

Fixed-Income Report

Sep 21st – Sep 25th/2020

In this issue

- Round up
- Bond market
- Interest rates

Le Thu Ha

ltha_ho@vcbs.com.vn

+84 24 3936 6990 (ext. 7311)

Dang Khanh Linh

+84 24 3936 6990 (ext. 7284)

dklinh@vcbs.com.vn

See Disclaimer at Page 5

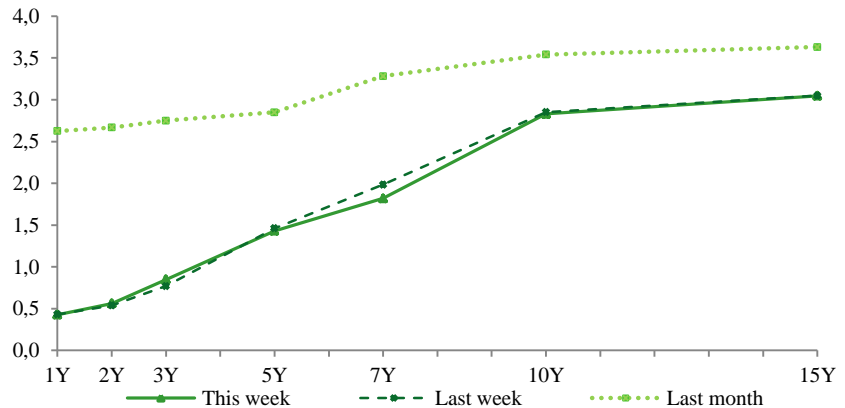
Macroeconomic, Fixed-Income,
Financial and Corporation
Information updated at

www.vcbs.com.vn/vn/Services/AnalysisResearch

Round-up

**Wining volume soared and winning rates went down further.
Yield curve shifted downwards.
Interbank rates hovered at low levels.**

Yield Curve



Source: Bloomberg, VCBS

■ VND 15,750 bn was mobilized on the primary market this week. VND 54,700 bn (+6.9% wow) was traded on the secondary market.

■ **Bond yields decreased further for 5Y-7Y tenors.** According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 0.427% (-0.5 bps), 0.561% (+2.2 bps), 0.85% (+8 bps), 1.432% (-2.9 bps), 1.82% (-16.5 bps), 2.831% (-2 bps), 3.046% (-0.2 bps) respectively.

■ Interbank rates hovered at low levels. In details, ON – 3M rates posted at 0.15%, 0.2%, 0.27%, 0.367% and 1.242%, respectively according to Bloomberg data.

■ **Foreign investors net sold VND 205.49 bn this week.**

■ Last week saw no new transaction via OMO channel.

VCBS Commentary Sep 28th – Oct 02nd

■ VCBS believe that the downward trend of bond yield stay unchanged in the near future. For the last few weeks, we observe a more active trading in longer tenors for government bonds. Hence, bond yields for long tenors may dive further next week.

■ 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; Exchange rates may remain stable in the next period. With these assumptions, we anticipate that interbank rates may stand at low levels.

Bond Market

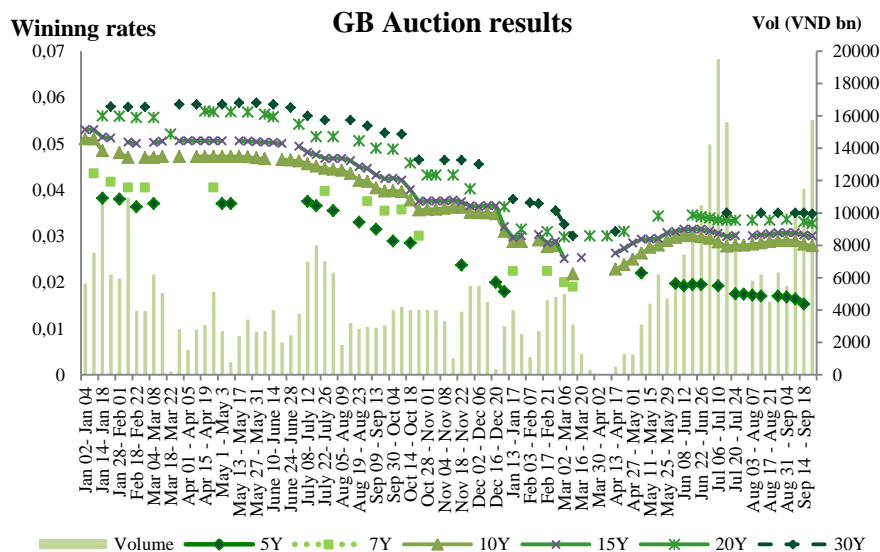
VND 15,750 bn was mobilized this week.

Primary Market

Wining volume soared and winning rates went down further.

VND 15,750 bn was mobilized this week from ST. Therein, ST successfully issued long-term bond: VND 7,500 bn at 10Y tenors, VND 5,2500 bn at 15Y tenors, VND 1,500 bn at 20Y tenors and VND 1,500 bn at 30Y. The registered volume-to-offering volume ratios for 10Y, 15Y, 20Y & 30Y tenors were 2.27, 2.43, 3.45 and 3.24 times. Wining volume-to-offering ratios for all tenors recorded at 100%. Wining rates for 5Y, 10Y, 15Y, 20Y and 30Y tenors stood at 2.79% (-03 bps), 3% (-02 bps), 3.27% (-05 bps), 3.48% (-02 bps), respectively.

VDB and VBSP did not mobilize bond this week.



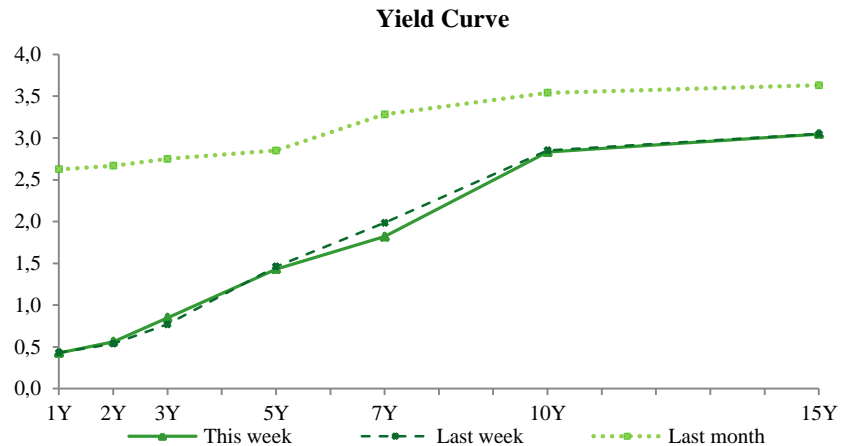
Source: HNX, VCBS

Secondary Market

VND 54,700 bn (+6.9% wow) was traded on the secondary market.

VND 54,700 bn (+6.9% wow) was traded on the secondary. In detail, Outright and repo values were at VND 40,552 (+0.8% wow) and VND 13,494 bn (+31.3% wow), respectively. Regarding outright, ST-Bond kept totally dominating trading volume with 100%. Remarkably, about 60% of trading volume recorded in medium-tenors (5Y-10Y).

Bond yields decreased further for 5Y-7Y tenors. According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 0.427% (-0.5 bps), 0.561% (+2.2 bps), 0.85% (+8 bps), 1.432% (-2.9 bps), 1.82% (-16.5 bps), 2.831% (-2 bps), 3.046% (-0.2 bps) respectively.



Source: Bloomberg, VCBS

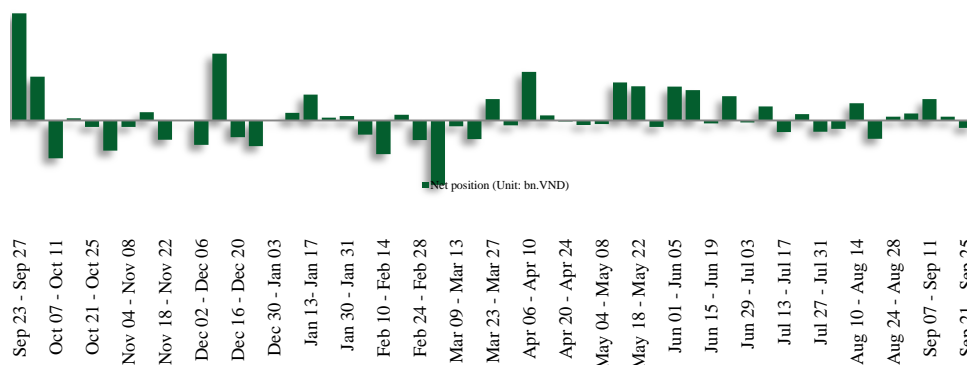
On 22 Sep, SBV held a press release about banking system in Q3.2020. Therein, Deputy governor reaffirms a flexible, proactive monetary policy. This shall co-operate with fiscal policy and other macroeconomics tools to control inflation stabilize macroeconomic factors, support the economy to get over the pandemic. Also, SBV also sent guidance for upcoming monetary tools and approach: (i) SBV shall manage open market operations, refinancing tools flexibly in response to demand for resources from financial institutions and consistently with Government's policies during the pandemic. (ii) Regulate interest rates, exchange rates with a view to controlling inflation, promoting investments and business activities and building up foreign reserves in favorable condition. (iii) Assign credit institutions to reduce costs continually so as to reduce lending rates and consequently promote the economy's activities, simplify internal procedures, and facilitate new borrowers though not lower credit standards. In general, credit institutions shall ensure credit quality, safety and at the same time maintain the healthy status quo of the banking system. Also they must ensure that those affected by the Covid-19 epidemic get exposure to credit extension mechanisms and policies timely. Tightly controlling credit for potentially risky sectors, consumer credit and foreign currency loans; (iv) SBV will track closely to be aware the actual impact of the COVID-19 on restructuring credit institution roadmaps to come up with proactive responses. **We believe that this news sends out messages about the commitment from SBV in the consistent monetary policy. This shall support idea that in the near future the downward trend of bond yield stay unchanged.**

For the last few weeks, we observe a more active trading in longer tenors for government bonds. Hence, bond yields for long tenors may dive further next week.

Foreign investors net sold VND 205.49 bn this week.

Foreign investors net sold VND 205.49 bn this week. This week, there is no clear trend for their favor tenor as the figure was mixed.

Foreign Investment in the secondary market 2020



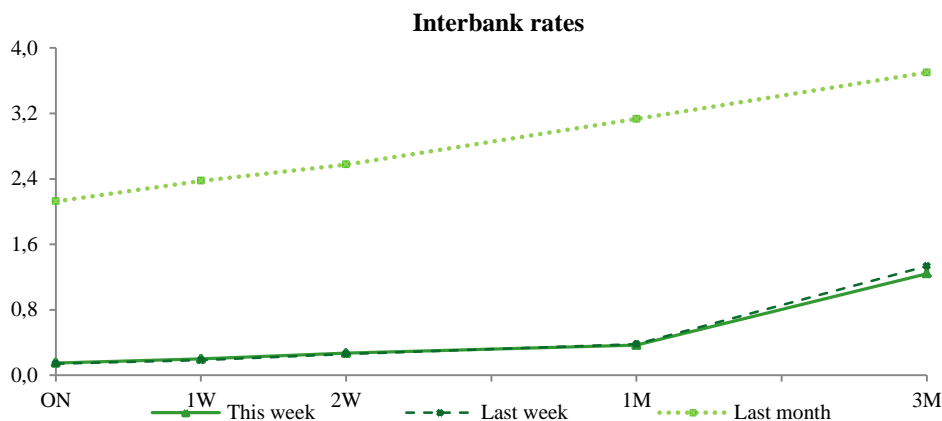
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rates hovered at low levels.

Interbank rates hovered at low levels. In details, ON – 3M rates posted at 0.15%, 0.2%, 0.27%, 0.367% and 1.242%, respectively according to Bloomberg data.



Source: Bloomberg, VCBS

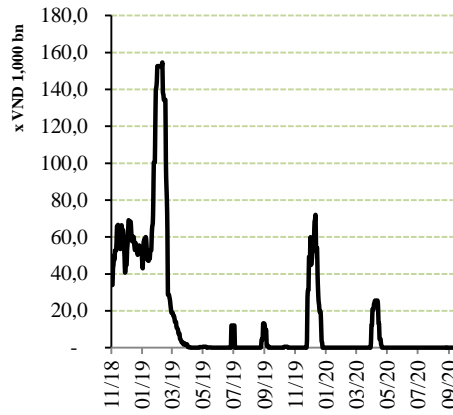
There is a high probability that interbank rates will stay at current levels due to the main reasons: (i) Credit growth was slower than the same period last year, which grew only 4.81% till the middle of September. (ii) Exchange rates stay steadily with the support from worldwide market as well as domestic side with record-breaking trade surplus of roughly \$13 bn. With these assumptions, we anticipate that interbank rates may stand at low levels.

Open Market Operation

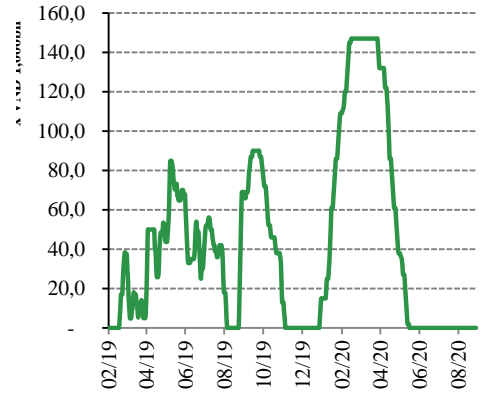
No intervention needed as abundant liquidity recorded.

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 3 months as the banking system liquidity remains abundant while interbank interest rates stably stood at low levels.

Reverse Repo



SBV-Bill Outstanding



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								
23-Sep-20	10Y	7,500	17,009	7,500	2.27	2.79	100.00%	ST
23-Sep-20	15Y	5,250	12,736	5,250	2.43	3	100.00%	ST
23-Sep-20	20Y	1,500	5,175	1,500	3.45	3.27	100.00%	ST
23-Sep-20	30Y	1,500	4,861	1,500	3.24	3.48	100.00%	ST

Secondary Market

Issuer	Last		Current	
	Value	Value share	Value	Value share
Outright				
ST	40,635	99.39%	40,522	98.34%
VDB	251	0.61%	262	0.64%
VBSP	-	0.00%	-	0.00%
Others	-	0.00%	421	1.02%
Subtotal (1)	40,886	100.00%	41,206	100.00%
Repo				
Repo	10,279	45.64%	13,494	48.81%
Reserve Repo	12,242	54.36%	14,151	51.19%
Subtotal (2)	22,521	100.00%	27,645	100.00%
ST bills				
Outright				
Repo				
Subtotal (3)				
Total (1)+(2)+(3)	63,407		68,851	

Open Market Operation

Date	Reverse Repo				Outright (SBV Bills)			
	Due	Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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)	-	-	-	-	-
07/27 - 07/31	-	-	-	-	-	-	-	-
08/03 - 08/07	-	-	-	-	-	-	-	-
08/10 - 08/14	-	-	-	-	-	-	-	-
08/17 - 08/21	-	-	-	-	-	-	-	-
08/24 - 08/28	-	-	-	-	-	-	-	-
08/31 - 09/04	-	-	-	-	-	-	-	-
09/07 - 09/11	-	-	-	-	-	-	-	-
09/14 - 09/18	-	-	-	-	-	-	-	-
09/21 - 09/25	-	-	-	-	-	-	-	-

DISCLAIMER

This report is designed to provide updated information on the fixed-income, including bonds, interest rates, some other related. The VCBS analysts exert their best efforts to obtain the most accurate and timely information available from various sources, including information pertaining to market prices, yields and rates. All information stated in the report has been collected and assessed as carefully as possible.

It must be stressed that all opinions, judgments, estimations and projections in this report represent independent views of the analyst at the date of publication. Therefore, this report should be best considered a reference and indicative only. It is not an offer or advice to buy or sell or any actions related to any assets. VCBS and/or Departments of VCBS as well as any affiliate of VCBS or affiliate that VCBS belongs to or is related to (hereafter, VCBS), provide no warranty or undertaking of any kind in respect to the information and materials found on, or linked to the report and no obligation to update the information after the report was released. VCBS does not bear any responsibility for the accuracy of the material posted or the information contained therein, or for any consequences arising from its use, and does not invite or accept reliance being placed on any materials or information so provided.

This report may not be copied, reproduced, published or redistributed for any purpose without the written permission of an authorized representative of VCBS. Please cite sources when quoting. Copyright 2012 Vietcombank Securities Company. All rights reserved.

CONTACT INFORMATION

Tran Minh Hoang

Head of Research

tmhoang@vcbs.com.vn

Le Thu Ha

Senior Analyst - Economic research

ltha_ho@vcbs.com.vn

Dang Khanh Linh

Analyst - Economic research

dklinh@vcbs.com.vn

VIETCOMBANK SECURITIES COMPANY

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