

Fixed-Income Report

Nov 02nd – Nov 06th/2020

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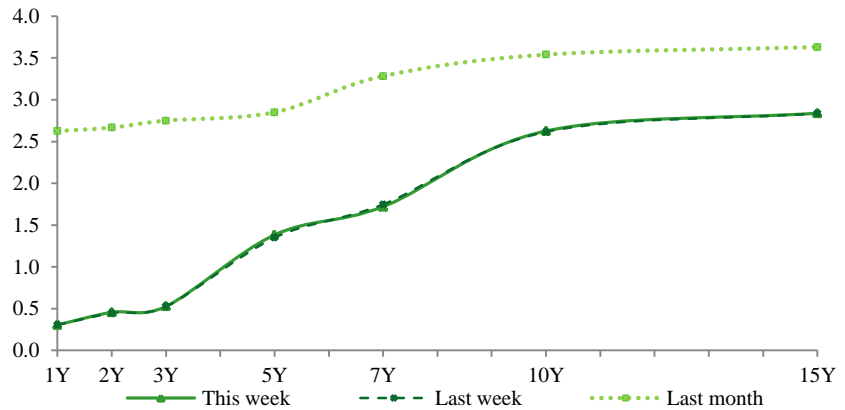
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Round-up

**The amount of bond successfully issued squeezes.
Bond yields observed minor change as conservative sentiment takes over.
Interbank rates stayed at low levels.**

Yield Curve



Source: Bloomberg, VCBS

■ VND 300 bn was mobilized this week. VND 52,030 bn (+23.26% wow) was traded on the secondary market.

■ Bond yields struggled to find direction as market held their breath for the post-election result. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted 0.306% (0 bps), 0.457% (+0.9 bps), 0.527% (0 bps), 1.383% (+3.3 bps), 1.721% (-2.6 bps), 2.626% (+1 bps), 2.839% (+0.2 bps), respectively.

■ Interbank rates stayed at low levels. In details, ON – 3M rates posted 0.158%, 0.204%, 0.254%, 0.387% and 1.014% respectively according to Bloomberg data.

■ Foreign investors net bought VND 417.75 bn this week.

■ Last week saw no new transaction via OMO channel.

VCBS Commentary Nov 09th – Nov 13th

■ The uncertainty factor during US post-election period can impact considerably on market sentiment at least until the result settle without further legislative approach. VCBS believe that the bullish force in asset prices shall be reactivated soon. Hence, a downward force in bond yields shall be on the go.

■ The ample liquidity remains. So far, we have not observed a specific factor to change this for the next week. Hence, interbank bank rates shall be stably low next week.

Bond Market

VND 300 bn was mobilized this week.

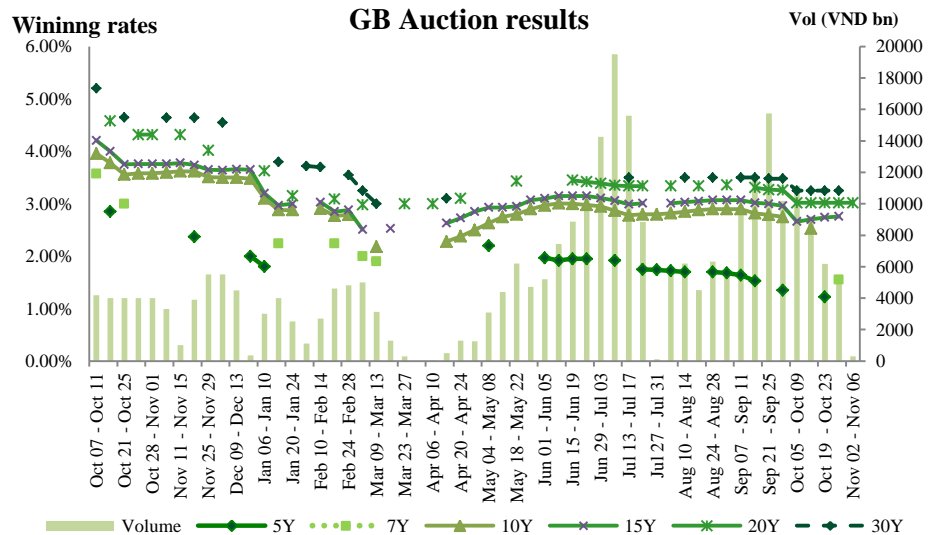
Primary Market

The amount of bond successfully issued squeezes.

VND 300 bn was mobilized this week from ST. Therein, ST only successfully issued VND 300 bn at 20Y tenors while other tenors failed to mobilize. Note that so far this year, the total amount issued exceed annual plan of VND 260,000. The registered volume-to-offering volume ratios for 7Y, 10Y, 15Y & 20Y tenors were 0.75, 3.23, 1.27 and 0.70 times. Winning volume-to-offering ratios is just 4.28%.

Winning rates for 20Y tenors was unchanged at 3.02%. For the remaining time of 2020, there is a high chance that winning volume will squeeze.

VDB and VBSP did not mobilize bond this week.



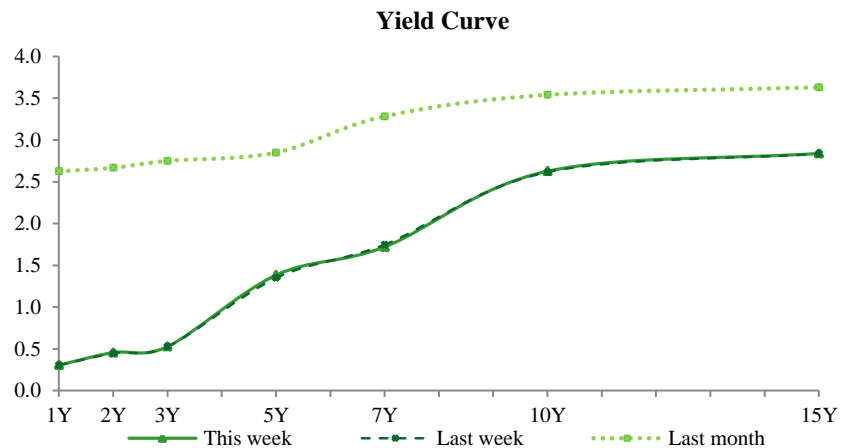
Source: HNX, VCBS

Secondary Market

VND 52,030 bn (+23.26% wow) was traded on the secondary market.

VND 52,030 bn (+23.26% wow) was traded on the secondary. In detail, Outright and repo values were at VND 32,493 (+2.5% wow) and VND 19,538 bn (+85.8% wow), respectively. Regarding outright, ST-Bond kept totally dominating trading volume with 99%. The most liquid tenor is 5Y-10Y with roughly 60% of trading value

Bond yields struggled to find direction as market held their breath for the post-election result. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted 0.306% (0 bps), 0.457% (+0.9 bps), 0.527% (0 bps), 1.383% (+3.3 bps), 1.721% (-2.6 bps), 2.626% (+1 bps), 2.839% (+0.2 bps), respectively.



Source: Bloomberg, VCBS

Market’s participant's reaction post-election keeps bullish as Joe Biden is projected to be President-elect of the United States. In the meantime, the US FOMC Meeting last week, same as the market’s expectation, Fed to keep its rate near zero percent amid concerns over the direction of the economy as Covid-19 cases accelerate.

Although uncertainty factor during the US post-election period can impact considerably on market sentiment at least until the result settles without further legislative approach. We do not exclude the chance that the downward trend in bond yields will take the lead again soon as an uncertainty factor of the US election has gradually come to an end. The supporting idea is that international market expectation about the result is quite the same so far and the new president-elect’s policies shall be neutral compared to unpredictable ones in the last four years.

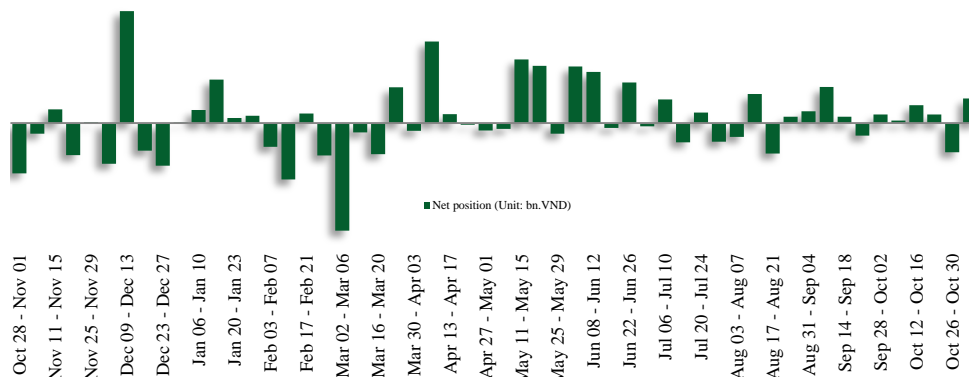
In terms of Vietnam, in the long run, from a viewpoint of an open economy, Vietnam shall need to forecast and adapt to upcoming changes of US policies with a tendency: “stop and reverse”, “restore and expand”. During the last four years, Vietnam has managed to stabilize the macroeconomy and hence raise its attractiveness in foreign investor’s viewpoints. Thank to this, VCBS believe that Vietnam can keep scoring some points in terms of an attractive investment destination.

To sum up, VCBS believe that the bullish force in asset prices shall be reactivated soon. Hence, a downward force in bond yields shall be on the go.

Foreign investors net bought VND 417.45 bn this week.

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Foreign Investment in the secondary market 2020



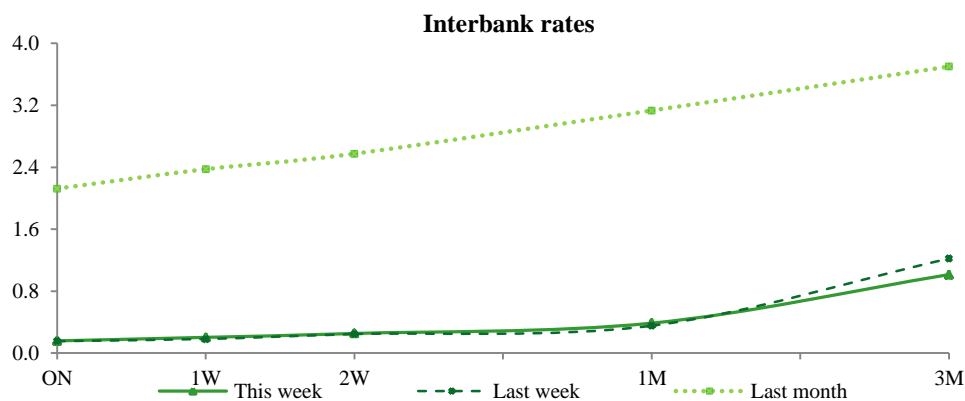
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rates stayed at low levels.

Interbank rates stayed at low levels. In details, ON – 3M rates posted at 0.158%, 0.204%, 0.254%, 0.387% and 1.014% respectively according to Bloomberg data.



Source: Bloomberg, VCBS

Exchange rates at commercial banks continued to be stable and less volatile around 23,270. Foreign currency source continues to be the highlight to stabilize the exchange rate in this period. Accordingly, VCBS maintains its forecasts that the exchange rate will fluctuate no more than 2% for the whole year.

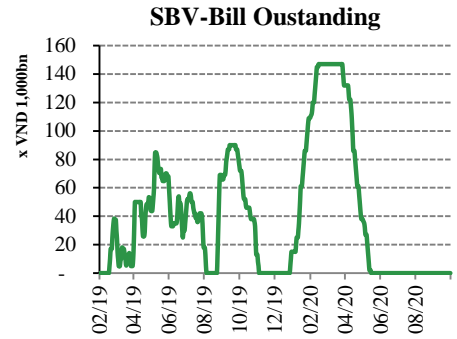
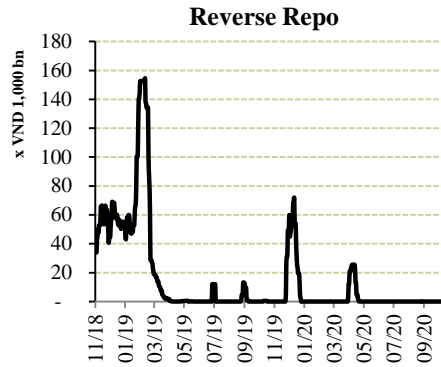
Also, last week, some banks ticked down deposit rates applied for long-term tenor (more than 12 months), even the deposit rate of 36 month and 24 month fell below the deposit rate offered to 12 month tenor. This refers to banks' expectation that deposit rate shall decrease in the long run.

Consequently, the ample liquidity remains on the banking system. So far, we have not observed a specific factor to change this for the next week. Hence, interbank rates shall be stably low next week.

Open Market Operation

No intervention needed as abundant liquidity recorded.

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 5 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
ST bills								
Government and government-backed bonds								
4-Nov-20	7Y	1.000	750	-	0,75	0	0,00%	ST
4-Nov-20	10Y	2.000	6.451	-	3,23	0	0,00%	ST
4-Nov-20	15Y	3.000	3.800	-	1,27	0	0,00%	ST
4-Nov-20	20Y	1.000	700	300	0,70	3,02	30,00%	ST

Secondary Market

Issuer	Last		Current	
	Value	Value share	Value	Value share
Outright				
ST	30,717	96.91%	32,187	99.06%
VDB	211	0.67%	248	0.76%
VBSP	629	1.98%	58	0.18%
Others	139	0.44%	-	0.00%
Subtotal (1)	31,695	100.00%	32,493	100.00%
Repo				
Repo	10,513	42.92%	19,538	57.38%
Reserve Repo	13,985	57.08%	14,511	42.62%
Subtotal (2)	24,498	100.00%	34,049	100.00%
ST bills				
Outright				
Repo				
Subtotal (3)				
Total (1)+(2)+(3)	56,193		66,541	

Open Market Operation

Date	Reverse Repo				Outright (SBV Bills)			
	Due	Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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	-	-	-	-	-	-	-	-
10/05 - 10/09	-	-	-	-	-	-	-	-
10/12 - 10/16	-	-	-	-	-	-	-	-
10/19 - 10/23	-	-	-	-	-	-	-	-
10/26 - 10/30	-	-	-	-	-	-	-	-
11/02 - 11/06	-	-	-	-	-	-	-	-

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