

**Fixed-Income Report**

**Jan 25<sup>th</sup> – Jan 29<sup>th</sup>/2021**

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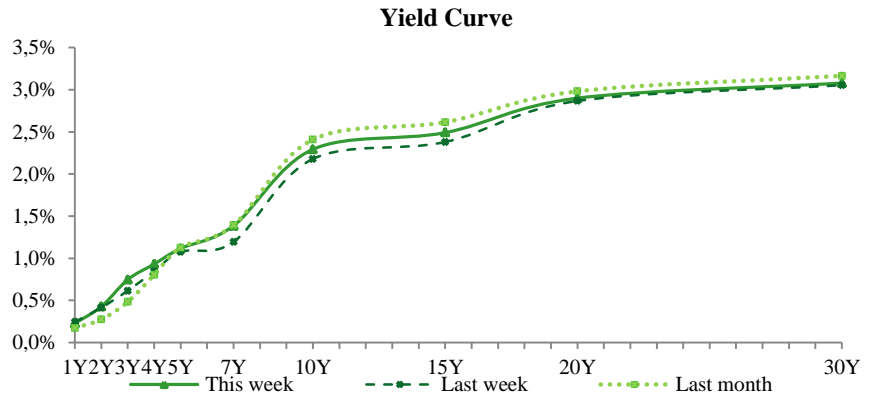
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**Round-up**

- Winning rates plunged.**
- Yield curve shifted upward.**
- Interbank rates still settled low levels.**



Source: VBMA, VCBS compiles

■ VND 7,496 was mobilized from ST. VND 72,239 bn (-19.13% wow) was traded on the secondary market.

■ Bond yields ticked up slightly in almost all tenors. According to VBMA data, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y bond yields posted at 0.227% (-1.8 bps), 0.427% (+1.3 bps), 0.747% (+13.2 bps), 0.932% (+8.6 bps), 1.116% (+4 bps), 1.386% (+19.2 bps), 2.293% (+11.4 bps), 2.491% (+11.1 bps), 2.9% (+3.3 bps) and 3.079% (+2.5 bps), respectively.

■ Interbank rates shifted to higher levels, however, still stayed at low levels. In details, ON – 3M rates posted 0,226%, 0,343%, 0,543%, 0,661% and 1,1%, respectively according to Bloomberg data.

- Foreign investors net bought VND 144.78 bn this week.
- Last week saw no new transaction via OMO channel.

**VCBS Commentary Feb 01<sup>st</sup> – 05<sup>th</sup>**

■ At the present, bond yields are still sensitive to short-term upward pressure due to increasing interbank rates. Thus, bond yields may increase in the upcoming weeks. On the other hand, following the success of 2020, we believe the Government will repel the pandemic, the monetary and fiscal policies have been coordinated smoothly and flexibly. Thus, we remain view that downward force may domain the bond market in the long run.

■ We observe that when it is getting closer to Lunar new year holiday, the harder for interbank rates to press lower in the context of no special supportive news in the market. Instead, it is likely that interbank rates will increase slightly because the top priority for all financial institutions was answering the high demand of cash.

**Bond Market**

**VND 7,496 bn was mobilized from ST.**

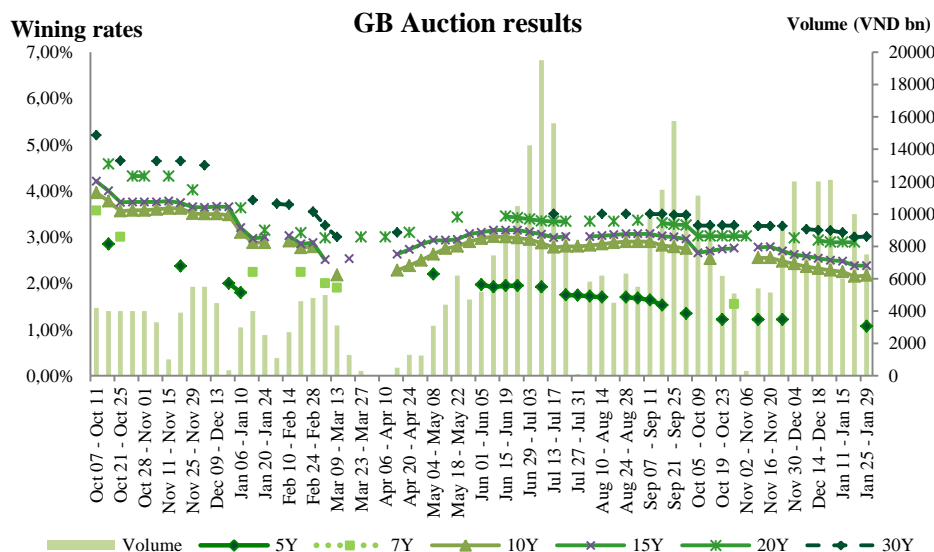
**Primary Market**

**Lower demand recorded in the primary market.**

**VND 7,496 bn was mobilized from ST.** Therein, ST issued VND 1,300 bn at 5Y tenors, VND 3,100 bn at 10Y tenors, VND 2,531 bn at 15Y tenor, and VND 565 bn 30Y tenor. The registered volume-to-offering volume ratios for 5Y, 10Y, 15Y & 30Y tenors were 2.83; 1.86; 2.26 and 1.19 times. Winning volume-to-offering ratios for these tenors stood at 86.67%, 68.89%, 84.37%, 56.50%, respectively, which indicated lower demand in the primary market.

Wining rates for 5Y, 10Y, 15Y and 30Y tenors stood at 1.07% (-15 bps), 2.17% (+02 bps), 2.89% (unchanged) and 3.01% (+01 bps), respectively.

VDB and VBSP did not mobilize bond this week.



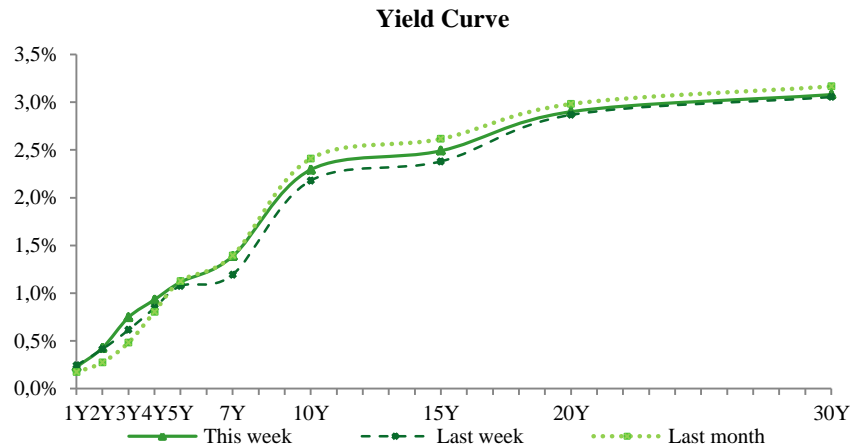
Source: HNX, VCBS

**Secondary Market**

**VND 72,239 bn (-19.13% wow) was traded on the secondary market.**

**VND 72,239 bn (-19.13% wow)** was traded on the secondary market. In detail, Outright and repo values were at VND 44,045 bn (-24.2% wow) and VND 28,194 bn (-9.6% wow), respectively. Regarding outright, ST-Bond kept totally dominating trading volume with 98%. The most liquid tenor is 7Y-15Y with roughly 60% of trading value

**Bond yields ticked up slightly in almost all tenors.** According to VBMA data, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y bond yields posted at 0.227% (-1.8 bps), 0.427% (+1.3 bps), 0.747% (+13.2 bps), 0.932% (+8.6 bps), 1.116% (+4 bps), 1.386% (+19.2 bps), 2.293% (+11.4 bps), 2.491% (+11.1 bps), 2.9% (+3.3 bps) and 3.079% (+2.5 bps), respectively.



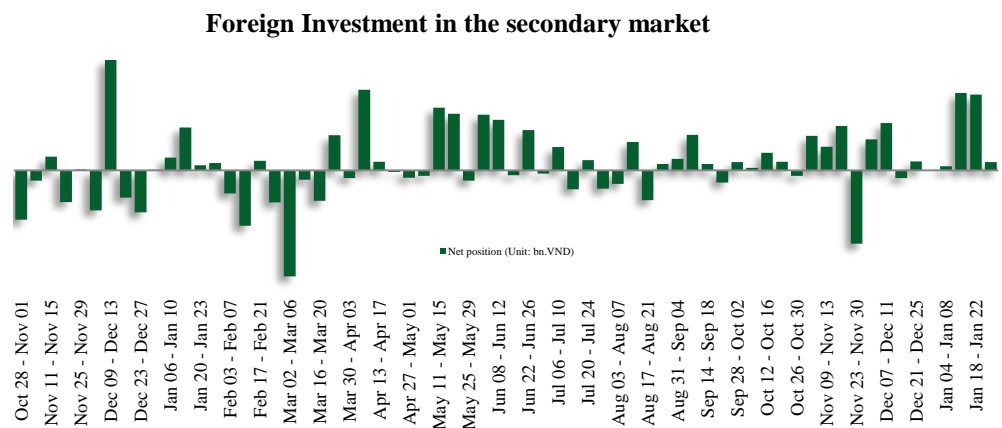
Source: VBMA, VCBS compiles

On Thursday, January 28, Vietnam announced that there are some cases of Covid-19 pandemics in the community, which made market participants' sentiment became more cautious. Besides, The General Statistics Office released the socio-economic report with the highlight focused on industrial production. VCBS still forecast Vietnam's economic growth at a positive level: 6.5% - 7.0% yoy in case that the Government and residents control and repel the pandemic, and the monetary and fiscal policies have been coordinated smoothly and flexibly. At the same time, upward pressure may domain on inflation in February due to seasonal factors. Accordingly, VCBS maintains the view that inflation will increase by 3.0 - 3.5% yoy in 2021. Besides, credit growth in 2021 is forecasted to reach 11% -12% in the condition that the State Bank continues flexibly manage monetary policy, proactively create favorable conditions for the interest rate level to be reduced by 50 points.

At the present, bond yields are still sensitive to short-term upward pressure due to increasing interbank rates. Thus, bond yields may increase in the upcoming weeks. On the other hand, following the success of 2020, we believe the Government will repel the pandemic, the monetary and fiscal policies have been coordinated smoothly and flexibly. Thus, we remain view that downward force may domain the bond market in the long run.

**Foreign investors net bought VND 144.78 bn this week.**

**Foreign investors net bought VND 144.78 bn at all tenors, focused on 5Y, 10Y.**



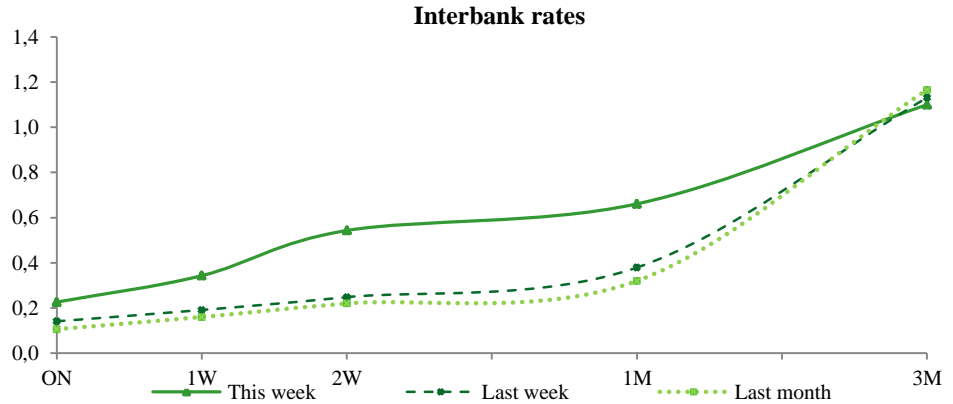
Source: HNX, VCBS

**INTEREST RATE**

**Interbank rates shifted to higher levels, however, still stayed at low levels compared to the same period last year.**

**Interbank Rates**

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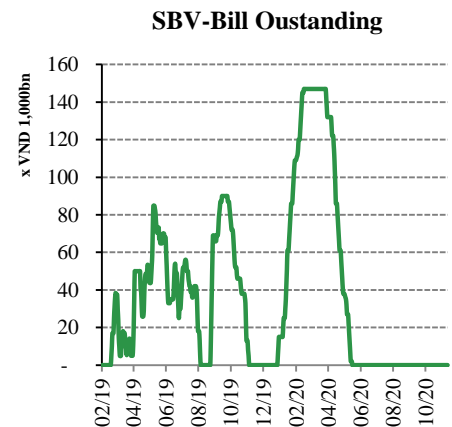
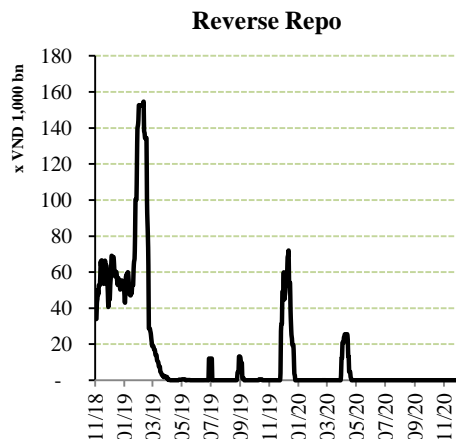
Source: Bloomberg, VCBS

We observe that when it is getting closer to Lunar new year holiday, the harder for interbank rates to press lower in the context of no special supportive news in the market. Instead, it is likely that interbank rates will increase slightly because the top priority for all financial institutions was answering the high demand of cash.

**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 7 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>								
27-Jan-21	5Y	1.500	4.250	1.300	2,83	1,07	86,67%	ST
27-Jan-21	10Y	4.500	8.352	3.100	1,86	2,17	68,89%	ST
27-Jan-21	15Y	3.000	6.781	2.531	2,26	2,38	84,37%	ST
27-Jan-21	30Y	1.000	1.190	565	1,19	3,01	56,50%	ST

### Secondary Market

Issuer	Last		Current	
	Value	Value share	Value	Value share
<b>Outright</b>				
ST	57.305	98,60%	40.186	91,24%
VDB	713	1,23%	3.859	8,76%
VBSP	102	0,18%	-	0,00%
Others	-	0,00%	-	0,00%
<b>Subtotal (1)</b>	<b>58.121</b>	<b>100,00%</b>	<b>44.045</b>	<b>100,00%</b>
<b>Repo</b>				
Repo	31.201	53,25%	28.194	59,55%
Reserve Repo	27.395	46,75%	19.151	40,45%
<b>Subtotal (2)</b>	<b>58.596</b>	<b>100,00%</b>	<b>47.345</b>	<b>100,00%</b>
<b>ST bills</b>				
Outright				
Repo				
<b>Subtotal (3)</b>				
<b>Total (1)+(2)+(3)</b>	<b>116.717</b>		<b>91.390</b>	

### 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	-	-	-	-	-	-	-	-

01/11 – 01/14	-	-	-	-		-	-	-	-
01/18 – 01/22	-	-	-	-		-	-	-	-
<b>01/25 – 01/29</b>	-	-	-	-		-	-	-	-

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