

Fixed-Income Report

Jun 08th – 12nd/2020

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Dang Khanh Linh

+84 24 3936 6990 (ext. 7182)

dklinh@vcbs.com.vn

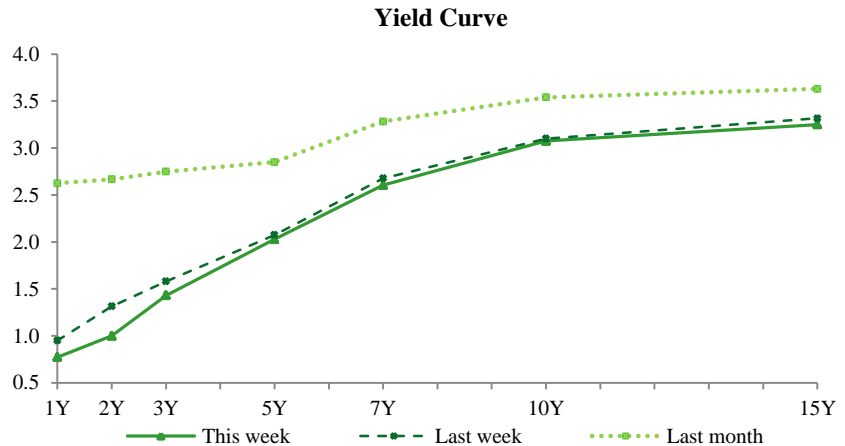
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Round-up

- Wining rates inched up.
- Yield curve shifted downwards.
- Interbank rates remained at low levels.



Source: Bloomberg, VCBS

■ VND 7,450 bn was mobilized on the primary market. VND 36,291 bn (-1.95% wow) was traded on the secondary market.

■ Yield curve shifted downwards, bond yields for short-tenors decreased more than long-tenors. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 0.772% (-17.8 bps), 1% (-31.5 bps), 1.43% (-15 bps), 2.029% (-4.6 bps), 2.604% (-7.4 bps), 3.075% (-2.5 bps), 3.25% (-6.7 bps), respectively.

■ Interbank rates remained at low levels. In details, ON – 3M rates posted at 0.363%, 0.438%, 0.65%, 0.91% and 2.15%, respectively according to Bloomberg data.

■ Foreign investors net bought VND 859.18 bn this week.

■ SBV net injected VND 2.000 bn via OMO channel.

VCBS Commentary June 15th – June 19th

■ There is a high probability that bond yields will decrease further with the expectations of abundant liquidity and stable economy.

■ We preserve the view that interbank rates will stay at low levels thanks to supportive factors: (1) Credit growth from the beginning of the year to 16th June was 2.13%, lower than the figure of the same period last year - 5.17%. Credit growth is expected to about 10% this year due to the effect of Covid-19 pandemic. (2) Exchange rates remained stable these days and we expect that the devaluation of VND may not exceed 2% for the whole year. (3) Stable economy and inflations will be kept under control in the next months.

Bond Market

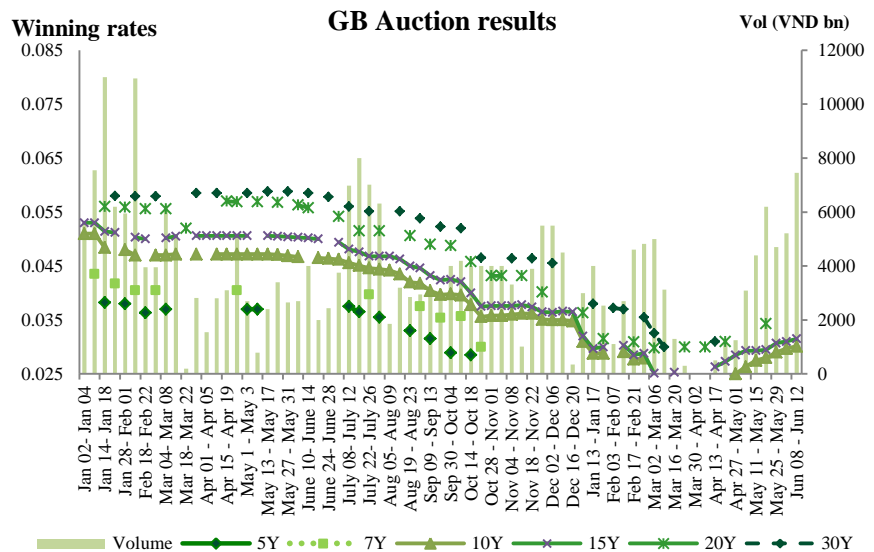
Primary Market

VND 7,450 bn was mobilized this week.

Winning rates inched up.

VND 7,450 bn was mobilized this week from ST. Therein, ST issued **VND 1,500 bn** at 5Y, **VND 3,000 bn** at 10Y, **VND 2,950 bn** at 15Y tenors. Meanwhile, the auction for 30Y tenor was not successful. The registered volume-to-offering volume ratios for 5Y, 10Y, 15Y & 30Y tenors were 2.30, 3.93, 1.80 and 1.80 times. Winning rates for 5Y, 10Y & 15Y tenors stood at 1.92% (-05 bps), 3.01% (+04 bps), 3.15% (+05 bps), respectively.

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



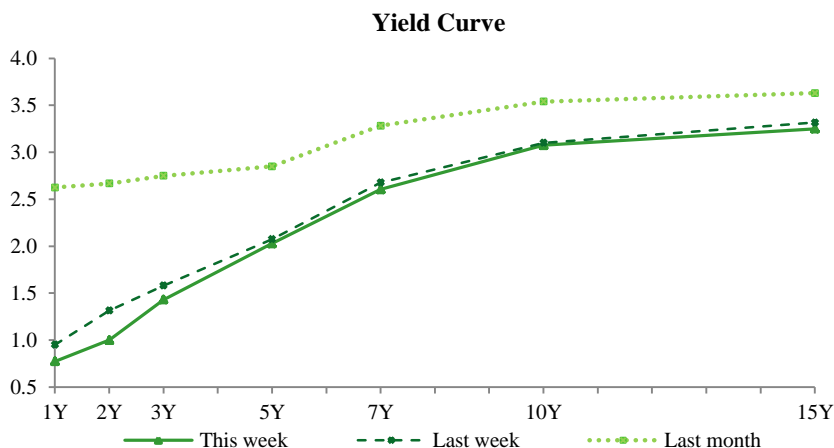
Source: HNX, VCBS

Secondary Market

VND 36,291 bn (-1.95% wow) was traded on the secondary market.

VND 36,291 bn (-1.95% wow) was traded on the secondary. In detail, Outright and repo values were at VND 25,960 bn (+14.86% wow) and VND 10,331 bn (-28.32% wow), respectively. Regarding outright, ST-Bond kept dominating trading volume with 98.09%.

Yield curve shifted downwards, bond yields for short-tenors decreased more than long-tenors. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 0.772% (-17.8 bps), 1% (-31.5 bps), 1.43% (-15 bps), 2.029% (-4.6 bps), 2.604% (-7.4 bps), 3.075% (-2.5 bps), 3.25% (-6.7 bps), respectively.



Source: Bloomberg, VCBS

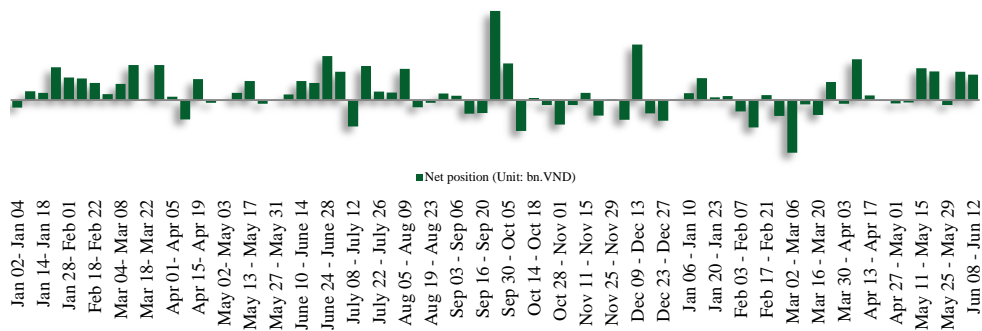
The Federal Reserve slashed interest rates to near zero in March at the outset of the Covid-19 pandemic. Since then, the central bank has committed billions of dollars to supporting financial markets, businesses. Accordingly, on FOMC last week, FED left interest rates unchanged and committed to maintain its unprecedented stimulus plan until the economy has weathered recent years. The market seemed pleased with the update, low interest rates allow companies to borrow at low level.

There is a high probability that bond yields will decrease further with the expectations of abundant liquidity and stable economy.

Foreign investors net bought VND 859.18 bn this week.

Foreign investor net bought VND 859.18 bn this week, they mainly focused on long-tenor (>10 years).

Foreign Investment in the secondary market 2019-2020



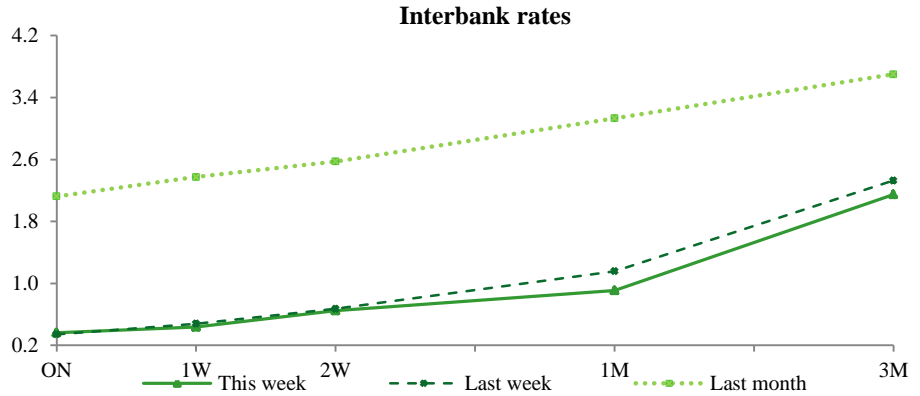
Source: HNX, VCBS

INTEREST RATE

Interbank rates remained at low levels.

Interbank Rates

Interbank rates remained at low levels. In details, ON – 3M rates posted at 0.363%, 0.438%, 0.65%, 0.91% and 2.15%, respectively according to Bloomberg data.



Source: Bloomberg, VCBS

We preserve the view that interbank rates will stay at low levels thanks to supportive factors: (1) Credit growth from the beginning of the year to 16th June was 2.13%, lower than the figure of the same period last year - 5.17%. Credit growth is expected to about 10% this year due to the effect of Covid-19 pandemic. (2) Exchange rates remained stable these days and we expect that the devaluation of VND may not exceed 2% for the whole year. (3) Stable economy and inflations will be kept under control in the next months.

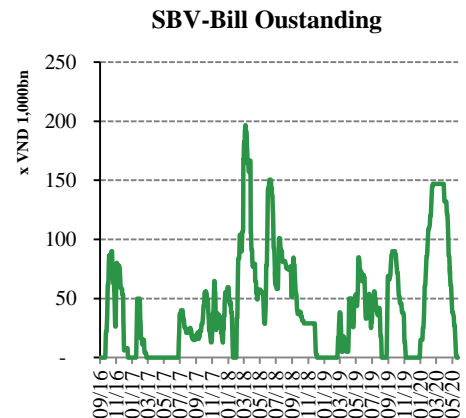
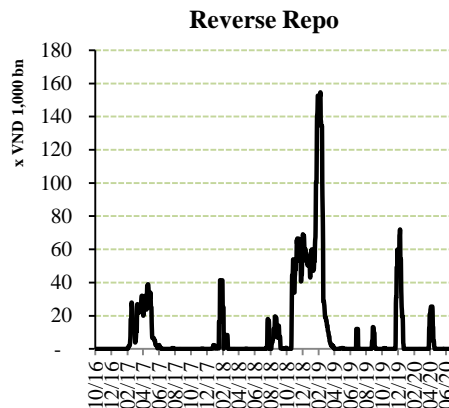
In addition, following the directions of the Government, the SBV will operate the monetary policy in a proactive, flexible and prudent manner, in close coordination with the fiscal and other macroeconomic policies in order to control the inflation, stabilize the macro-economy, the money and foreign exchange markets, meanwhile still supporting the economic recovery under the complicated impacts of the Covid-19 pandemic.

Thus, we expect that interbank rates shall be kept at low levels further information showed up.

Open Market Operation

SBV net injected VND 2.000 bn via OMO channel.

SBV net injected VND 2.000 bn via OMO channel. In detail, VND 2,000 bn of SBV-bills matured. Meanwhile, SBV did not issue Repo and T-bills this week.



Source: Bloomberg, VCBS

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								
9-Jun-20	5Y	1,500	3,447	1,500	2.30	1.92	100.00%	ST
9-Jun-20	10Y	3,000	11,775	3,000	3.93	3.01	100.00%	ST
9-Jun-20	15Y	3,000	5,400	2,950	1.80	3.15	98.33%	ST
9-Jun-20	30Y	500	900	-	1.80	0	0.00%	ST

Secondary Market

Issuer	Last		Current	
	Value	Value share	Value	Value share
Outright				
ST	20,912	92.53%	25,464	98.09%
VDB	1,247	5.52%	497	1.91%
VBSP	442	1.96%	-	0.00%
Others	-	0.00%	-	0.00%
Subtotal (1)	22,601	100.00%	25,960	100.00%
Repo				
Repo	14,412	43.65%	10,331	45.15%
Reserve Repo	18,605	56.35%	12,551	54.85%
Subtotal (2)	33,017	100.00%	22,881	100.00%
ST bills				
Outright				
Repo				
Subtotal (3)				
Total (1)+(2)+(3)	55,619		48,842	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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
05/04 - 05/08	1	-	(1)	-	35,998	-	(35,998)	85,990
05/11 - 05/15	-	3	3	3	24,998	-	(24,998)	60,992
05/18 - 05/22	3	-	(3)	-	22,997	-	(22,997)	37,995
05/25 - 05/29	-	2	2	2	10,998	-	(10,998)	26,997
06/01 - 06/05	2	-	(2)	-	24,997	-	(24,997)	2,000
06/08 - 06/12	-	-	-	-	2,000	-	(2,000)	-

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CONTACT INFORMATION

Tran Minh Hoang
Head of Research
tmhoang@vcbs.com.vn

Dang Khanh Linh
Analyst - Economic research
dklinh@vcbs.com.vn

VIETCOMBANK SECURITIES COMPANY

<http://www.vcbs.com.vn>

Ha Noi Headquarter	Floor 12 th & 17 th , Vietcombank Tower, 198 Tran Quang Khai Street, Hoan Kiem District, Hanoi Tel: (84-4)-39366990 ext: 140/143/144/149/150/151
Ho Chi Minh Branch	Floor 1 st and 7 th , Green Star Building, 70 Pham Ngoc Thach Street, Ward 6, District No. 3, Ho Chi Minh City Tel: (84-28)-3820 8116 Ext:104/106
Da Nang Branch	Floor 12 th , 135 Nguyen Van Linh Street, Thanh Khe District, Da Nang City. Tel: (+84-236) 3888 991 ext: 801/802
Nam Sai Gon Transaction Unit	Floor 3 rd , V6 Tower, Plot V, Him Lam Urban Zone, 23 Nguyen Huu Tho Street, Tan Hung Ward, District No. 7, Ho Chi Minh City Tel: (84-28)-54136573
Giang Vo Transaction Unit	Floor 1 st , Building C4 Giang Vo, Giang Vo Ward, Ba Dinh District, Hanoi. Tel: (+84-24) 3726 5551
Tay Ho Transaction Unit	1st & 3rd Floor, 565 Lac Long Quan Street, Tay Ho District, Hanoi. Tel: (+84-24) 2191048 (ext: 100)
Hoang Mai Transaction Unit	1st Floor Han Viet Building, 203 Minh Khai Street, Hai Ba Trung District, Hanoi. Tel: (+84-24) 3220 2345
Can Tho Representative Office	Floor 1 st , Vietcombank Can Tho Building, 7 Hoa Binh Avenue, Ninh Kieu District, Can Tho City. Tel: (+84-292) 3750 888
Vung Tau Representative Office	Floor 1 st , 27 Le Loi Street, Vung Tau City, Ba Ria - Vung Tau Province. Tel: (+84-254) 351 3974/75/76/77/78
An Giang Representative Office	Floor 7 th , Vietcombank An Giang Tower, 30-32 Hai Ba Trung, My Long Ward, Long Xuyen City, An Giang Province Tel: (84-76)-3949843
Dong Nai Representative Office	Floor 1 st & 2 nd , 79 Hung Dao Vuong, Trung Dung Ward, Bien Hoa City, Dong Nai Province. Tel: (84-61)-3918815
Hai Phong Representative Office	Floor 2 nd , 11 Hoang Dieu Street, Minh Khai Ward, Hong Bang District, Hai Phong City. Tel: (+84-225) 382 1630
Binh Duong Representative Office	Floor 3 th , 516 Cach Mang Thang Tam Street, Phu Cuong Ward, Thu Dau Mot City, Binh Duong Province. Tel: (+84-274) 3855 771