

Fixed-Income Report

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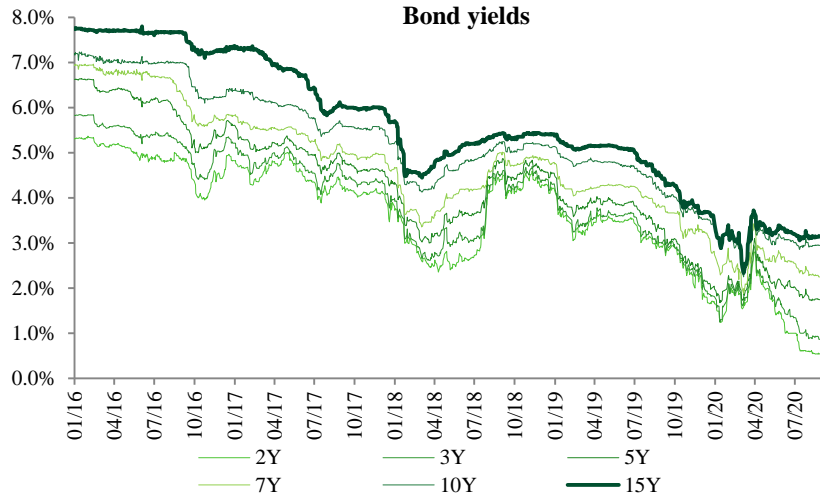
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Round-up



Source: Bloomberg, VCBS

■ VND 31,643 bn (-33.2% mom) was mobilized on primary market. VND 239,481 bn (+21.5% mom) were traded on the secondary market.

■ Yield curve became steeper and shifted downwards. According to Bloomberg statistics, yields for 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y end October 2020 at 0.31% (-2.7 bps mom), 0.45% (-11.9 bps mom), 0.53% (-30.6 bps mom), 1.35% (-9.39 bps mom), 1.747% (-0.80 bps mom), 2.62% (-19.7 bps mom), 2.84% (-18.9 bps mom), respectively.

■ Foreign net sold VND 255 billion this month.

■ Abundant liquidity enhanced downtrend force on interbank rates. Accordingly, interest rates have fallen to the lowest level. At the end of the month, ON-3M interest rates were recorded at 0.16%, 0.18%, 0.25%, 0.35% and 1.22%., respectively.

■ No intervention needed as abundant liquidity recorded.

VCBS Commentary

■ Downward pressure will still dominate the government bond market. The downward trend of deposit interest rates support commercial banks to reduce input costs. In addition, the abundant liquidity in the interbank market is the main factor for the downtrend. However, market sentiment is quite cautiously observing world movements so as to digest the latest movement. Accordingly, although the downward trend of yields has not come to an end yet, the declining speed is expected to slow down.

■ VCBS assesses that interbank rates are likely to remain at the current low levels.

BOND MARKETS

Primary Market

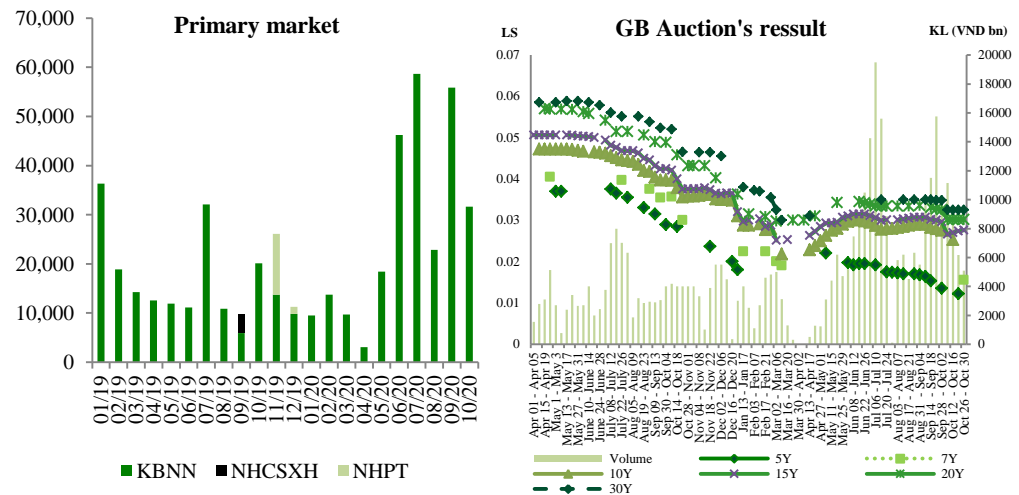
Primary market is less active in October.

VND 31,643 bn (-33.2% mom) worth of bonds were mobilized.

VND 31,643 bn (-33.2% mom) worth of bonds were mobilized in August. In detail, VND 1.000 bn; 250 bn; 3,422 bn; 17.826 bn; 5.265 and 3.880 bn were mobilized in 5Y, 7Y, 10Y, 15Y, 20Y and 30Y tenors, respectively.

Winning rates went down in all tenors; In detail, winning rates for 5Y, 7Y, 10Y, 15Y, 20Y and 30Y tenor winning rates posted at 1.22% (-13 bps), 1.55%, 2.53% (-22 bps mom), 2.76% (-20 bps mom), 3.02% (-24 bps mom) and 3.25% (-23 bps mom).

Meanwhile, the Vietnam Development Bank (VDB) and Vietnam Bank for Social Policies (VBSP) did not mobilize bonds this month.



Source: HNX, VCBS

State Treasury issuance plan updated:

Tenor	2020 Plan	Issued in 10M.2020	%Complete 2020
5Y	20,000	13,260	66.3%
7Y	15,000	1,730	11.5%
10Y	90,000	114,697	127.4%
15Y	100,000	90,157	90.2%
20Y	20,000	23,415	117.1%
30Y	15,000	17,113	114.1%
Total	260,000	260,342	100.1%

Source: MOF, VCBS Research

Macro updates:

- According to IHS Markit data, production recorded the second consecutive month of expansion after the second COVID pandemic in Vietnam. In detail, PMI though slightly decreased to 51.8 from 52.2 recorded in September, was still above 50 points. The most

positive signal in this month's report is that labor demand rebounded for the first time in January. With the assumption that the pandemic is contained well in Vietnam, we expect production should recover and contribute significantly to GDP growth in the last quarter. Accordingly, VCBS maintains the projection that GDP growth in Q4 shall reach 4% -5%. Accordingly, forecasted GDP growth for the whole year will reach 2.73% -3.06%.

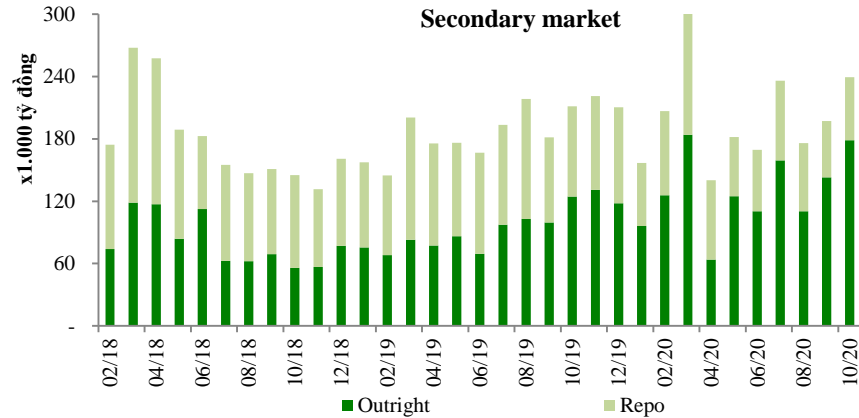
- CPI in October 2020 increased by 0.09% mom, equivalent to an increase of 0.09% compared to December 2019 and increased by 2.47% YoY. The average CPI in the first 10-month of 2020 increased by 3.71% YoY. In the last months of the year, we believe that essential consumer goods may record a slight increase due to the impact of natural disasters. However, the increase over the same period will not be high due to the relatively high level of food prices last year. Accordingly, the increase in the average consumer price index tends to decrease gradually towards the end of the year. VCBS remains the view that inflation for 2020 will be at 3.0% - 3.5%.
- Center exchange rate stood at 23,201 VND/USD; Exchange rates at commercial banks continued to be stable and less volatile around 23,270 when the greenback's strength continued to decline slightly. At the same time, foreign currency source continues to be the highlight to stabilize the exchange rate in this period. Accordingly, VCBS forecasts that the exchange rate will fluctuate no more than 2% for the whole year.
- Deposit rates recorded a slight decrease of 20 basis points. At the end of October, many banks reduced lending rates for many types of customers to boost business activities. In which, the target of many banks is personal loans and loans for small and medium enterprises.
- The COVID-19 pandemic continues to show signs of an outbreak in Europe, threatening the countries' recovery efforts in the region as many countries took measures to re-lockdown last October nationwide return. Thus, stimulus packages and urgent support will be given soon in the coming period. Therein, the first step was recorded in the Bank of England.
- In October, the Government and SBV had continual meetings with the US. As mentioned in previous reports, through bilateral negotiations, the Vietnamese authorities are showing their monetary policy messages to ensure economic stability and do not serve the purpose of supporting exports. Therefore, VCBS believes the risk that Vietnam will suffer from sanctions due to being labeled as currency manipulation is not high.
- The major US media simultaneously reported that Joe Biden became president-elect of the US. In the short term, the financial market is reacting quite positively to this result because it is quite the same as market participants expect. Note that the complete change in US cabinets will only impact Vietnam in the long run. In the meantime, it is highly unlikely that Vietnam shall bear sanctions derived from being labeled as a currency manipulator. In the longer term, we do not rule out the possibility that the new administration will follow the penchant for inheriting or resuming some of the policies know as the legacy of Obama, including free trade. However, the transition of power in the coming year will not be easy at all. With the results of this presidential election, the US policy decisions both domestically and externally, almost contrary to the past term. Accordingly, Vietnam, as an open economy, shall require adaptation and response measures.

Secondary market

Market liquidity increased considerably in October.

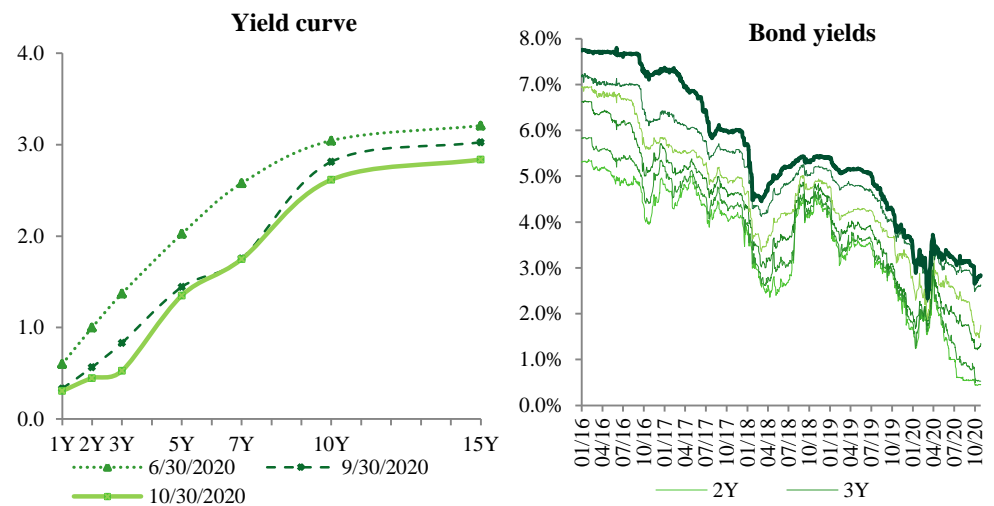
VND 239481 bn (+21.5% mom) traded on the secondary market.

VND 239481 bn (+21.5% mom) traded on the secondary market. Market liquidity decreased considerably compared to the previous month. Therein, outright and repo value traded recorded at VND 178,663 bn (+24.8% mom) and VND 60,819 bn (+12.4% mom), respectively.



Source: HNX, VCBS

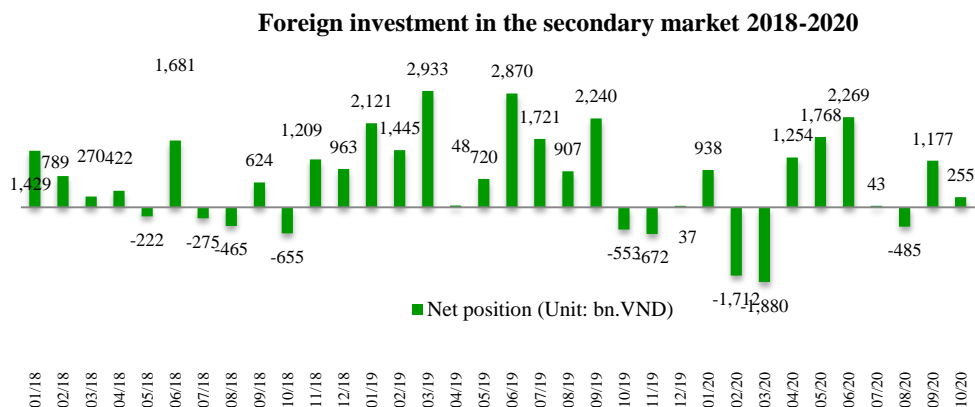
Yield curve became steeper and shifted downwards. According to Bloomberg statistics, yields for 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y end October 2020 at 0.31% (-2.7 bps mom), 0.45% (-11.9 bps mom), 0.53% (-30.6 bps mom), 1.35% (-9.39 bps mom), 1.747% (-0.80 bps mom), 2.62% (-19.7 bps mom), 2.84% (-18.9 bps mom), respectively.



Source: Bloomberg, VCBS

VCBS assesses that the downward pressure will still dominate the government bond market. The downward trend of deposit interest rates supports commercial banks to reduce input costs. In addition, the abundant liquidity in the interbank market is the main factor for the downtrend. However, market sentiment is quite cautiously observing world movements so as to digest the latest movement. Accordingly, although the downward trend of yields has not come to an end yet, the declining speed is expected to slow down.

Foreign investors net sold VND 255 billion this month Foreign investors net sold VND 255 billion this month, focused on medium tenors (5-7 years).



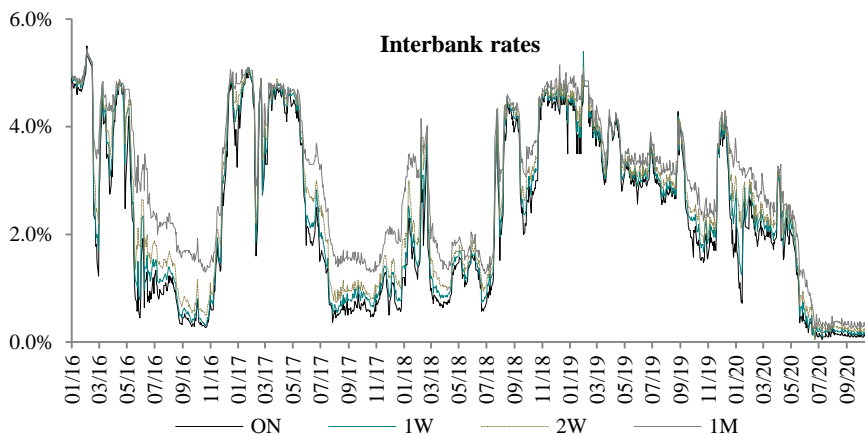
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

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Source: Bloomberg, VCBS

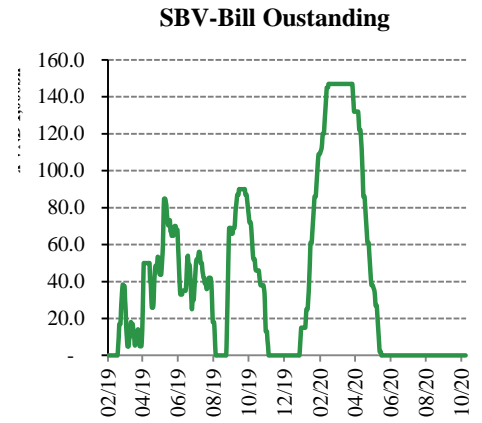
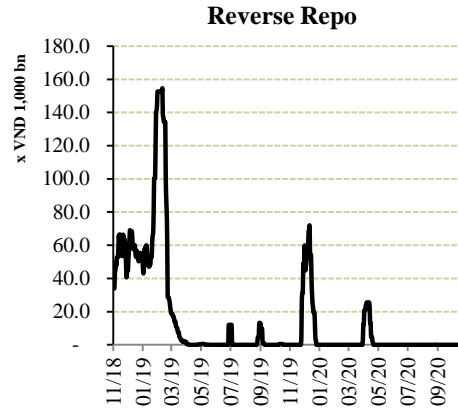
In Q4, interbank rates will stand at low levels and the market will not see liquidity pressure at the end of the year when: (1) The loosening money policy trend of countries around the world is still maintained; (2) Favorable exchange rate movements; (3) Although the Treasury deposit balance in the banking system decreases, this resource may return to the system soon. However, VCBS believes that there are still risks: (1) The end of the year is often recognized as a time for credit growth; (2) The Bank also needs to prepare liquidity to meet customer demand at the end of the year.

Thus, VCBS assesses that interbank rates are likely to remain at the current low levels.

Open market operation

No intervention needed as abundant liquidity recorded.

This month we observe 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 5 months.



Source: Bloomberg, VCBS

APPENDICES

Primary Market

Month	St Bond							VDB	VBSP	Volmue	
	Issued Volume	5Y	7Y	10Y	15Y	20Y	30Y	Issued Volume	Issued Volume	Issued Volume	Issued Volume
09/19	9.950	2,89	3,54	3,98	4,25	4,88	5,23	0	3.702	0	13.652
10/19	20.190	2,85	3,00	3,58	3,76	4,32	4,65	0	0	0	10.190
11/19	13.729	2,37	3,00	3,51	3,65	4,02	4,61	12.397	0	0	26.126
12/19	9.858	2,00	N/A	3,48	3,65	N/A	4,55	1.400	0	0	11.258
01/20	9.526	1,80	2,24	2,88	3,00	3,15	3,80	9.526	0	0	9.526
02/20	13.734	N/A	2,24	2,79	2,88	3,09	3,55	13.734	0	0	13.734
03/20	9.721	N/A	1,90	2,18	2,53	3,00	3,00	9.721	0	0	9.721
04/20	3.070	N/A	N/A	2,50	2,85	3,10	3,10	3.070	0	0	3.070
05/20	18.392	2,20	N/A	2,90	3,07	3,43	N/A	18.392	0	0	18.392
06/20	32.594	1,92	N/A	3,01	3,15	3,45	N/A	0	0	0	32.594
07/20	58.671	1,74	N/A	2,80	3,01	3,34	3,50	0	0	0	58.671
08/20	22.580	1,70	N/A	2,90	3,07	3,34	3,50	0	0	0	22.580
09/20	60.141	1,35	N/A	2,75	2,96	3,26	3,48	0	0	0	60.141
10/20	31.643	1,22	1,55	2,53	2,66	3,02	3,25	0	0	0	31.643

Secondary Market

Month	Bonds		ST-bills		Total
	Outright	Repo	Outright	Repo	
09/19	99.661	81.694	-	-	181.355
10/19	124.405	86.923	-	-	211.328
11/19	130.835	177.147	-	-	307.982
12/19	117.869	92.618	-	-	210.487
01/20	96.169	60.524	-	-	156.693
02/20	125.714	81.108	-	-	206.822
03/20	183.792	120.943	-	-	304.736
04/20	63.868	76.265	-	-	140.133
05/20	124.715	57.004	-	-	181.719
06/20	110.425	58.958	-	-	169.383
07/20	159.225	76.755	-	-	235.950
08/20	110.228	65.611	-	-	175.839
09/20	143.068	54.108	-	-	197.176
10/20	178.663	60.819	-	-	239.481

Open Market Operation

Month	Reverse Repo				Outright			
	Due	Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
09/19	14.122	988	(13.134)	-	3.000	149.993	68.997	68.997
10/19	-	-	-	-	92.994	68,996	(23,998)	53,997
11/19	-	49,179	49,179	49,179	160,989	106,992	(53,997)	-
12/19	103,292	54,113	(49,179)	-	-	-	-	-
01/20	-	-	-	-	-	24,999	24,999	24,999
02/20	21	21	-	-	-	94,991	94,991	119,990
03/20	1	2,878	2,877	2,877	-	26,997	26,997	146,987
04/20	25,512	22,637	(2,875)	2	19,999	-	(19,999)	131,987
05/20	5	5	-	2	99,991	-	(99,991)	26,997
06/20	2	-	(2)	-	26,997	-	(26,997)	-
07/20	7	7	-	-	-	-	-	-
08/20	-	-	-	-	-	-	-	-
09/20	-	-	-	-	-	-	-	-
10/20	-	-	-	-	-	-	-	-

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