

## Fixed-Income Report

May 04<sup>th</sup> – 08<sup>th</sup>/2020

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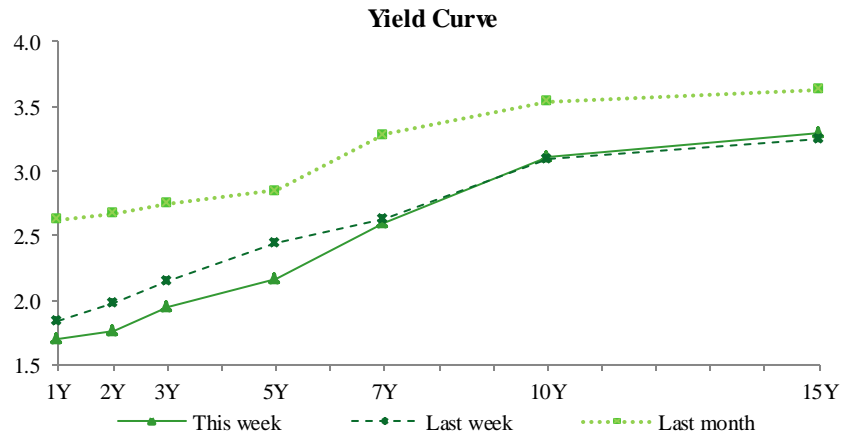
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## Round-up

Primary market was more active.  
Yield curve shifted downward and became steeper.  
Interbank rates pulled down.



Source: Bloomberg, VCBS

■ VND 3,090 bn was mobilized on the primary market. VND 46,118 bn was traded on the secondary market.

■ Yield curve shifted downward and became steeper, bond yields for short-term tenors decreased considerably while bond yields for long-term tenors inched up. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 1.967% (-9.8 bps), 2.03% (-11 bps), 2.12% (-16 bps), 2.471% (-13.3 bps), 2.817% (-5.4 bps), 3.242% (-4.1 bps), 3.4% (+0.8 bps), respectively.

■ Interbank rates pulled down. In details, ON – 3M rates posted at 1.8%, 1.98%, 2.14%, 2.35% and 2.89%, respectively according to Bloomberg data.

■ Foreign investors net sold VND 92.31 bn this week.

■ SBV net injected VND 35.997 bn via OMO channel.

## VCBS Commentary May 11<sup>th</sup> – May 14<sup>th</sup>

■ As expected before, better liquidity in money market created downward force in bond market. In addition, the downward force was supported by the stability of exchange rates and inflation. We believe that downward force on bond yields still remain in upcoming weeks.

■ In the next week, we think that there is still room for interbank rate to decrease further: (1) No pressure recorded in exchange market. (2) Credit growth in the first four months of 2020 was 1.32%, which was the lower than the figure last year. (3) Around VND 25.000 bn of SBV-bills will be matured next week, which is a main factor supporting abundant liquidity. Hence, interbank rate shall decrease in upcoming weeks.

**Bond Market**

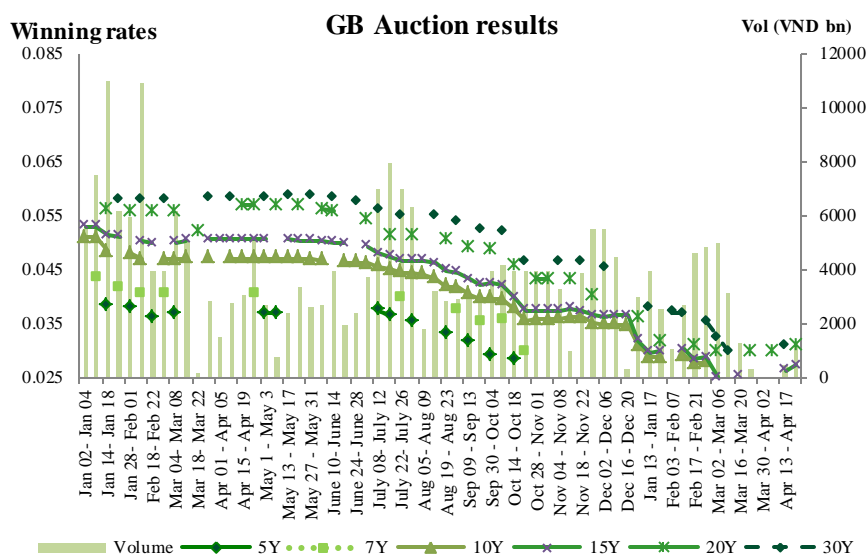
**VND 3,090 bn was mobilized this week.**

**Primary Market**

**Primary market was more active.**

**VND 3,090 bn was mobilized this week from ST.** Therein, ST issued **VND 90 bn** at 5Y, **VND 1,500 bn** at 10Y, plus **VND 1,500 bn** at 15Y bond. The registered volume-to-offering volume ratios for 5Y, 10Y & 15Y tenors were 2.68, 2.63, and 1.63 times. It showed higher demand from participants than previous weeks. Meanwhile, winning rates for 5Y, 10Y & 15Y tenors stood at 2.20% (+40 bps), 2.63% (+13 bps), 2.93% (+08 bps), respectively. The gap between bond yields in primary market and secondary market is narrowed.

Besides, VDB and VBSP did not mobilize bond this week.



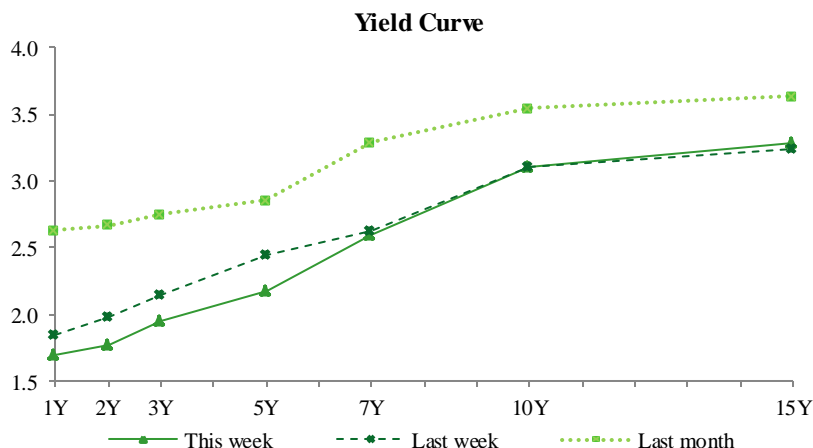
Source: HNX, VCBS

**VND 46,118 bn (+86.61% wow) was traded on the secondary market.**

**Secondary Market**

**VND 46,118 bn (+86.61% wow) was traded on the secondary.** In detail, Outright and repo values were at VND 25,657 bn and VND 20,461 bn, respectively. Regarding outright, ST-Bond kept dominating trading volume with 96.22%.

**Yield curve shifted downward and became steeper, bond yields for short-term tenors decreased considerably while bond yields for long-term tenors inched up.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 1.7% (-14.5 bps), 1.767% (-20.8 bps), 1.948% (-19.4 bps), 2.17% (-28 bps), 2.593% (-3.2 bps), 3.103% (+0.3 bps), 3.29% (+5 bps), respectively.



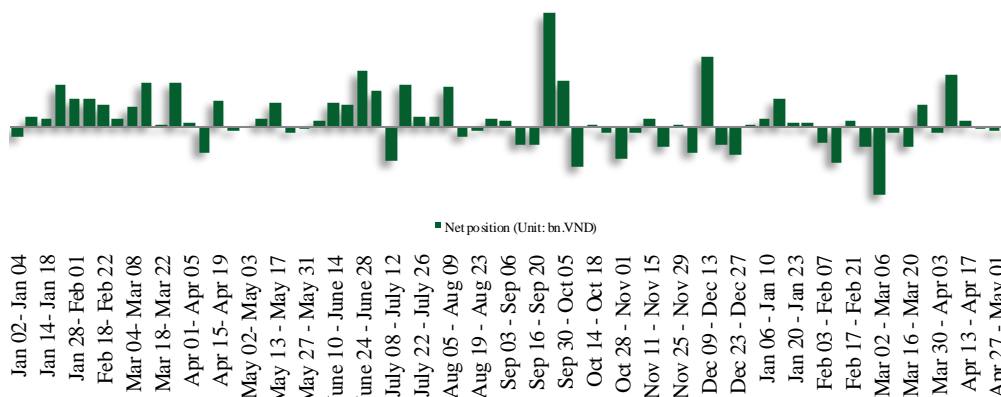
Source: Bloomberg, VCBS

As expected before, better liquidity in money market created downward force in bond market. In addition, the downward force was supported by the stability of exchange rates and inflation. We believe that downward force on bond yields still remain in upcoming weeks. With abundant liquidity in the money market, we anticipate that bond yields for short-term tenors may decrease more than long-term tenors as short-term tenors are sensitive to interbank rates.

**Foreign investors net sold VND 92.31 bn this week.**

**Foreign investor net sold VND 92.31 bn this week**, they mainly focused on long-term tenors (>10 years).

**Foreign Investment in the secondary market 2019-2020**



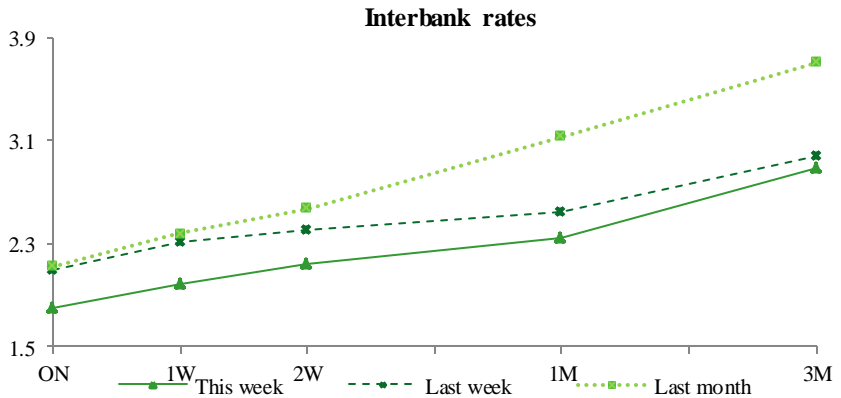
Source: HNX, VCBS

**INTEREST RATE**

**Interbank rates pulled down.**

**Interbank Rates**

**Interbank rates pulled down.** In details, ON – 3M rates posted at 1.8%, 1.98%, 2.14%, 2.35% and 2.89%, respectively according to Bloomberg data.



Source: Bloomberg, VCBS

The U.S. central bank cut its federal funds rate to 0 – 0.25% in March and has launched numerous programs designed to shore up financial markets and backstop the economy as unemployment soars and economic growth crumbles. Chair Jerome Powell has said that they do not see negative rates as appropriate in the United States. However, some investors may expect a much worse outcome that could force the Fed to get more actions. Financial participants began pricing in negative U.S. interest rate futures last week.

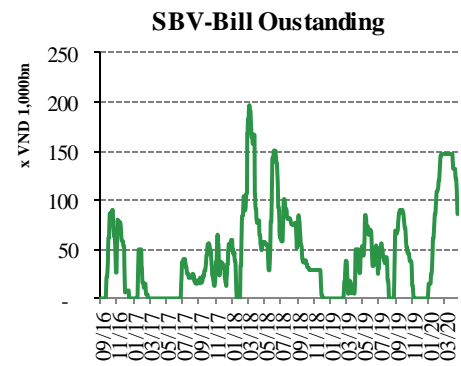
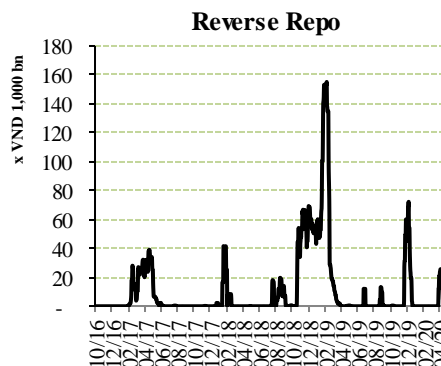
Meanwhile, no pressure recorded in exchange market recent weeks. In detail, exchange rates continued to decrease on the first week of May. The exchange rate quoted at commercial banks was 23.310 VND/USD on May 08 (declined by 20 VND compared to the previous week).

In the next week, we think that there is still room for interbank rate to decrease further: (1) No pressure recorded in exchange market. (2) Credit growth in the first four months of 2020 was 1.32%, which was the lower than the figure last year. (3) Around VND 25.000 bn of SBV-bills will be matured next week, which is a main factor supporting abundant liquidity. Hence, interbank rate shall decrease in upcoming weeks.

**Open Market Operation**

**SBV net injected VND 35.997 bn via OMO channel.**

**SBV net injected VND 35.997 bn via OMO channel.** SBV did not issue new reverse repo and T-bill last week. Meanwhile, VND 1 bn of Reverse repo and VND 35,998 bn of SBV-bills matured.



Source: Bloomberg, VCBS

## 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>								
6-May-20	5Y	500	1,340	90	2.68	2.2	18.00%	ST
6-May-20	10Y	1,500	3,950	1,500	2.63	2.63	100.00%	ST
6-May-20	15Y	1,500	2,450	1,500	1.63	2.93	100.00%	ST
6-May-20	20Y	500	800	-	1.60	0	0.00%	ST

### Secondary Market

Issuer	Week 27 Apr – 01 May		Week 04 May – 08 May	
	Value	Value share	Value	Value share
<b>Outright</b>				
ST	11,678	96.33%	24,687	96.22%
VDB	445	3.67%	970	3.78%
VBSP	-	0.00%	-	0.00%
Others	-	0.00%	-	0.00%
Subtotal (1)	12,123	100.00%	25,657	100.00%
<b>Repo</b>				
Repo	12,590	43.73%	20,461	49.71%
Reserve Repo	16,203	56.27%	20,704	50.29%
Subtotal (2)	28,793	100.00%	41,164	100.00%
<b>ST bills</b>				
Outright				
Repo				
Subtotal (3)				
<b>Total (1)+(2)+(3)</b>	<b>40,917</b>		<b>68,821</b>	

### Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
11/25 - 11/29	-	49,179	49,179	-	12,999	-	(12,999)	-
12/02 - 12/06	31,286	34,593	3,307	-	-	-	-	-
12/09 - 12/13	17,893	19,520	1,627	-	-	-	-	-
12/16 - 12/20	34,593	-	(34,593)	-	-	-	-	-
12/23 - 12/27	19,520	-	(19,520)	-	-	-	-	-
12/30 - 01/03	-	-	-	-	-	-	-	-
01/06 - 01/10	-	-	-	-	-	-	-	-
01/13 - 01/17	-	-	-	-	-	-	-	-
01/20 - 01/24	-	-	-	-	-	15,000	15,000	15,000
01/27 - 01/31	-	-	-	-	-	10,000	10,000	24,999
02/03 - 02/07	-	-	-	-	-	35,998	35,998	60,997
02/10 - 02/14	-	-	-	-	-	24,998	24,998	85,995
02/17 - 02/21	-	21	21	21	-	22,997	22,997	108,992
02/24 - 02/28	21	-	(21)	-	-	10,998	10,998	119,990
03/02 - 03/06	-	-	-	-	-	24,997	24,997	144,987
03/09 - 03/13	-	-	-	-	-	2,000	2,000	146,987
03/16 - 03/20	-	1	1	1	-	-	-	146,987
03/23 - 03/27	1	1	-	-	-	-	-	149,987
03/30 - 04/03	1	20,855	20,854	20,855	-	-	-	146,987
04/06 - 04/10	-	4,656	4,656	25,511	-	-	-	146,987
04/13 - 04/17	20,855	1	(20,854)	4,657	-	-	-	146,987
04/20 - 04/24	4,656	1	(4,655)	2	15,000	-	(15,000)	131,987
04/27 - 05/01	1	-	(1)	1	10,000	-	(10,000)	121,988
<b>05/04 - 05/08</b>	<b>1</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>35,998</b>	<b>-</b>	<b>(35,998)</b>	<b>85,990</b>

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