

Fixed-Income Report

Jul 20th – Jul 24th/2020

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Dang Khanh Linh

+84 24 3936 6990 (ext. 7182)

dklinh@vcbs.com.vn

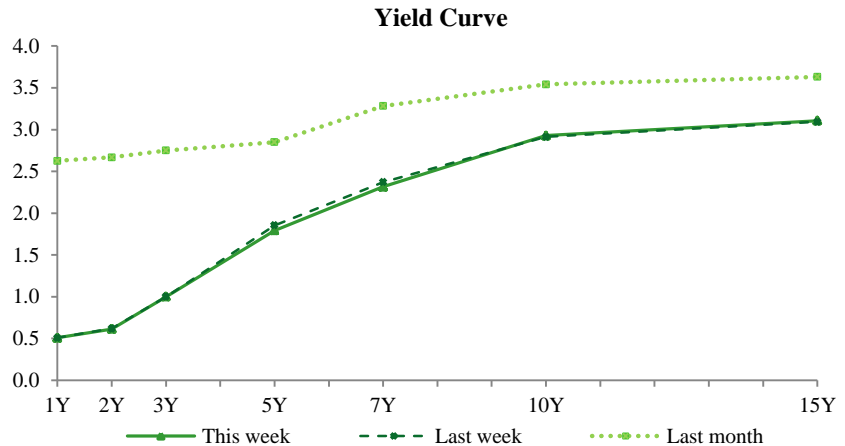
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Round-up

**Primary market was still active.
Yield curve shifted downwards fractionally.
Interbank rates remained at low levels.**



Source: Bloomberg, VCBS

■ VND 8,855 bn was mobilized on the primary market. VND 50,178 bn (-12.69% w/w) was traded on the secondary market.

■ Yield curve shifted downwards fractionally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 0.508% (0 bps), 0.613% (-0.7 bps), 1% (0 bps), 1.792% (-6.2 bps), 2.316% (-5.6 bps), 2.928% (+1.6 bps), 3.107% (+1.4 bps), respectively.

■ Interbank rates stayed at low levels. In details, ON – 3M rates posted at 0.2%, 0.3%, 0.3%, 0.35% and 1.7%, respectively according to Bloomberg data.

■ Foreign investors net bought VND 178.24 bn this week.

■ SBV net withdrew VND 6.4 bn via OMO channel.

VCBS Commentary July 27th – July 31st

■ At the present, we do not expect some events which may increase bond yields strongly. Instead, liquidity in money market is still abundant. Therefore, it is likely that bond yields will move in a tight downward band.

■ There is a high probability that interbank rates will stay at current levels due to the main reasons: Credit growth was slower than the same period last year and is projected at 10%; Exchange rates may remain stable in the next period. With these assumptions, we anticipate that interbank rates may stand at low levels until further information.

Bond Market

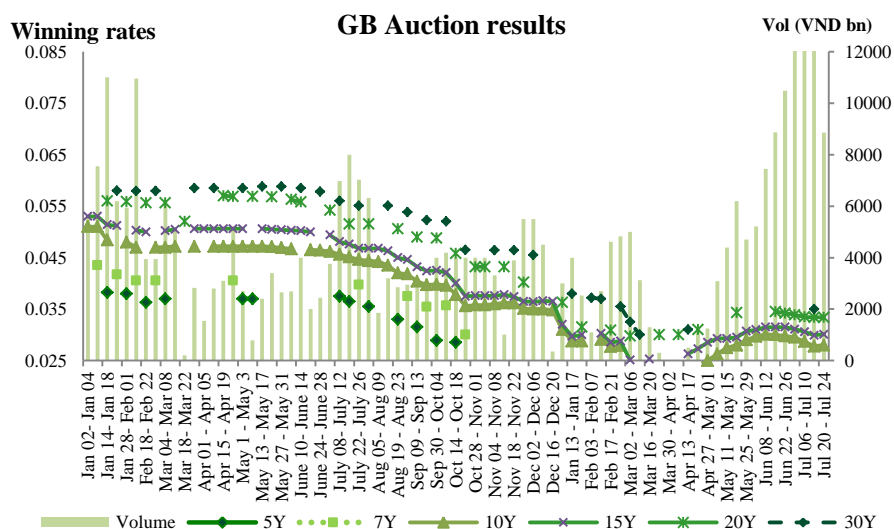
Primary Market

VND 8,855 bn was mobilized this week.

Primary market was still active.

VND 8,855 bn was mobilized this week from ST. Therein, ST issued **VND 1,400 bn** at 5Y, **VND 4,298 bn** at 10Y, **VND 2,157 bn** at 15Y and **VND 1,000 bn** at 20Y tenors. The registered volume-to-offering volume ratios for 5Y, 10Y, 15Y & 20Y tenors were 3.32, 1.85, 1.63 and 1.90 times. Winning rates for 5Y, 10Y, 15Y & 20Y tenors stood at 1.75% (-17 bps), 2.80% (+02 bps), 3.01% (+02 bps), 3.34% (0 bps), respectively.

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



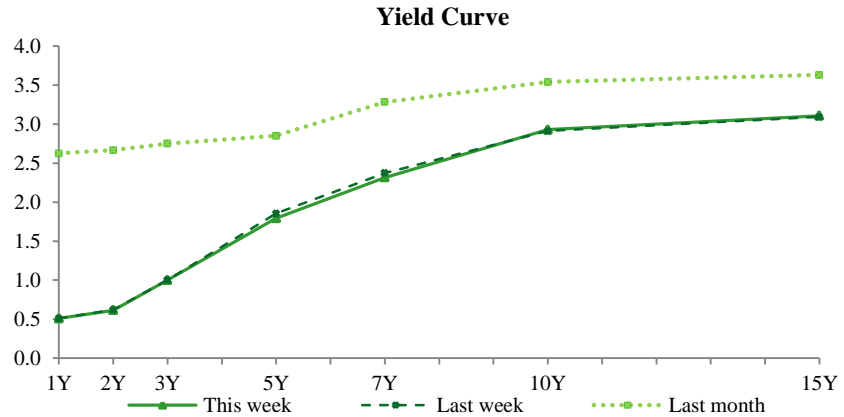
Source: HNX, VCBS

Secondary Market

VND 50,178 bn (-12.69% wow) was traded on the secondary market.

VND 50,178 bn (-12.69% wow) was traded on the secondary. In detail, Outright and repo values were at VND 35,738 bn (-11.25% wow) and VND 14,440 bn (-16.07% wow), respectively. Regarding outright, ST-Bond kept dominating trading volume with 99.43%. Remarkably, this week a large proportion of bond trading (30.3%) belonged to short-term bond (> 10Y tenors).

Yield curve shifted downwards fractionally. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 0.508% (0 bps), 0.613% (-0.7 bps), 1% (0 bps), 1.792% (-6.2 bps), 2.316% (-5.6 bps), 2.928% (+1.6 bps), 3.107% (+1.4 bps), respectively.



Source: Bloomberg, VCBS

The number of Covid-19 cases continued to increase rapidly to more than 16 million, especially complicated developments in US, Africa, Russia. On the other hand, the US-China tension once again became escalated when the U.S and China each moved to shut one of the other's consulates and evict diplomats.

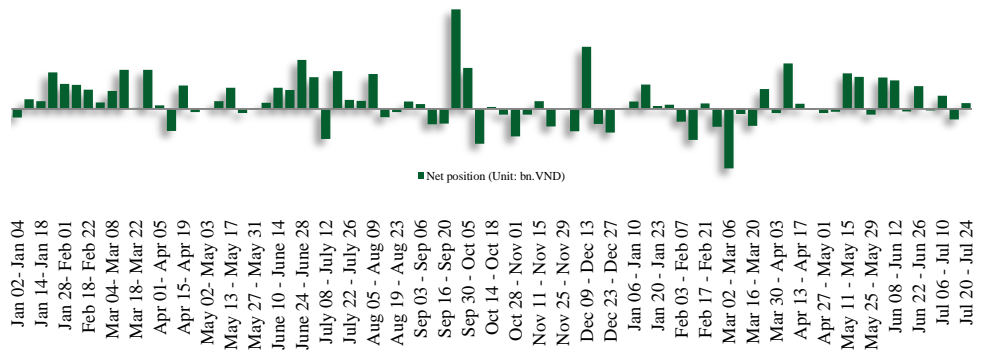
Last week, Vietnam recorded 2 new Covid-19 cases in the community, causing market sentiment to be cautious and could put pressure on USDVND exchange rate, especially in free market. In detail, exchange rate listed by commercial banks decreased by 10 VND (23,090 VND/USD) while the free market rate increased by 5 VND/USD (23,170/23,200 VND/USD). In our opinion, a decline of VND which is same as the end of March may not occur because the USD is depreciating strongly in the international market and the domestic market sentiment is more stable than the previous period. In more detail, Vietnam keeps Covid-19 under control, liquidity in the banking system should be abundant due to low credit growth, G-bond continued to be the best investment channel for commercial banks.

At the present, we do not expect some events which may increase bond yields strongly. Instead, liquidity in money market is still abundant. Therefore, it is likely that bond yields will move in a tight downward band.

Foreign investors net bought VND 178.24 bn this week.

Foreign investor net bought VND 178.24 bn this week, they mainly focused on short-tenor (<5 years).

Foreign Investment in the secondary market 2020



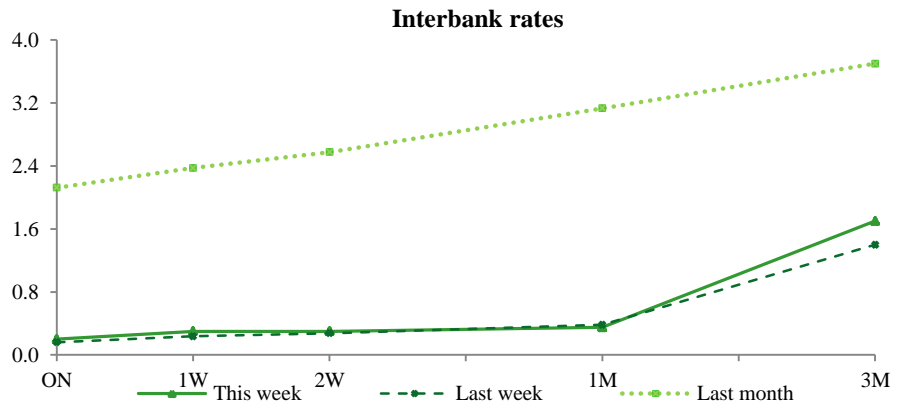
Source: HNX, VCBS

INTEREST RATE

Interbank rates stayed at low levels.

Interbank Rates

Interbank rates stayed at low levels. In details, ON – 3M rates posted at 0.2%, 0.3%, 0.3%, 0.35% and 1.7%, respectively according to Bloomberg data.



Source: Bloomberg, VCBS

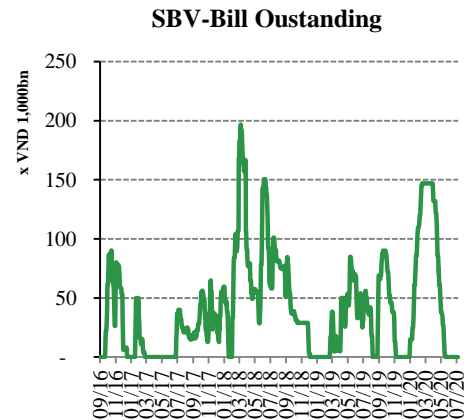
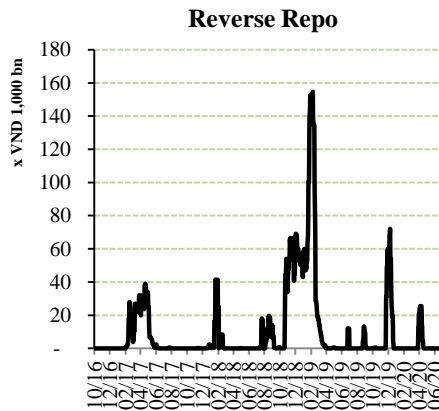
Interbank rates inched up this week; however, interbank rates were kept at low level. It indicates that abundant liquidity is still in the banking systems.

There is a high probability that interbank rates will stay at current levels due to the main reasons: Credit growth was slower than the same period last year and is projected at 10%; Exchange rates may remain stable in the next period. With these assumptions, we anticipate that interbank rates may stand at low levels until further information.

Open Market Operation

SBV net withdrew VND 6.4 bn via OMO channel.

SBV net withdrew VND 6.4 bn via OMO channel. In detail, SBV withdrew VND 6.4 bn of Reverse Repo this week.



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								
22-Jul-20	5Y	1,500	4,984	1,400	3.32	1.75	93.33%	ST
22-Jul-20	10Y	7,000	12,948	4,298	1.85	2.8	61.40%	ST
22-Jul-20	15Y	4,000	6,507	2,157	1.63	3.01	53.93%	ST
22-Jul-20	20Y	1,000	1,900	1,000	1.90	3.34	100.00%	ST

Secondary Market

Issuer	Last		Current	
	Value	Value share	Value	Value share
Outright				
ST	38,194	94.85%	35,536	99.43%
VDB	1,952	4.85%	202	0.57%
VBSP	122	0.30%	-	0.00%
Others	-	0.00%	-	0.00%
Subtotal (1)	40,268	100.00%	35,738	100.00%
Repo				
Repo	17,206	49.13%	14,440	50.66%
Reserve Repo	17,814	50.87%	14,062	49.34%
Subtotal (2)	35,019	100.00%	28,502	100.00%
ST bills				
Outright				
Repo				
Subtotal (3)				
Total (1)+(2)+(3)	75,287		64,240	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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)	-
06/15 - 06/19	-	-	-	-	-	-	-	-
06/22 - 06/26	-	-	-	-	-	-	-	-
06/29 - 07/03	-	1	1	1	-	-	-	-
07/06 - 07/10	1	-	(1)	-	-	-	-	-
07/13 - 07/17	-	6	6	6	-	-	-	-
07/20 - 07/24	6	-	(6)	-	-	-	-	-

DISCLAIMER

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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