

Fixed-Income Report

Sep 28th – Oct 02nd/2020

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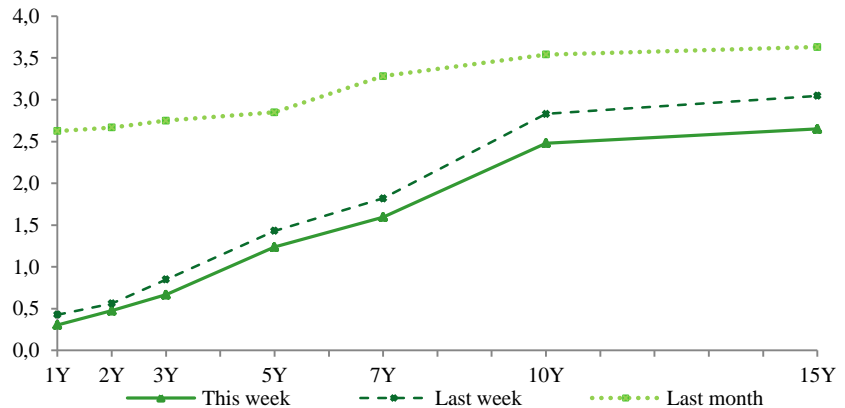
Round-up

Winning rates went down further.

Bond yields decreased sharply, especially for long tenors (>10Y tenors).

Interbank rates stood at low levels.

Yield Curve



Source: Bloomberg, VCBS

■ VND 10,197 bn was mobilized on the primary market this week. VND 59,979 bn (+9.5% wow) was traded on the secondary market.

■ Bond yields decreased sharply, especially for long tenors (>10Y tenors). According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 0,306% (-12,1 bps), 0,476% (-8,5 bps), 0,667% (-18,3 bps), 1,237% (-19,5 bps), 1,595% (-22,5 bps), 2,481% (-35 bps), 2,651% (-39,5 bps), respectively.

■ Interbank rates stood at low levels. In details, ON – 3M rates posted at 0,15%, 0,2%, 0,269%, 0,365% and 1,27%, respectively according to Bloomberg data.

■ Foreign investors net bought VND 145.05 bn this week.

■ Last week saw no new transaction via OMO channel.

VCBS Commentary Oct 05th – Oct 09th

■ Bright economic indexes and the last approach from the SBT to adjust key rates are the main drivers for the bond yields. Therefore, bond yields have declined for all tenors last week. However, VCBS foresee that bond yields may inch up to regain the balance in the short run. However, it does not mean an end for the downward trend.

■ Market factors at this moment continue to support the scenario of no shortage liquidity at least from now to the end of the year. Therefore, we expect that interbank rates may stand at low levels.

Bond Market

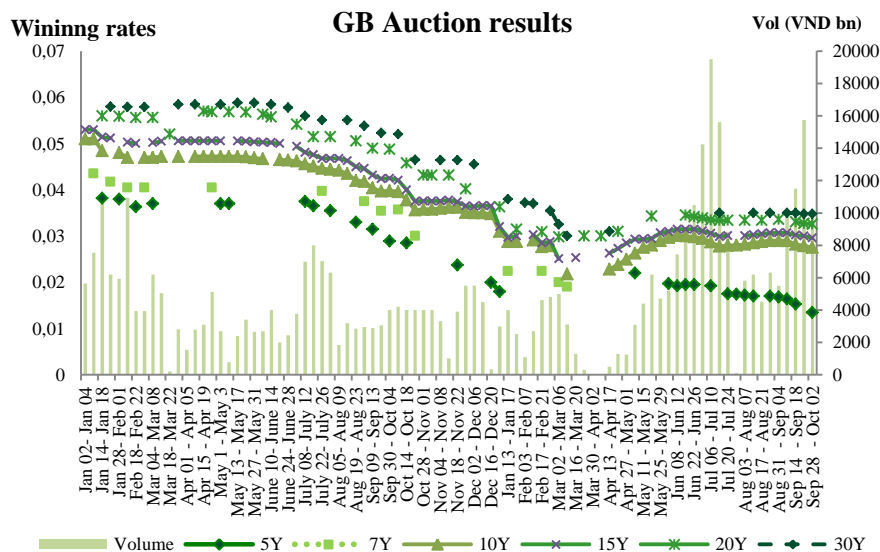
VND 10,197 bn was mobilized this week.

Primary Market

Winning rates went down further.

VND 10,197 bn was mobilized this week from ST. Therein, ST issued almost all tenors: VND 300 bn at 5Y tenors, VND 6,000 bn at 10Y tenors, VND 4,500 bn at 15Y tenors, VND 2,250 bn at 20Y tenors and VND 1,397 bn at 30Y. The registered volume-to-offering volume ratios for 5Y, 10Y, 15Y, 20Y & 30Y tenors were 1.10, 5.10, 5.59, 3.47 and 1.06 times. Wining volume-to-offering ratios for 10Y, 15Y, 20Y tenors recorded at 100%. Wining rates for 5Y, 10Y, 15Y, 20Y and 30Y tenors stood at 1.35% (-18 bps), 2.75% (-04 bps), 2.96% (-04 bps), 3.26% (-01 bps), 3.48% (unchanged), respectively.

VDB and VBSP did not mobilize bond this week.



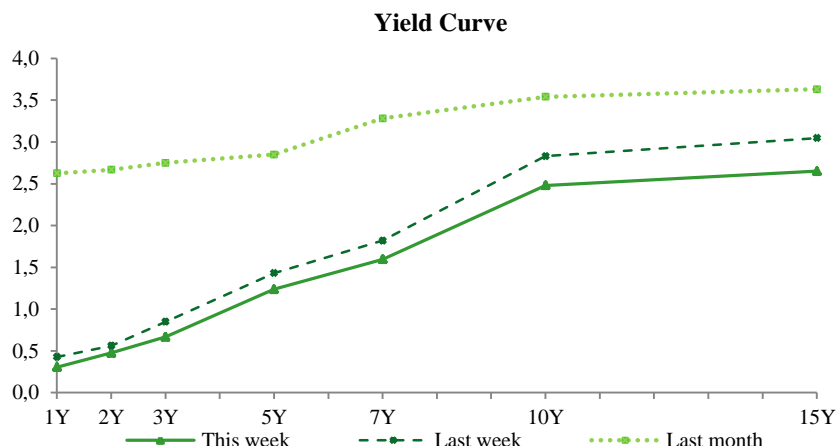
Source: HNX, VCBS

Secondary Market

VND 59,979 bn (+9.5% wow) was traded on the secondary market.

VND 59,979 bn (+9.5% wow) was traded on the secondary. In detail, Outright and repo values were at VND 43,072 (+4.4% wow) and VND 16,907 bn (+25.3% wow), respectively. Regarding outright, ST-Bond kept totally dominating trading volume with 100%. Remarkably, about 50% of trading volume recorded in medium-tenors (5Y-10Y).

Bond yields decreased sharply, especially for long tenors (>10Y tenors). According to Bloomberg data, 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y bond yields posted at 0,306% (-12,1 bps), 0,476% (-8,5 bps), 0,667% (-18,3 bps), 1,237% (-19,5 bps), 1,595% (-22,5 bps), 2,481% (-35 bps), 2,651% (-39,5 bps), respectively.



Source: Bloomberg, VCBS

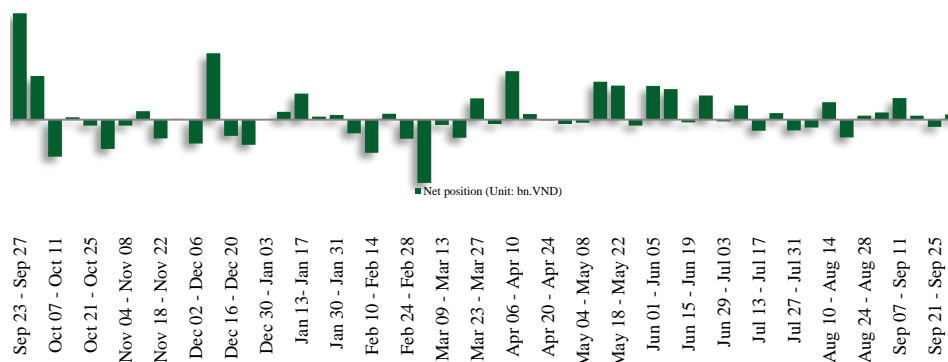
According to IHS Markit data, the Vietnam PMI in September returned to above 50, reaching 52.2 points while the figure last month was 45.7 points. In general, new orders and employed workers have increased significantly thanks to the basically controlled Covid-19 pandemic. According to the General Statistics Office, GDP has shown that the economy has recorded certain positive highlights. In detail, GDP in the third quarter of 2020 increased by 2.62% over the same period last year. Economic activity grew slowly in Q3 due to the second wave of COVID-19 pandemic. However, the spacing measures have partly brought positive results. Thus, VCBS adjusted GDP growth forecast for the whole year 2020: 2.73% -3.06% while the previous forecast was 2.6% - 3.06%.

Bright economic indexes and the last approach from the SBT to adjust key rates are the main drivers for the bond yields. Therefore, bond yields have declined for all tenors last week. However, VCBS foresee that bond yields may inch up to regain the balance in the short run. However, it does not mean an end for the downward trend.

Foreign investors net bought VND 145.05 bn this week.

Foreign investors net bought VND 145.05 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



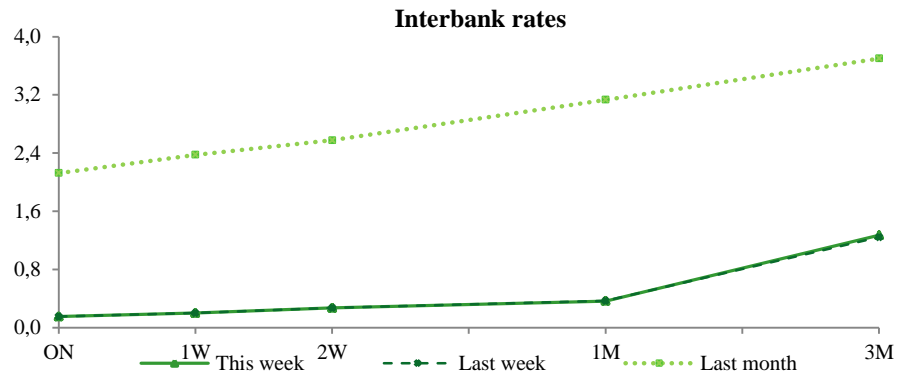
Source: HNX, VCBS

INTEREST RATE

Interbank rates stood at low levels.

Interbank Rates

Interbank rates stood at low levels. In details, ON – 3M rates posted at 0,15%, 0,2%, 0,269%, 0,365% and 1,27%, respectively according to Bloomberg data.



Source: Bloomberg, VCBS

On September 30, 2020, the SBV decided to adjust interest rates for the third time this year (as the table below).

	Before	16/3	12/5	1/10
Refinancing rates	6.00%	5.00%	4.50%	4.00%
Rediscount rates	4.00%	3.50%	3.00%	2.50%
Reverse repo (OMO)	4.00%	3.50%	3.00%	2.50%
Term deposit cap at banks (<1M)	0.80%	0.50%	0.20%	0.20%
Term deposit cap at banks (1M-6M)	5.00%	4.75%	4.25%	4.00%
Short-term lending facility for priority areas	6.00%	5.50%	5.00%	4.50%

Source: SBV

As mentioned in [previous reports](#), this move continues to show a consistent view of the State Bank on active and flexible monetary policy management, in line with the general management action of central banks in the world. Currently, the bank liquidity is quite abundant due to the low credit demand due to the effect of the pandemic. In detail, credit growth in 9M.2020 only increased by 5.12%, while the figure in the same period was 8.44%. In our opinion, the messages of interest rate reduction were quite timely in order to support the economy, in line with the general trend as many central banks in the world have reduced interest rates and implemented stimulus package.

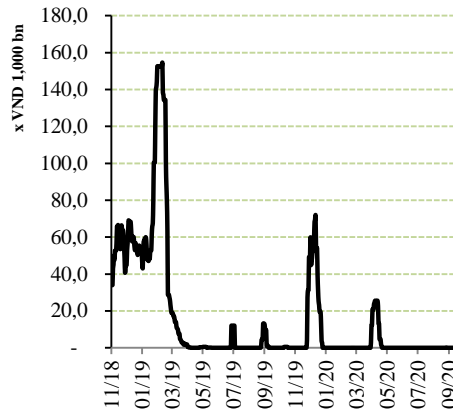
Market factors at this moment continue to support the scenario of no shortage liquidity at least from now to the end of the year. Therefore, we expect that interbank rates may stand at low levels.

Open Market Operation

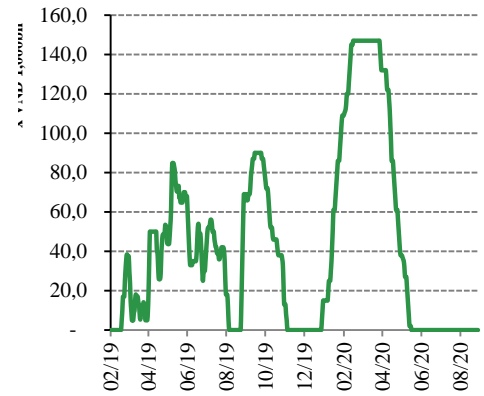
No intervention needed as abundant liquidity recorded.

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								
30-Sep-20	5Y	1.000	1.100	300	1,10	1.35	30,00%	ST
30-Sep-20	10Y	6.000	30.603	6.000	5,10	2.75	100,00%	ST
30-Sep-20	15Y	4.500	25.150	4.500	5,59	2.96	100,00%	ST
30-Sep-20	20Y	2.250	7.800	2.250	3,47	3.26	100,00%	ST
30-Sep-20	30Y	1.500	1.597	1.397	1,06	3.48	93,13%	ST

Secondary Market

Issuer	Last		Current	
	Value	Value share	Value	Value share
Outright				
ST	40.522	98,21%	40.527	94,09%
VDB	262	0,64%	2.363	5,49%
VBSP	57	0,14%	182	0,42%
Others	421	1,02%	-	0,00%
Subtotal (1)	41.262	100,00%	43.072	100,00%
Repo				
Repo	13.494	48,81%	16.907	59,25%
Reserve Repo	14.151	51,19%	11.627	40,75%
Subtotal (2)	27.645	100,00%	28.534	100,00%
ST bills				
Outright				
Repo				
Subtotal (3)				
Total (1)+(2)+(3)	68.907		71.606	

Open Market Operation

Date	Reverse Repo				Outright (SBV Bills)			
	Due	Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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	-	-	-	-	-	-	-	-
09/28 - 10/02	-	-	-	-	-	-	-	-

DISCLAIMER

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