

Fixed-Income Report

Dec 28th – Dec 31st/2020

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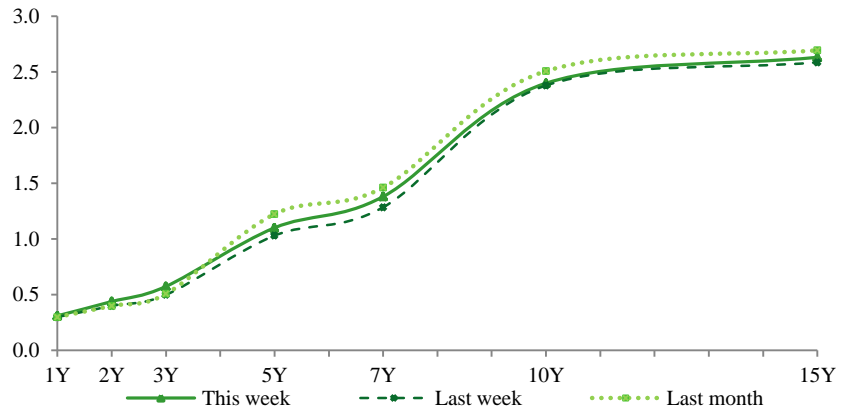
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Round-up

- Demand tumbles in the week of the year.
- Yield curve shifted upwards fractionally.
- Interbank rates inched up though still settled low levels.

Yield Curve



Source: Bloomberg, VCBS

■ No winning volume recorded from ST this week while VND 900 bn was mobilized from VDB. VND 25,360 bn was traded on the secondary market.

■ **Yield curve shifted upward fractionally.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted 0.311% (+1.1 bps), 0.439% (+3.9 bps), 0.575% (+7.5 bps), 1.101% (+7 bps), 1.381% (+9.6 bps), 2.3985% (+2.05 bps), 2.631% (+4.5 bps) respectively. Nevertheless, selling pressure did not overwhelm as liquidity was low.

■ Interbank rates inched up though stayed at low levels.. In details, ON – 3M rates posted 0.146%, 0.184%, 0.225%, 0.38% and 1.222%, respectively according to Bloomberg data.

- Foreign investors net bought VND 5.1 bn this week.
- Last week saw no new transaction via OMO channel.

VCBS Commentary Jan 04th – 08th

■ In the context of abundant liquidity, we do not change the view that downward force will dominate on the bond market in the long run. In the first trading week after the holiday, bond yields may decrease slightly..

■ Although interbank bank rates ticked up last week, we believe that at the present there is no liquidity shortage. Hence, this week interbank rates may pull back slightly to the average threshold recorded in December.

Bond Market

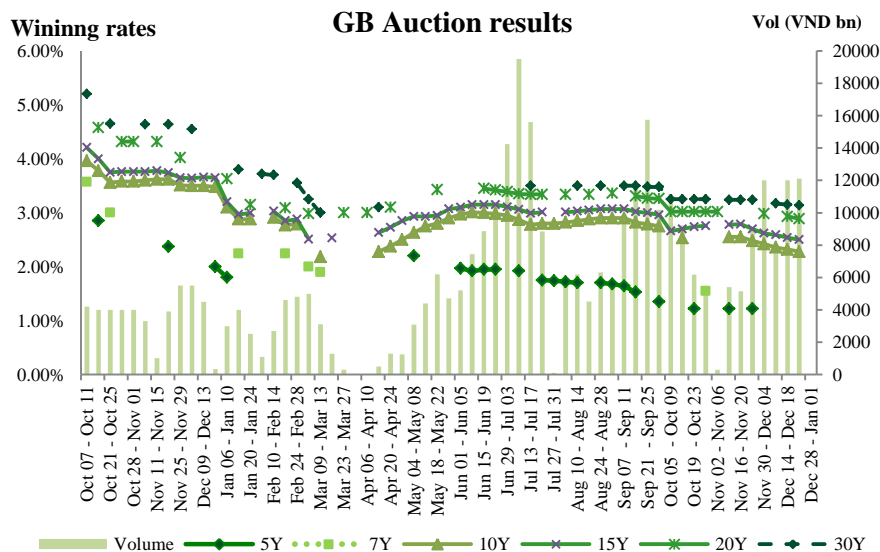
No winning volume recorded from ST this week while VND 900 bn was mobilized from VDB.

Primary Market

Demand was quite low in the last session of the year.

No winning volume recorded from ST this week while VND 900 bn was mobilized from VDB. Therein, ST offered VND 2,000 bn at 10Y tenors, VND 2,500 bn at 15Y tenors, VND 1,000 bn at 20Y tenor, and VND 500 bn 30Y tenor. However, ST did not mobilize successfully this week. Note that, total amount issued at the end of the year exceed considerably the adjusted plan VND 300,000 bn.

For VDB bond, VND 900 bn at 15Y was issued. Winning rate stood at 2.9% (+05 bps), VBSP did not mobilize bond this week.



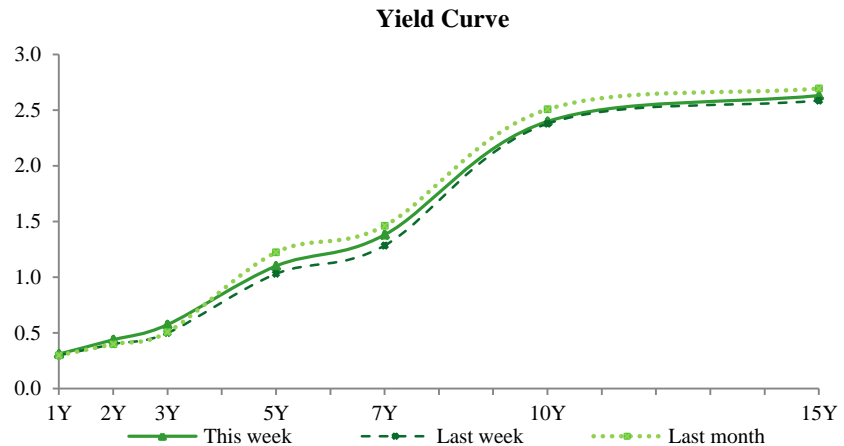
Source: HNX, VCBS

Secondary Market

VND 25,360 bn was traded on the secondary market.

VND 25,360 bn was traded on the secondary in 4 last sessions of 2020. Market seemed to gradually cool down. In detail, Outright and repo values were at VND 16,990 and VND 8,064 bn, respectively. Regarding outright, ST-Bond kept totally dominating trading volume with 98%. The most liquid tenor is 7Y-10Y with roughly 56% of trading value

Yield curve shifted upward fractionally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted 0.311% (+1.1 bps), 0.439% (+3.9 bps), 0.575% (+7.5 bps), 1.101% (+7 bps), 1.381% (+9.6 bps), 2.3985% (+2.05 bps), 2.631% (+4.5 bps) respectively. Nevertheless, selling pressure did not overwhelm as liquidity was low.



Source: Bloomberg, VCBS

From 2021, SBV no longer quotes reference exchange rate at SBV Operations Centre. At the same time, SBV decide to stop buying at spot rate. Instead, from 4/1/2021, the State Bank will buy foreign currency for 6-month forward contract at 23,125 VND/USD, revocable 1 time for each transaction under this plan. It refers that there will be no additional VND coming to banking systems, which derives from SBV's purchasing foreign currency.

VCBS interprets this policy as followed. First of all, it shall help to ease the pressure on State bank after being designated as currency manipulator. Secondly, we can refer that in the next 6 month, SBV is quite confident about the status quo of liquidity. Last but not least, this policy includes the revocable clause, which aims to create flexibility to financial institutions.

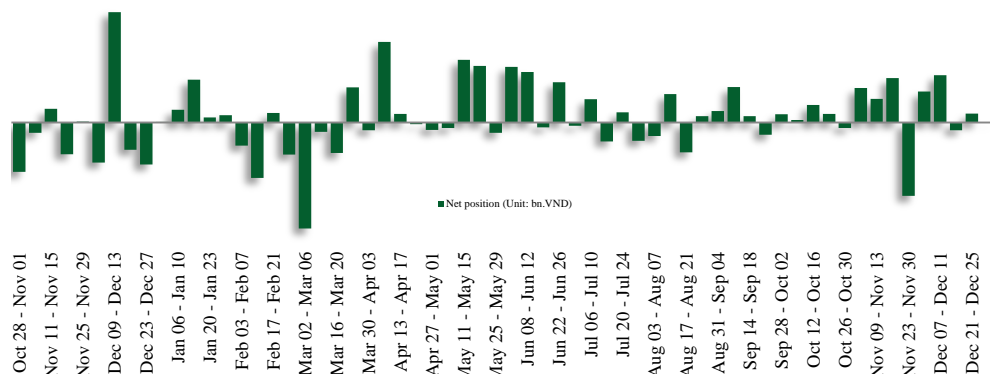
In general, in the short term, VND is under pressure to appreciate against dollar. We do not exclude chance that SBV may utilize interest rate tools more to reclaim their consistency and flexibility in monetary policies.

In the context of abundant liquidity, we do not change the view that downward force will dominate on the bond market in the long run. In the first trading week after the holiday, bond yields may decrease slightly.

Foreign investors net bought VND 5.51 bn this week.

Foreign investors trading volume shrank during the last week of the year. In detail, Foreign investors net bought VND 5.51 bn this week.

Foreign Investment in the secondary market 2020



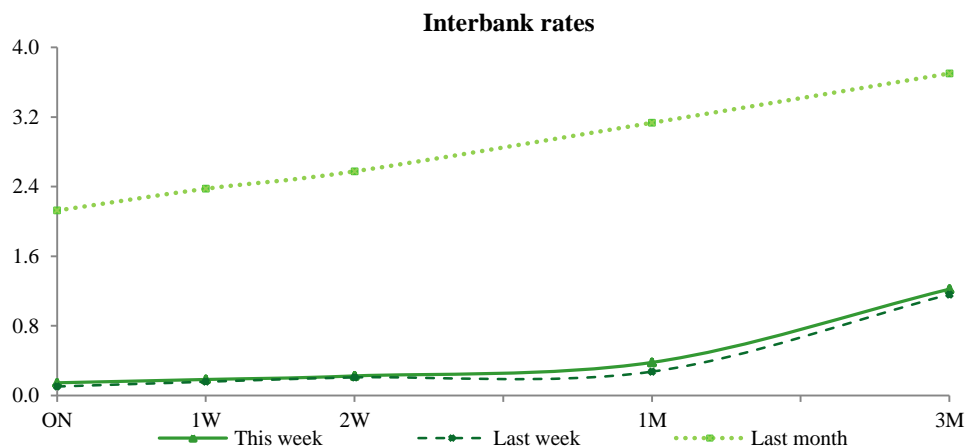
Source: HNX, VCBS

INTEREST RATE

Interbank rates inched up though stayed at low levels.

Interbank Rates

Interbank rates inched up though stayed at low levels.. In details, ON – 3M rates posted 0.146%, 0.184%, 0.225%, 0.38% and 1.222%, respectively according to Bloomberg data.



Source: Bloomberg, VCBS

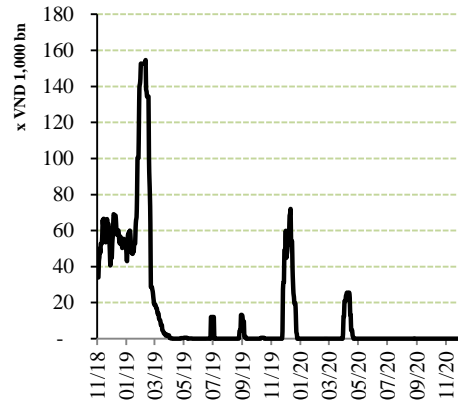
Although interbank bank rates ticked up last week, we believe that at the present there is no liquidity shortage. Hence, this week interbank rates may pull back slightly to the average threshold recorded in December.

Open Market Operation

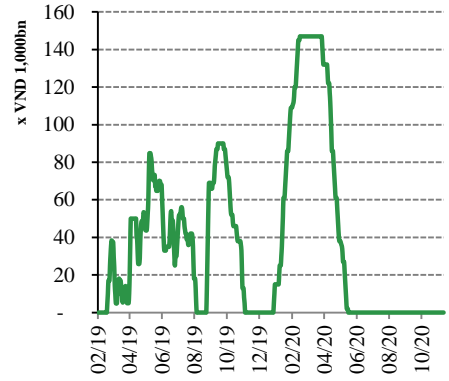
No intervention needed as abundant liquidity recorded.

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 6 months as the banking system liquidity remains abundant while interbank interest rates stably stood at low levels.

Reverse Repo



SBV-Bill Outstanding



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								
30-Dec-20	10Y	2.000	6.750	-	3,38	0	0,00%	ST
30-Dec-20	15Y	2.500	5.508	-	2,20	0	0,00%	ST
30-Dec-20	20Y	1.000	961	-	0,96	0	0,00%	ST
30-Dec-20	30Y	500	750	-	1,50	0	0,00%	ST
28-Dec-20	15Y	900	900	900	1,00	2,9	100,00%	VDB

Secondary Market

Issuer	Last		Current	
	Value	Value share	Value	Value share
Outright				
ST	47.814	95,04%	16.990	98,23%
VDB	2.123	4,22%	155	0,90%
VBSP	374	0,74%	-	0,00%
Others	-	0,00%	151	0,87%
Subtotal (1)	50.310	100,00%	17.295	100,00%
Repo				
Repo	20.031	57,19%	8.064	59,55%
Reserve Repo	14.993	42,81%	5.477	40,45%
Subtotal (2)	35.024	100,00%	13.542	100,00%
ST bills				
Outright				
Repo				
Subtotal (3)				
Total (1)+(2)+(3)	85.334		30.837	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
09/28 - 10/02	-	-	-	-	-	-	-	-
10/05 - 10/09	-	-	-	-	-	-	-	-
10/12 - 10/16	-	-	-	-	-	-	-	-
10/19 - 10/23	-	-	-	-	-	-	-	-
10/26 - 10/30	-	-	-	-	-	-	-	-
11/02 - 11/06	-	-	-	-	-	-	-	-
11/09 - 11/13	-	-	-	-	-	-	-	-
11/16 - 11/21	-	-	-	-	-	-	-	-
11/23 - 11/27	-	-	-	-	-	-	-	-
11/30 - 12/04	-	-	-	-	-	-	-	-
12/07 - 12/11	-	-	-	-	-	-	-	-
12/14 - 12/18	-	-	-	-	-	-	-	-
12/21 - 12/25	-	-	-	-	-	-	-	-
12/28 - 12/31	-	-	-	-	-	-	-	-

DISCLAIMER

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