

Fixed-Income Report

Jan 04th – Jan 08th/2021

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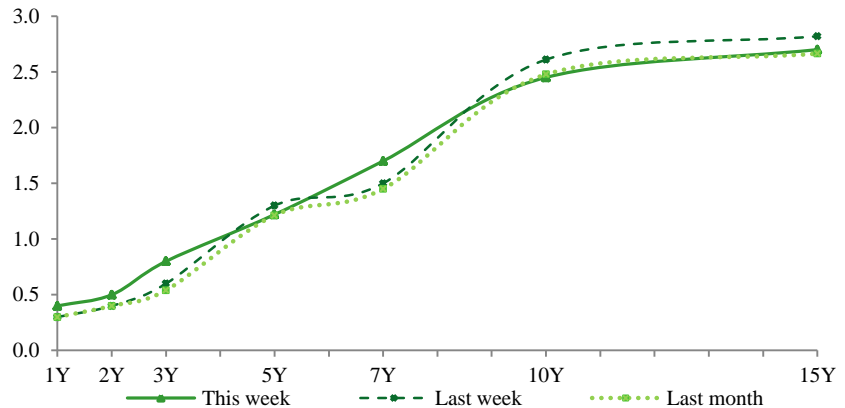
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Round-up

**Active trading in secondary market in the first week of 2021.
Yield curve became more flattened.
Interbank rates still settled low levels.**

Yield Curve



Source: Bloomberg, VCBS

■ The first auction in 2021 is scheduled this week. VND 67,322 bn was traded on the secondary market.

■ Yield curve became more flattened as long-term bond yields ticked down while the short-term ones moved up. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted 0.4% (+10 bps), 0.5% (+10 bps), 0.8% (+20 bps), 1.22% (-8 bps), 1.7% (+20 bps), 2.45% (-16 bps), 2.7% (-12 bps) respectively.

■ 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 73.51 bn this week.

■ Last week saw no new transaction via OMO channel.

VCBS Commentary Jan 11th – 15th

■ 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. At the present, downward pressure still exists for long-term bond- the most liquid tenor in the market.

■ So far, we have not seen factor to disturb the ample liquidity in interbank market. Hence, we expect that, there shall be minimal change with interbank rate next week.

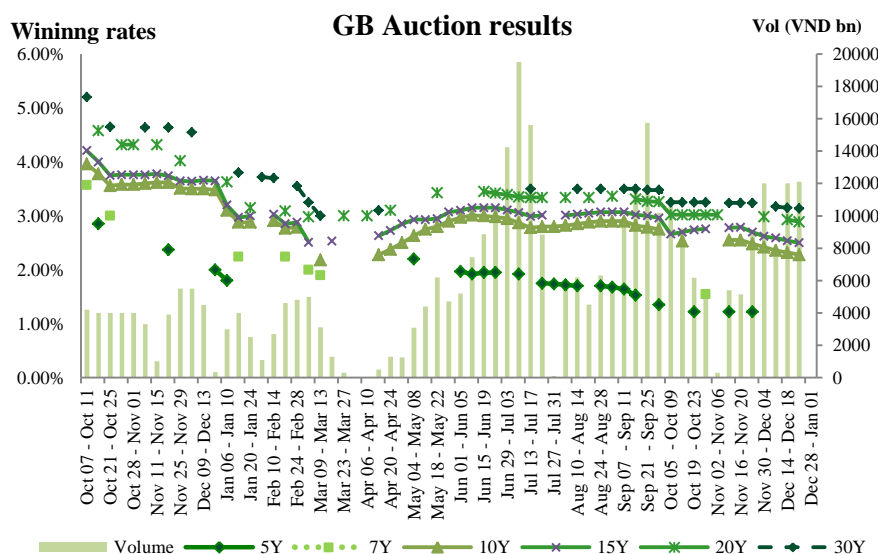
Bond Market

The first auction in 2021 is scheduled this week.

Primary Market

No auction occurred last week.

ST planned to issue 10Y, 15Y, 20Y and 30Y. Note that the last winning rates recorded for these tenors were 2.38%, 2.5%, 2.89% and 3.14% respectively. So far no official issued plan for 2021. VCBS expects that the issued plan shall vary from VND 300,000 – 330,000 bn.



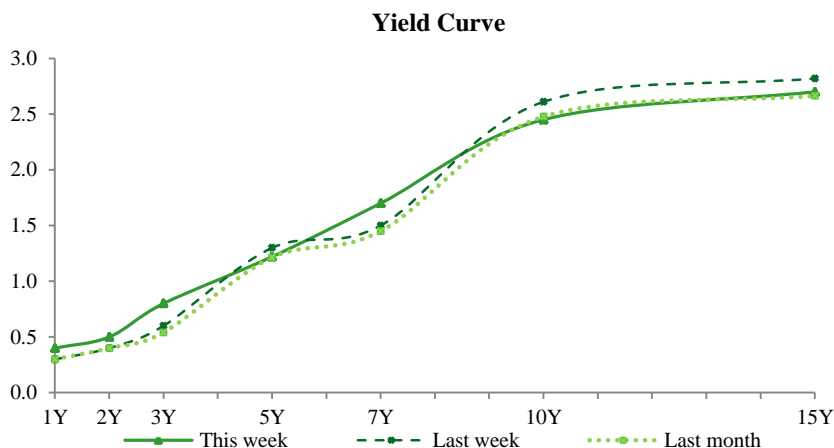
Source: HNX, VCBS

Secondary Market

VND 67,322 bn was traded on the secondary market.

VND 67,322 bn was traded on the secondary market in the first week of 2021. Market experienced an active status after the short holiday. In detail, Outright and repo values were at VND 47,029 and VND 19,097 bn, respectively. Regarding outright, ST-Bond kept totally dominating trading volume with 98%. The most liquid tenor is 7Y-15Y with roughly 75% of trading value

Yield curve became more flattened as long-term bond yields ticked down while the short-term ones moved up. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted 0.4% (+10 bps), 0.5% (+10 bps), 0.8% (+20 bps), 1.22% (-8 bps), 1.7% (+20 bps), 2.45% (-16 bps), 2.7% (-12 bps) respectively. However, liquidity for short-term bond was quite low.



Source: Bloomberg, VCBS

On 07th the Governor issued order No 01 stating the core mission of the Banking Industry in 2021. Therein, a consistent message is operating the monetary policy in a proactive, flexible, and prudent manner, in close coordination with the fiscal and other macroeconomic policies in order to control the inflation, maintain the stability of the macro-economy. Note that consistency in administrative policies is the key to ensure market participants' confidence.

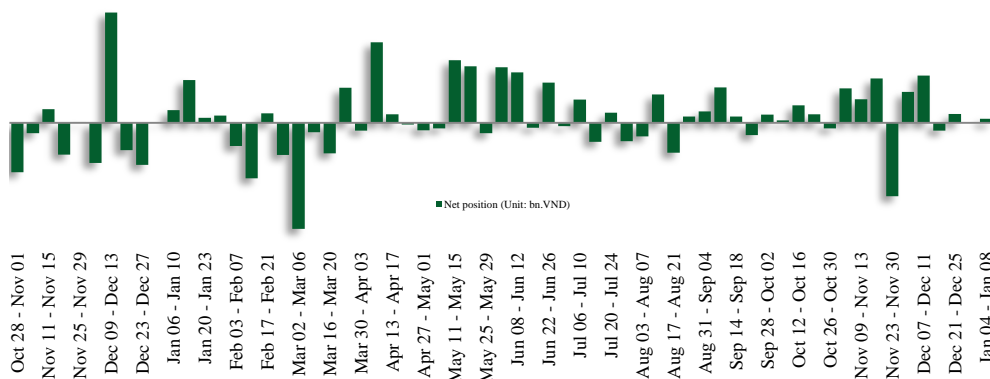
We still believe that, in the short term, VND is under pressure to appreciate against the dollar. In that case, we do not exclude the chance that SBV may utilize interest rate tools more to reclaim their consistency and flexibility in monetary policies.

In the context of abundant liquidity, we do not change the view that downward force will dominate the bond market in the long run. At the present, downward pressure still exists for long-term bond- the most liquid tenor in the market.

Foreign investors net bought VND 73.51 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



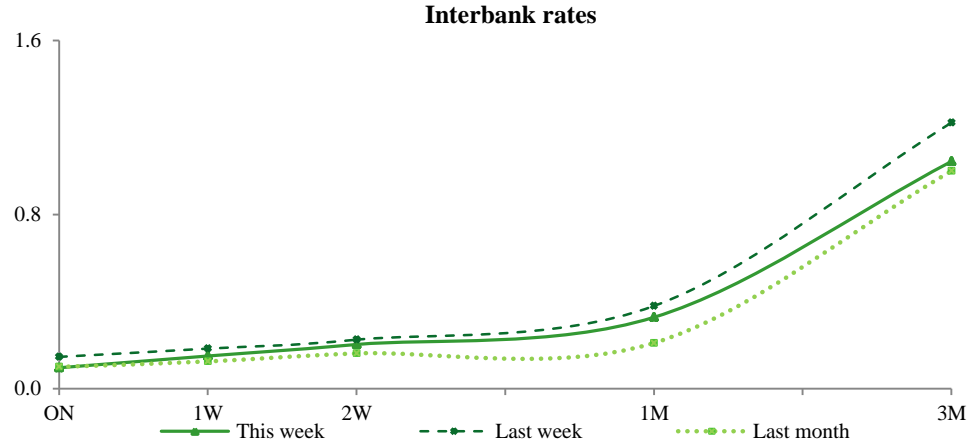
Source: HNX, VCBS

INTEREST RATE

Interbank rates hovered at low levels.

Interbank Rates

Interbank rates hovered at low levels. In details, ON – 3M rates posted 0.096%, 0.15%, 0.203%, 0.328% and 1.044% respectively according to Bloomberg data.



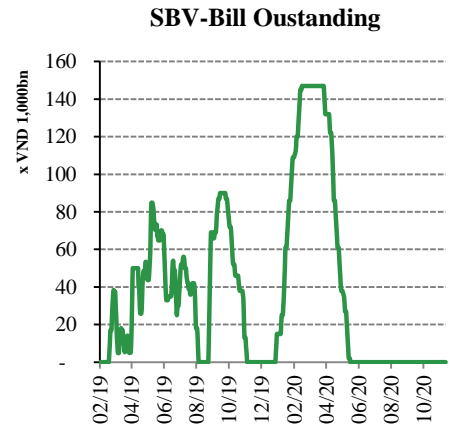
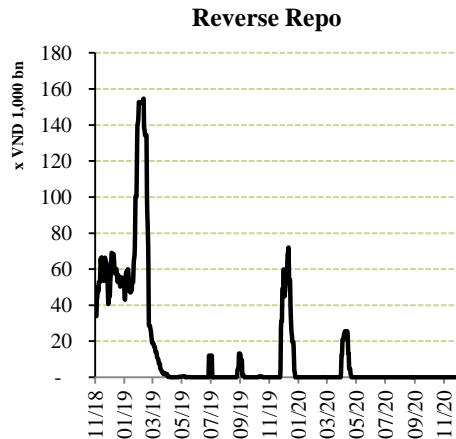
Source: Bloomberg, VCBS

So far, we have not seen factor to disturb the ample liquidity in interbank market. Hence, we expect that, there shall be minimal change with interbank rate next week.

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 6 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								

Secondary Market

Issuer	Last		Current	
	Value	Value share	Value	Value share
Outright				
ST	16.990	98,23%	16.990	98,23%
VDB	155	0,90%	155	0,90%
VBSP	-	0,00%	-	0,00%
Others	151	0,87%	151	0,87%
<i>Subtotal (1)</i>	17.295	100,00%	17.295	100,00%
Repo				
Repo	8.064	59,55%	8.064	59,55%
Reserve Repo	5.477	40,45%	5.477	40,45%
<i>Subtotal (2)</i>	13.542	100,00%	13.542	100,00%
ST bills				
Outright				
Repo				
<i>Subtotal (3)</i>				
Total (1)+(2)+(3)	30.837			

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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	-	-	-	-	-	-	-	-
01/04 – 01/08	-	-	-	-	-	-	-	-

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