.25	3.02	100.00%	ST
7-Oct-20	30Y	2,000	3,016	646	1.51	3.25	32.30%	ST

### Secondary Market

Issuer	Last		Current	
	Value	Value share	Value	Value share
<b>Outright</b>				
ST	40.968	94,15%	47.342	98,77%
VDB	2.363	5,43%	442	0,92%
VBSP	182	0,42%	148	0,31%
Others	-	0,00%	-	0,00%
<b>Subtotal (1)</b>	<b>43.513</b>	<b>100,00%</b>	<b>47.932</b>	<b>100,00%</b>
<b>Repo</b>				
Repo	16.907	59,25%	13.511	46,95%
Reserve Repo	11.627	40,75%	15.266	53,05%
<b>Subtotal (2)</b>	<b>28.534</b>	<b>100,00%</b>	<b>28.776</b>	<b>100,00%</b>
<b>ST bills</b>				
Outright				
Repo				
<b>Subtotal (3)</b>				
<b>Total (1)+(2)+(3)</b>	<b>72.047</b>		<b>76.708</b>	

### Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
06/08 - 06/12	-	-	-	-	2,000	-	(2,000)	-
06/15 - 06/19	-	-	-	-	-	-	-	-
06/22 - 06/26	-	-	-	-	-	-	-	-
06/29 - 07/03	-	1	1	1	-	-	-	-
07/06 - 07/10	1	-	(1)	-	-	-	-	-
07/13 - 07/17	-	6	6	6	-	-	-	-
07/20 - 07/24	6	-	(6)	-	-	-	-	-
07/27 - 07/31	-	-	-	-	-	-	-	-
08/03 - 08/07	-	-	-	-	-	-	-	-
08/10 - 08/14	-	-	-	-	-	-	-	-
08/17 - 08/21	-	-	-	-	-	-	-	-
08/24 - 08/28	-	-	-	-	-	-	-	-
08/31 - 09/04	-	-	-	-	-	-	-	-
09/07 - 09/11	-	-	-	-	-	-	-	-
09/14 - 09/18	-	-	-	-	-	-	-	-
09/21 - 09/25	-	-	-	-	-	-	-	-
09/28 - 10/02	-	-	-	-	-	-	-	-
<b>10/05 - 10/09</b>	-	-	-	-	-	-	-	-

## **DISCLAIMER**

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