

Fixed-Income Report

January.2021

In this issue

- Round-up
- Bond markets
- Interest rates

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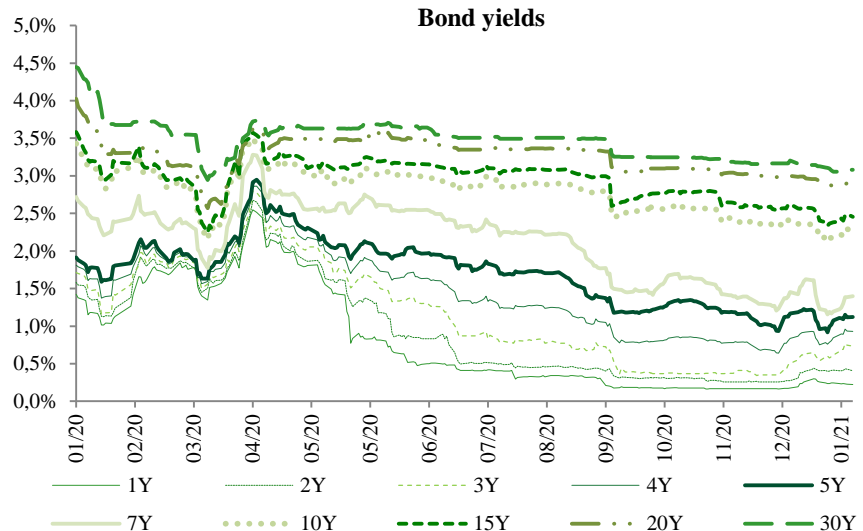
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Round-up



Source: VBMA, VCBS compiles

■ VND 23,496 bn (-44.9% mom, +146.7% yoy) was mobilized on primary market. VND 303,483 bn (-5.9% mom, +93.7% yoy) were traded on the secondary market.

■ Yield curve became flatter, slight upward pressure dominated on short-tenors while bond yields for long tenors slightly decreased. According to VBMA's statistics, bond yields for 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y tenors ended January at 1.265% (+5 bps mom), 1.38% (+15.4 bps mom), 1.55% (+24.2 bps mom), 1.693% (+9.4 bps mom), 1.837% (-5.4 bps mom), 2.433% (-6.8 bps mom), 3.108% (-13.1 bps mom), 3.166% (-13.4 bps mom), 3.306% (-9.9 bps mom) and 3.675% (-12.6 bps mom), respectively.

■ Foreign net bought VND 2,824 billion this month.

■ Abundant liquidity inched up at the end of the month, but remained low. At the end of January, ON-3M interest rates stood at 0.226%, 0.343%, 0.543%, 0.661% and 1.1%, respectively.

■ No intervention needed as abundant liquidity recorded.

VCBS Commentary

■ We assess that bond yields can move sideways or rebound slightly in the short term, however, the downtrend will still prevail in the long term.

■ As forecasted in the [Government Bond Market Outlook 2021](#), VCBS maintains the view that market factors will support the interbank rates remain at low levels, excluding seasonal factors.

BOND MARKETS

Primary Market

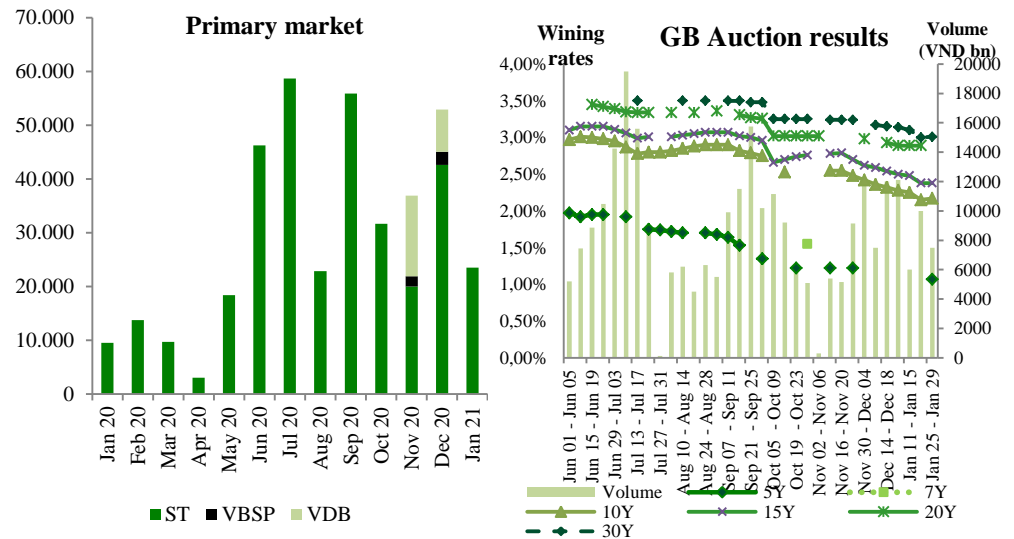
Wining rates decreased in January.

VND 23,496 bn (-44.9% mom, +146.7% yoy) worth of bonds were mobilized.

VND 23,496 bn (-44.9% mom, +146.7% yoy) worth of bonds were mobilized in 01.2021. In detail, VND 1.300 bn; 250 bn; 8,850 bn; 8.281 bn; 2.000 and 3.065 bn were mobilized in 5Y, 10Y, 15Y, 20Y and 30Y tenors, respectively.

Winning rates went down in all tenors; In detail, winning rates for 5Y, 10Y, 15Y, 20Y and 30Y tenor winning rates posted at 1.07% (-15 bps mom, -73 bps yoy), 2.17% (-11 bps mom, -71 bps yoy), 2.38% (-12 bps mom, -62 bps yoy), 2.89% (0 bps mom, -26 bps yoy), 3.01% (-13 bps mom, -79 bps yoy).

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:

At the end of January, the Ministry of Finance announced Q1.2021 plan. In our opinion, this plan is quite feasible to new investment demand and reinvestment demand in the context that the amount of bond maturity in Q1 is about 50,000 billion. VCBS maintains the forecast the issuance plan for 2021- VND 340,000 - 360,000 billion (corresponding to an increase of 8-10% compared to the actual issuance volume in 2020).

Tenor	Plan Q1.2021	Issued in M1. 2021	% completed plan Q1.2021
5Y	5.000	1.300	26,00%
7Y	5.000	0	0%
10Y	35.000	8.850	25,3%
15Y	35.000	8.281	23,7%
20Y	10.000	2.000	20,0%
30Y	10.000	3.065	30,7%
Total	100.000	23.496	23,5%

Source: MOF, VCBS Research

Macro updates:

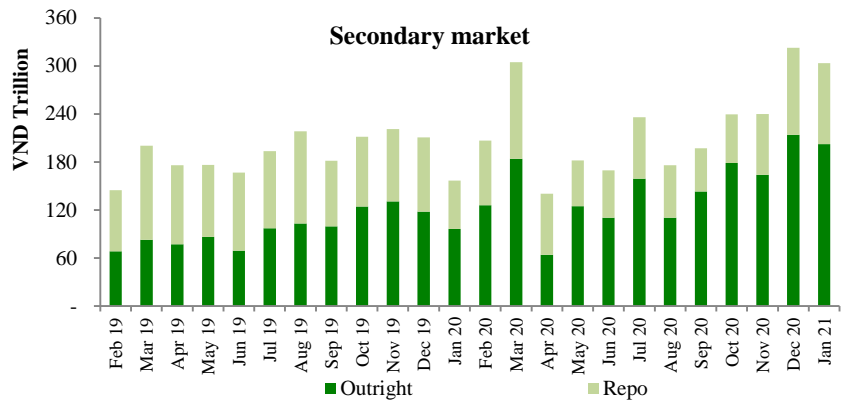
- The industrial production index (IIP) in January 2021 decreased by 3.2% mom and increased by 22.2% YoY. Meanwhile, PMI reached 51.3 in January, down from 51.7 in December. Industrial production index (IIP) in January 2021 decreased by 3.2% mom and increased by 22.2% yoy. Although the figures are quite positive, the resurgence of the disease and its complicated developments will have a significant impact on the dual target of the Government, which we will update continuously in the upcoming reports. Regarding the operator policy, in the current context, we expect the State Bank will continue to operate in the direction of proactively, flexibly and maintain abundant system liquidity.
- According to General Statistics Office, Consumer Price Index in January 2021 increased by 0.06% mom and ticked down 0.97% YoY. Core inflation increased by 0.27% compared to December 2020 and by 0.49% yoy. This can be put down to explained when it is closer to Lunar New year, it often experiences a high demand from consumers. Thus, higher inflation in February can reasonably put down to seasonal factors. Accordingly, VCBS maintains that inflation will be at 3.0% -3.5% for the whole year 2021.
- Center exchange rate stood at 23,151 VND/USD, ticked up 20 dong compared to last month; Exchange rates at commercial banks decreased by 100 VND and settled at 23,130. This movement occurs after SBV decreased the bid rate. As mentioned in previous reports, SBV's policies in this period are quite flexible and reasonable while Vietnam is designated as a currency manipulator. Consequently, we believe there shall be times when VND appreciates against USD. VCBS expects that the exchange rate shall fluctuate in a range $\pm 0.5\%$.
- New variants of Covid-19 kept spreading in many countries. It will probably take more time before the effort to contain the pandemic works. With this latest news, we believe that more aid packages specifically expansionary monetary policies are on the go in order to support the economy. These efforts shall not come to an end at least in 2022.

Secondary market

Market liquidity is active in January.

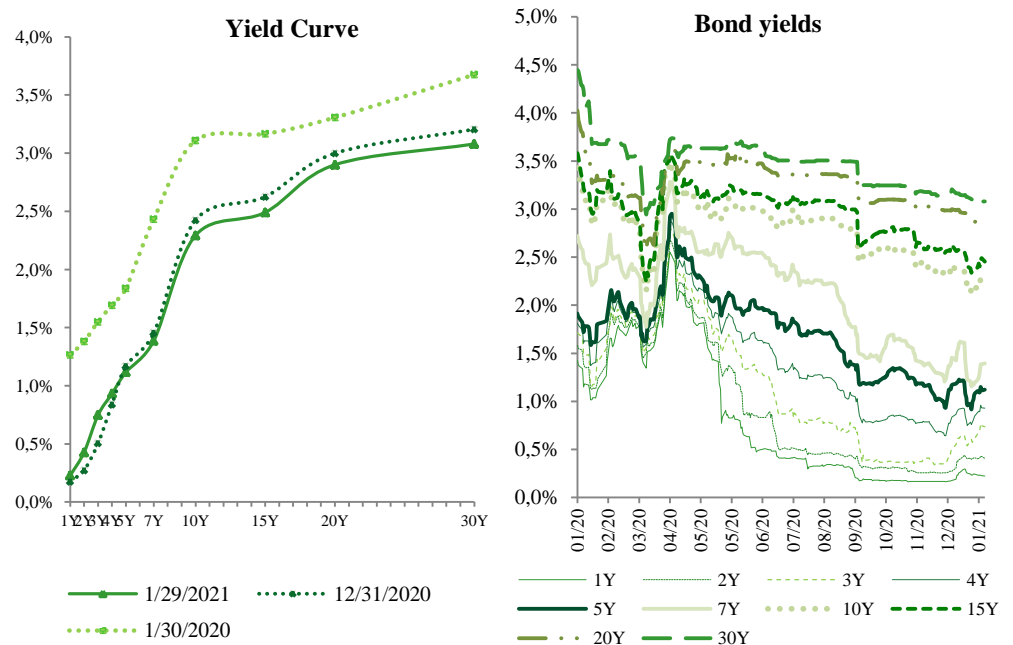
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VND 303,483 bn (-5.9% mom, +93.7% yoy) traded on the secondary market. Therein, outright and repo value traded recorded at VND 202,123 billion (-5.4% mom) and VND 101,360 billion (-6.9% mom). Thus, average trading volume per session reached VND 15,174 billion, which is 44% higher compared to the average session in 2020, this shows the attractiveness of the market.



Source: HNX, VCBS

Yield curve became flatter, slight upward pressure dominated on short tenors while bond yields for long tenors slightly decreased. According to VBMA's statistics, bond yields for 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y tenors ended January at 1.265% (+5 bps mom), 1.38% (+15.4 bps mom), 1.55% (+24.2 bps mom), 1.693% (+9.4 bps mom), 1.837% (-5.4 bps mom), 2.433% (-6.8 bps mom) , 3.108% (-13.1 bps mom), 3.166% (-13.4 bps mom), 3.306% (-9.9 bps mom) and 3.675% (-12.6 bps mom), respectively.



Source: Bloomberg, VCBS

Yield curve became flatter with slight upward pressure on short-term bonds while bond yields for long tenors have declined slightly in the first month of 2021. Short tenors are under slight upward pressure while these tenors are sensitive to interbank rates. In addition, short tenors are quite illiquidity, so these have not completely reflected the movements.

In the short term, yields tend to move sideways in a narrow range when the decline in yields temporarily halts. However, VCBS forecasts that the downtrend will dominate the market as mentioned in the [Government Bond Market Outlook 2021](#). Therefore, downward pressure will exist in the bond market based on some supportive factors. (1) The trend of loosening

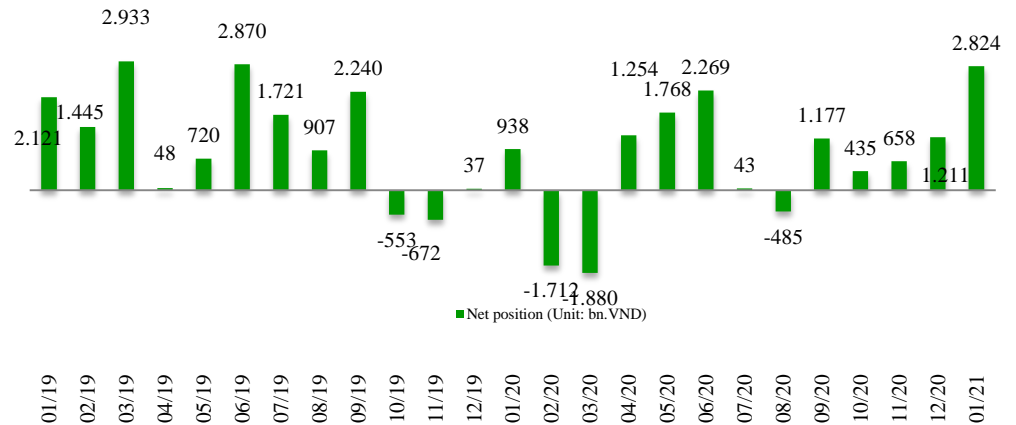
monetary policy leads to upward trend in prices of assets. (2) The macro-economy is stable, Vietnam will once again successfully repel and prevent epidemics. (3) The liquidity in the interbank market is relatively abundant.

Thus, we assess that bond yields can move sideways or rebound slightly in the short term, however, the downtrend will still prevail in the long term.

Foreign investors net bought VND 2,824 billion this month

Foreign investors net bought VND 2,824 billion in the market. Net buying was recorded mainly at medium term (5-10 years). The market often observes a strong increase in foreign transactions in the beginning of the year, and this year continues to witness this trend. Moreover, the net buying figure of foreign investors in this period was quite remarkable. This shows that foreign investors firmly believe in risk-free assets in countries with macroeconomic stability and good disease control like Vietnam.

Foreign investors in the secondary market



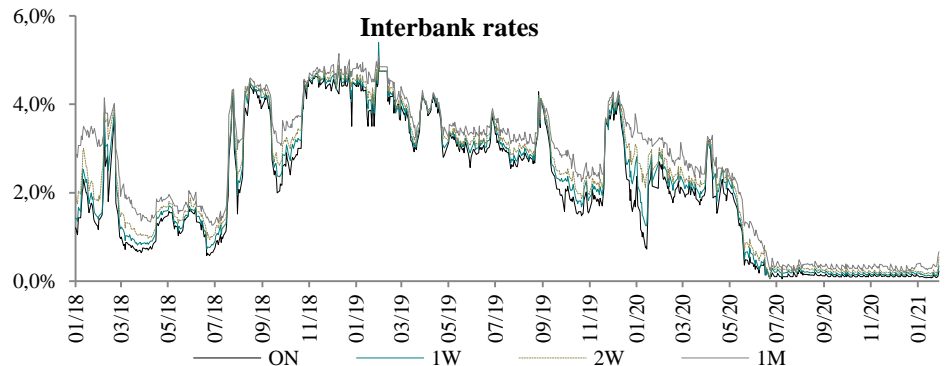
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rates inched up at the end of the month, but remained low.

Interbank rates inched up at the end of the month, but remained low. At the end of January, ON-3M interest rates stood at 0.226%, 0.343%, 0.543%, 0.661% and 1.1%, respectively.



Source: Bloomberg, VCBS

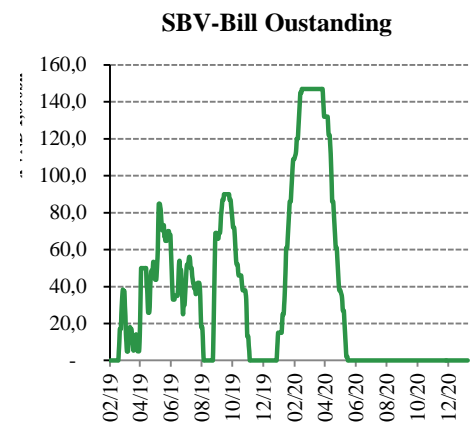
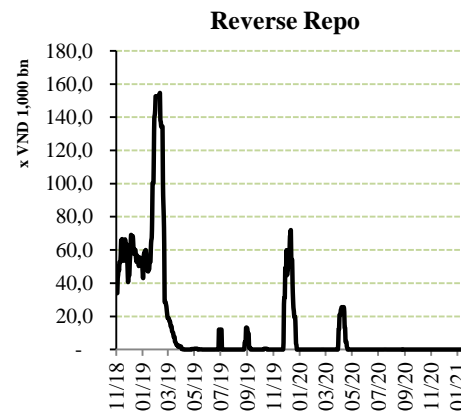
Interbank rates increased for all tenors, mainly due to the year-end credit demand and the tendency of residents and businesses to withdraw a portion of money from their bank accounts. When Lunar new year is coming, the interbank rate levels are difficult to decrease. Liquidity is likely to be no longer surplus under the pressure from seasonal factors. After that, in the context of complicated pandemic, the credit expectation maybe not high, and good investment flows into Vietnam will support the liquidity in the system.

As forecasted in the [Government Bond Market Outlook 2021](#), VCBS maintains the view that market factors will support the interbank rates remain at low levels, excluding seasonal factors.

Open market operation

No intervention needed as abundant liquidity recorded.

This month we observe no new transaction via the OMO channel. Thus, liquidity in the interbank is still abundant.



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
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
11/20	19.997	1,22	N/A	2,48	2,7	3,02	3,24	15.000	1.900	0	36.897
12/20	43.614	N/A	N/A	2,2	2,4	2,8	3,11	6.900	2.400	0	52.989
01/21	23.496	1,07	N/A	2,15	2,38	2,89	3	0	0	0	23.946

Secondary Market

Month	Bonds		ST-bills		Total
	Outright	Repo	Outright	Repo	
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
11/20	163.934	75.845	-	-	239.779
12/20	213.723	108.949	-	-	322.673
01/21	202.123	101.360	-	-	303.483

Open Market Operation

Month	Reverse Repo				Outright			
	Due	Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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	-	-	-	-	-	-	-	-
11/20	-	-	-	-	-	-	-	-
12/20	-	-	-	-	-	-	-	-
01/21	-	-	-	-	-	-	-	-

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