

Fixed-Income Report

Feb 08th – 19th/2021

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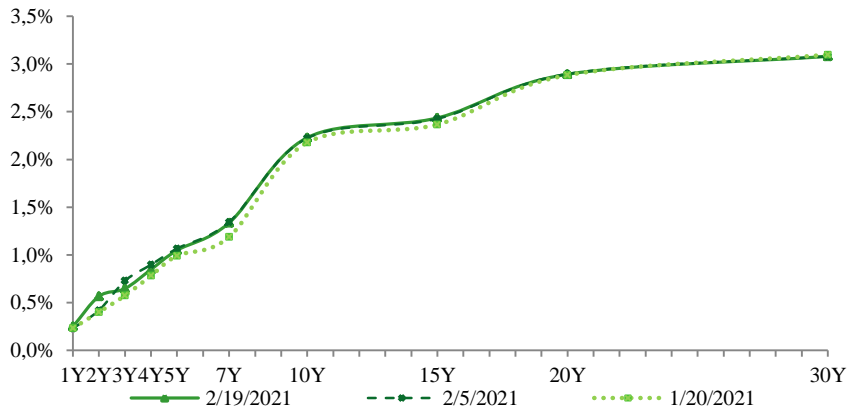
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Round-up

**Winning rates experienced a minimal change. Primary market was inactive.
Bond yields fluctuated in a tight band.
Interbank rates cooled down after seasonal effect.**

Yield Curve



Source:VBMA, VCBS compiles

■ VND 2,800 bn was mobilized from ST. VND 32,842 bn was traded on the secondary market in the last 5 sessions.

■ Bond yields recorded a minimal change during this period. According to VBMA data, 1Y, 2Y, 3Y,4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y bond yields posted at 0.25% (+1.8 bps), 0.567% (+14.7 bps), 0.648% (-8.2 bps), 0.848% (-5 bps), 1.049% (-1.8 bps), 1.336% (-0.9 bps), 2.228% (+0.5 bps), 2.435% (+0.9 bps), 2.892% (-0.3 bps) and 3.079% (-0.1 bps) respectively..

■ Interbank rates appeared to cool down after the break. In details, ON – 3M rates posted 1.1%, 1.21%, 1.28%, 1.49% and 1.81% respectively according to Bloomberg data.

■ Foreign investors net bought VND 675.56 bn at all tenors, focused on 5Y.

■ SBV net withdrew VND 8528.6 bn via OMO channel.

VCBS Commentary Feb 22nd – 26th

■ We observe that currently, some factors will take time to observe more and hence temporarily preventing bond yields to tick down further. However, we do not change our view that downward trend still dominates in the market in the long run with the supporting idea that there shall be no change to expansionary monetary in the worldwide market at least in 2021.Hence, next week, we believe that the average trading volume will gradually increase after the seasonal factor of Lunar new year comes to an end. Bond yields shall fluctuate in a tight band until certain supportive news showing up.

■ Next week, we believe that the interbank rate shall gradually decrease and then once again settle nowhere far from the threshold in Jan.

Bond Market

VND 2,800 bn was mobilized from ST.

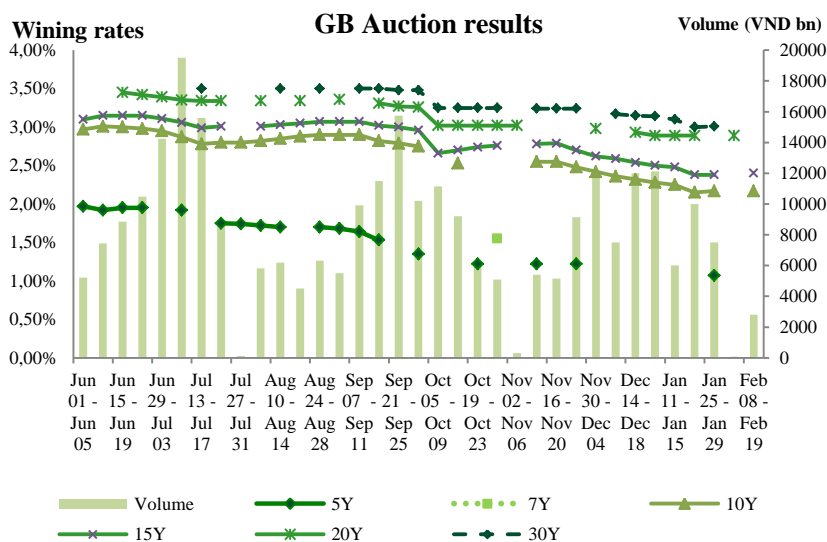
Primary Market

Demand is not high for this period.

VND 2,800 bn was mobilized from ST. Therein, ST only successfully issued VND 1,500 bn at 10Y tenors and VND 1,300 bn at 15Y tenor out of 4 tenor offered 10Y, 15Y, 20Y and 30Y. The registered volume-to-offering volume ratios for 10Y, 15Y, 20Y & 30Y tenors were 2.8; 2.08; 1.8 and 8 times. Winning volume-to-offering ratios for these tenors stood at 60%, 52%, 0%, 0%, respectively, which indicated lower demand in the primary market.

Winning rates for 10Y and 15Y stood at 2.17% (unchanged) and 2.4% (+02 bps).

VDB and VBSP did not mobilize bond this week.



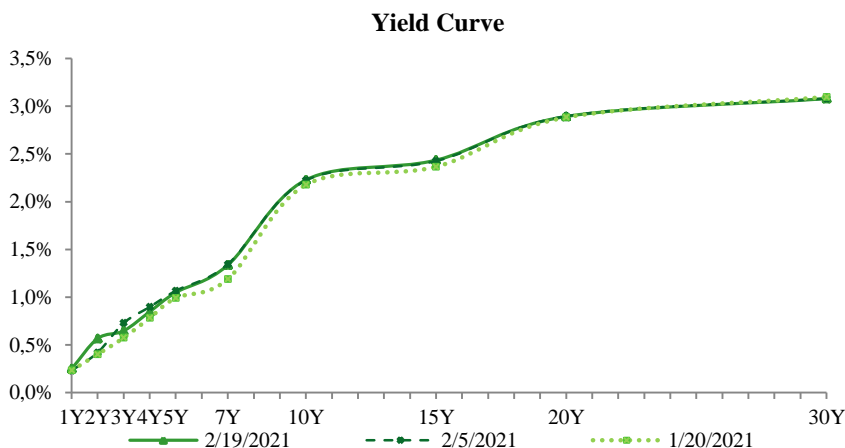
Source: HNX, VCBS

VND 32,842 bn was traded on the secondary market in the last 5 sessions.

Secondary Market

VND 32,842 bn was traded on the secondary market in the last 5 sessions. In detail, Outright and repo values were at VND 19,057 bn and VND 13,784 bn respectively. The average trading volume during the period adjacent to Lunar new year decrease about 30%. Regarding outright, ST-Bond kept totally dominating trading volume with 98%. The most liquid tenor is 7Y-15Y with roughly 76% of trading value

Bond yields recorded a minimal change during this period. According to VBMA data, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y bond yields posted at 0.25% (+1.8 bps), 0.567% (+14.7 bps), 0.648% (-8.2 bps), 0.848% (-5 bps), 1.049% (-1.8 bps), 1.336% (-0.9 bps), 2.228% (+0.5 bps), 2.435% (+0.9 bps), 2.892% (-0.3 bps) and 3.079% (-0.1 bps) respectively.



Source: VBMA, VCBS compiles

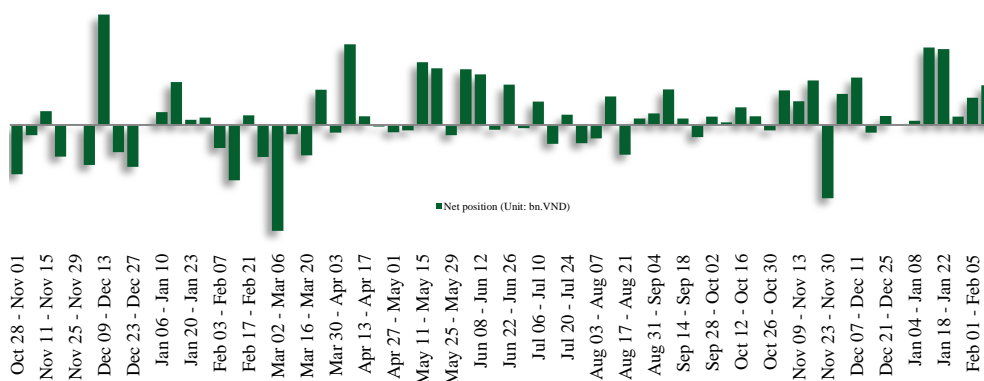
We observe that currently, some factors will take time to observe more and hence temporarily preventing bond yields to tick down further. From the worldwide market, we draw attention to the fact that the US bond yields are ticking up significantly and reclaim the high level before the pandemic. At the same time, the latest stimulus package from the Biden administration is creating a better expectation on US economic outlook in 2021. From the domestic view, the latest wave of Covid-19 hitting Vietnam will take time to evaluate its influence. Also, the commodities' price is climbing up these days. This possibly generates an expectation of upward pressure on inflation even when the consumer demands do not boost. **However, we do not change our view that downward trend still dominates in the market in the long run with the supporting idea that there shall be no change to expansionary monetary in the worldwide market at least in 2021.**

Hence, next week, we believe that the average trading volume will gradually increase after the seasonal factor of Lunar new year comes to an end. Bond yields shall fluctuate in a tight band until certain supportive news showing up.

Foreign investors net bought VND 675.56 bn adjacent to the Lunar New Year.

Foreign investors net bought VND 675.56 bn at all tenors, focused on 5Y.

Foreign Investment in the secondary market



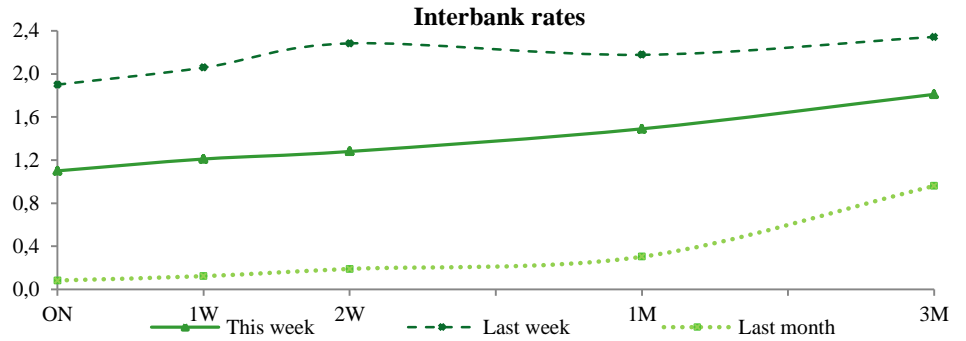
Source: HNX, VCBS

INTEREST RATE

Interbank rates appeared to cool down after the break.

Interbank Rates

Interbank rates appeared to cool down after the break. In details, ON – 3M rates posted 1.1%, 1.21%, 1.28%, 1.49% and 1.81% respectively according to Bloomberg data.



Source: Bloomberg, VCBS

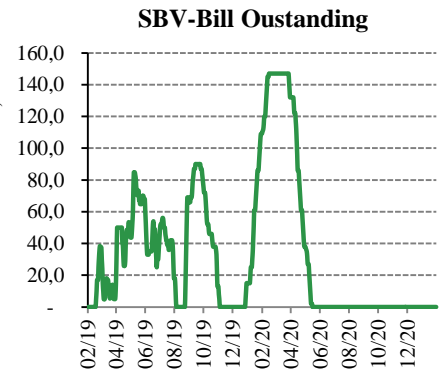
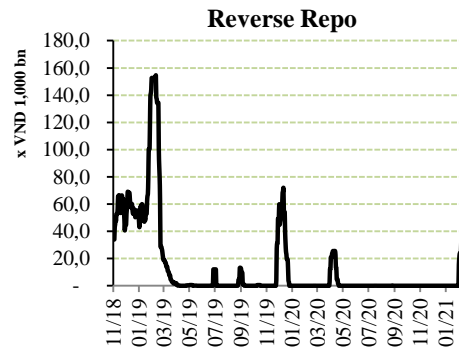
Meanwhile, last week SBV official inform to change the frequency of purchasing foreign currencies from daily to weekly, other terms is unchanged. In general, we believe that it makes no difference in terms of the nature of the policy. Instead, it will help minimize the document process. Note that, some liquidity providers tools from central banks worldwide are also made weekly such as the main refinancing operations (MRO) by ECB.

We observe that liquidity returned to the banking system after the holiday, which is a good signal to the bond market. **Next week, we believe that the interbank rate shall gradually decrease and then once again settle nowhere far from the threshold in Jan.**

Open Market Operation

SBV net withdrew VND 8528.6 bn via OMO channel.

SBV net withdrew VND 8528.6 bn via OMO channel. During the first three working days, SBV still offer liquidity though reverse repo activities though no new transactions made last week. The outstanding balance of reverse repo at the end of the week is roughly VND 27,000 bn.



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								
17-Feb-21	10Y	2.500	7.001	1.500	2,80	2,17	60,00%	ST
17-Feb-21	15Y	2.500	5.200	1.300	2,08	2,4	52,00%	ST
17-Feb-21	20Y	500	900	-	1,80	0	0,00%	ST
17-Feb-21	30Y	500	900	-	1,80	0	0,00%	ST

Secondary Market

Issuer	Last		Current	
	Value	Value share	Value	Value share
Outright				
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%
Subtotal (1)	58.121	100,00%	44.045	100,00%
Repo				
Repo	31.201	53,25%	28.194	59,55%
Reserve Repo	27.395	46,75%	19.151	40,45%
Subtotal (2)	58.596	100,00%	47.345	100,00%
ST bills				
Outright				
Repo				
Subtotal (3)				
Total (1)+(2)+(3)	116.717		91.390	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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	-	-	-	-	-	-	-	-
01/25 - 01/29	-	-	-	-	-	-	-	-
02/01 - 02/05	-	24.097	24.097	24.097	-	-	-	-
02/08 - 02/12	15.568	26.629	11.061	35.158	-	-	-	-
02/15 - 02/19	8.529	-	(8.529)	26.629	-	-	-	-

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