

## Fixed-Income Report

### 3Q.2022

#### In this issue

- Round up
- Bond market
- Interest rates

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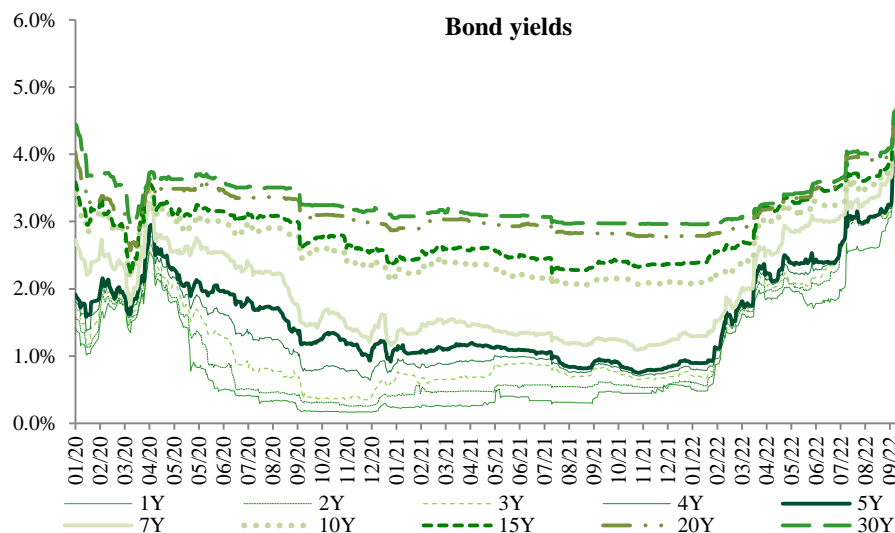
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## Round-up



■ 46,195 bn VND (+40.8% QoQ) worth of bond was mobilized on primary market. 399,343 bn VND (-24.8% QoQ) of was traded in secondary market.

■ Bond yields increase significantly, especially on the short terms. According to VBMA's statistics, yields for 1Y, 2Y, 3Y, 5Y, 7Y, 10Y, and 15y terms ended the quarter at 4.49% (+269.5 bps QoQ), 4.467% (+235.7 bps QoQ), 4.457% (+217.3 bps QoQ), 4.45% (+211.4 bps QoQ), 4.444% (+205.6 bps QoQ), 4.64% (+164.6 bps QoQ), 4.762% (+152 bps QoQ), 4.841% (+138.5 bps QoQ), 4.932% (+142.2 bps QoQ), 5.008% (+141.8 bps QoQ).

■ The foreign investors net sold 2,387 billion VND in the third quarter.

■ Interbank rates continued to be under strong upward pressure. Rates for OM-3M terms were recorded at 4.725%, 4.9%, 4.975%, 4.975% and 5.325%, respectively average.

## VCBS Commentary

■ VCBS believe that interbank rates will likely remain above 5%, interbank rates rise above OMO rates, and will occur more often especially at the end of the year.

■ With the assumption that interbank interest rates will not be able to cool down anytime soon, VCBS anticipate that yield curve flattening and shifting upwards may continue and prevail in the next quarter. Looking at the big picture, it is unlikely that fixed income market will be active soon in the context that funding cost of either financial system or the economy are rising rapidly in a relative short period of time.

## Bond Market

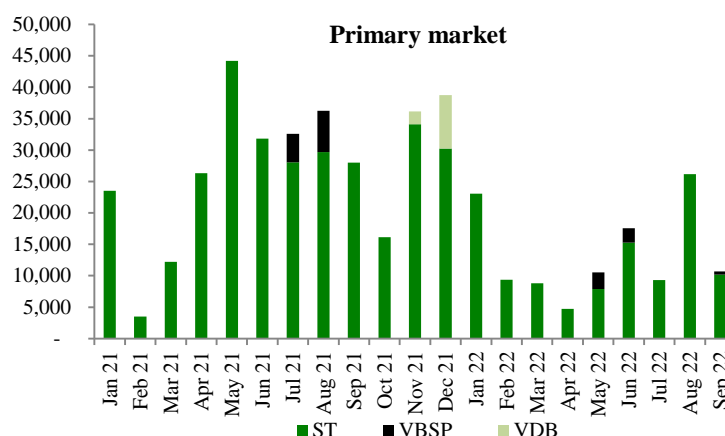
### Primary market

#### Government bond yields went up steadily during the quarter

**46,195 bn VND (+40.8% QoQ) worth of bond was mobilized.**

During the quarter, 46,195 bn VND (+40.8% QoQ) worth of bond was mobilized. In detail, State Treasury (ST) issued 25,830 bn VND; 19,865 bn in 10Y and 15Y tenors.

Winning rates went up steadily during the quarter. To be more specific, winning rates for 10Y and 15Y tenors were 2.93% (+45 bps QoQ) and 3.3% (+52bps QoQ) respectively. Meanwhile, Vietnam Bank for Social Policies (VBSP) raised 500 bn VND in 3Y tenor. Vietnam Development Bank (VDB) did not mobilize bonds in this quarter.



Sources: HNX, VCBS

#### Update on Projected bond issuance of State Treasury

During Q3.2022, State Treasury successfully mobilized 45,695 bn VND of government bonds (53.8% of the 3<sup>rd</sup> quarter's plan). As a result, since the beginning of 2022, ST mobilized 114,782 bn VND of government bonds (28.7% of 2022's plan). As mentioned in previous reports, we are witnessing no rush from ST in issuing government bonds, given that public investments are still focusing on some key projects rather than massive disbursement.

Tenor	Plan Q3.2022	Plan 2022	Issued Q3.2022	% Completed Q3.2022 plan	Issued 9M.2022	% Completed 2022 plan
5Y	5,000	30,000		0.0%		
7Y	5,000	15,000		0.0%		
10Y	30,000	140,000	25,830	86.1	57,47	41.1%
15Y	35,000	150,000	19,865	56.8%	46,420	30.9%
20Y	5,000	30,000		0.0%	2,265	7.6%
30Y	5,000	35,000		0.0%	8,625	24.6%
<b>Total</b>	<b>85,000</b>	<b>400,000</b>	<b>45,695</b>	<b>53.8%</b>	<b>114,782</b>	<b>28.7%</b>

Sources: HNX, VCBS

#### Macro updates:

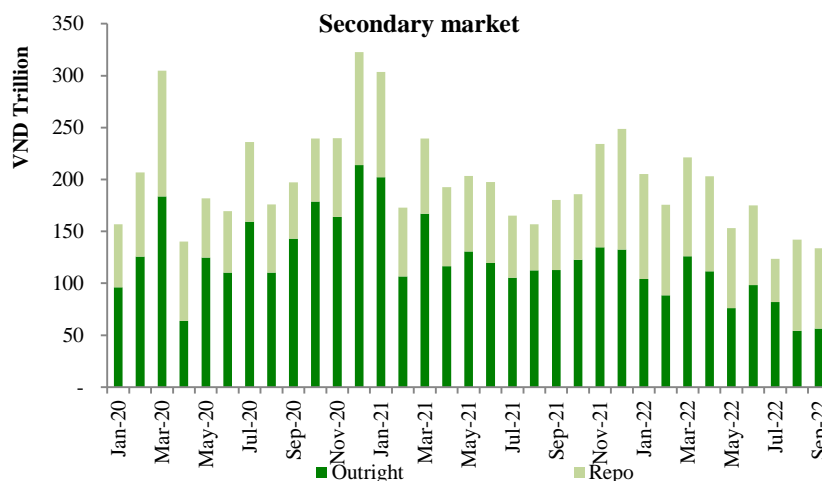
- Gross Domestic Products (GDP) of the 3<sup>rd</sup> Quarter 2022 is estimated to increase significantly at 13.67% compared to the same period last year. 9 months GDP of 2022 increased 8.83% compared to the same period last year, the highest ever recorded in the same period during 2011-2022, production and economic activities regained their momentum, proving that the Government's policy on socio-economic recovery worked well.
- Consumption demand grew positively. Total retail sales of consumer goods and services revenue reached VND 4,170.2 thousand bn. In the first 9 months of 2022, we recorded a 21% increase compared to the same period last year (the same period in 2021 this figure dropped 5%), if excluding price the factor there was a 16.8% increase, (the same period in 2021 recorded a decrease of 6.6%). In the third quarter of 2022, retail sales reached VND 1,450.4 trillion, an increase of 3.8% compared to the previous quarter and an increase of 41.7 % compared to the same period last year.
- Import and export activities recovered strongly. In the first nine months of 2022, the total export and import turnover of goods reached US\$558.52 billion, up 15.1% over the same period last year, of which exports increased by 17.3%; imports increased by 13%. The trade surplus is estimated at 6.52 billion USD in 9M.2022.
- Prices of essential consumer goods and services increased due to the increase in prices of input materials. Besides, tuition fees increased in some provinces in a new school year. Hence, CPI in September 2022 increased by 0.4% compared to the previous month, which equals to an increase by 4.01%, and over the same period, last year increased by 3.94%. Average CPI in the third quarter of 2022 increased by 3.32% compared to the third quarter of 2021. On average in 9 months of this year, CPI went up by 2.73% over the same period last year; core inflation increased by 1.88%. Inflationary pressure still exists when product prices and production costs remain high; we are observing the Government's efforts to stabilize prices and the determination to control inflation.
- As of September 20, 2022, capital mobilization of credit institutions increased by 4.04% (in the same period in 2021, it increased by 4.28%); credit growth of the economy reached 10.54% (in the same period of 2021, it increased by 7.17%). The high increase in credit over the same period reflects the increased credit demand of the economy during the post-epidemic recovery period while deposit growth has not kept pace. Accordingly, many joint stock commercial banks have adjusted to increase deposit rates in many terms with an surge of 90-110 basis points. At small joint-stock commercial banks, the interest rate hike can be up to 150 points or ~8% for a term of more than 12 months. **The forecast of interest rate increase for the whole year 2022 may range from 150-200 points.**
- On September 30, the State Bank adjusted the USD selling rate at the SBV's Exchange from 23,700 VND/USD to 23,925 VND/USD. Thus, since the beginning of the year 2022,

the State Bank has increased this exchange rate by 905 VND, equivalent to an increase of 3.9%. Shortly, after raising the operating interest rate, the State Bank continued to utilize the exchange rate tool, showing that great pressure is still being put upon indicators of macroeconomic stability. With the world's political conflicts continuing to escalate, and systemic risks increasing, it is likely that the financial markets will continue the process of revaluation. **VCBS forecasts that VND is likely to depreciate by more than 5% against the USD this year.**

### Secondary Market

**399,343 bn VND (-24.8% QoQ) of was traded in secondary market.**

**399,343 bn VND (-24.8% QoQ) were traded in the secondary market.** Specifically, the outright transaction value reached VND 192,660 billion (-32.6% QoQ) while the repo transaction value reached VND 206,682 billion (-15.7% QoQ).

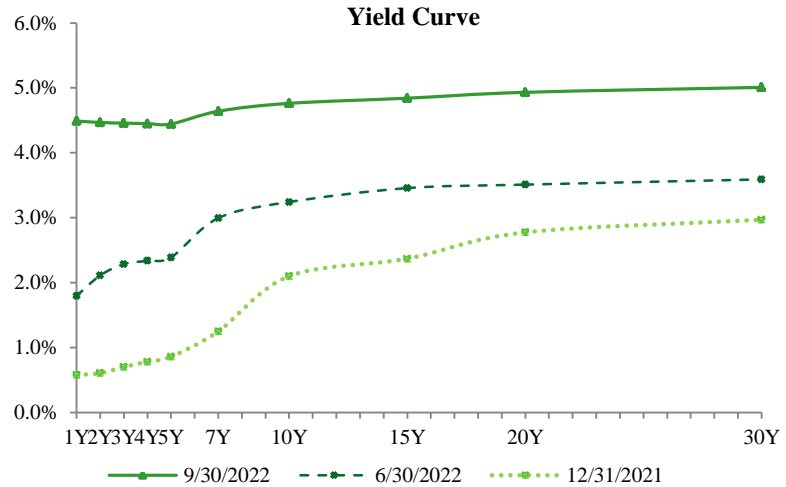


Sources: HNX, VCBS

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**With the assumption that interbank interest rates will not be able to cool down anytime soon, VCBS anticipate that yield curve flattening and shifting upwards may continue and prevail in the next quarter.** Liquidity in the interbank market will be a key factor affecting bond yields, especially short-term bond yields. At the same time, towards the end of the year, especially at the end of November and December, liquidity pressures tend to increase. With this forecast, the bond market liquidity will be more condensed to a low level.

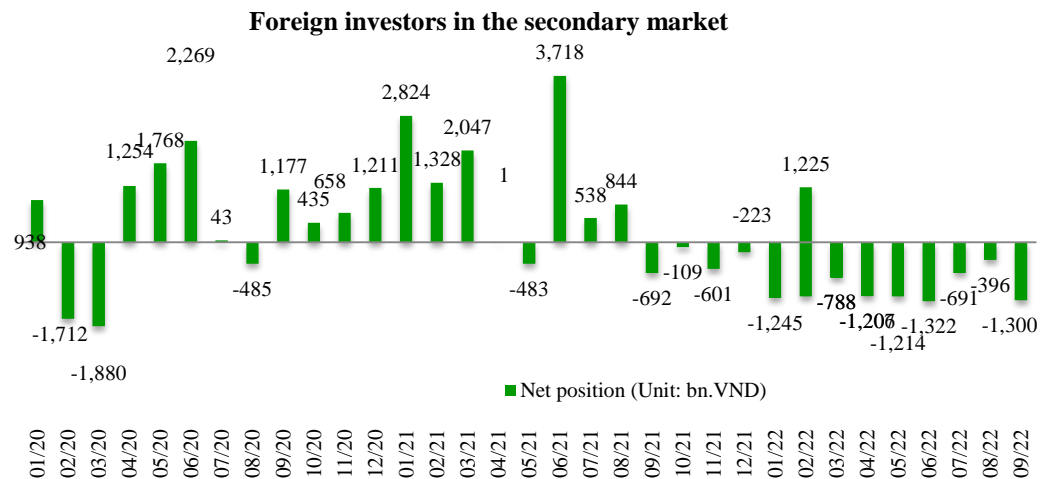


Source: VBMA, VCBS compile

Looking at the big picture, it is unlikely that fixed income market will be active soon in the context that funding cost of either financial system or the economy are rising rapidly in a relative short period of time. Hence, we shall experience a period of asset reallocations amid systematic risk globally.

The net amount sold by foreign investors was 2,387 billion VND in the third quarter.

The net amount sold by foreign investors was 2,387 billion VND in the 3<sup>rd</sup> Quarter. Foreign investors were quite quiet in this quarter of the year in the context of escalating uncertainties in the world.



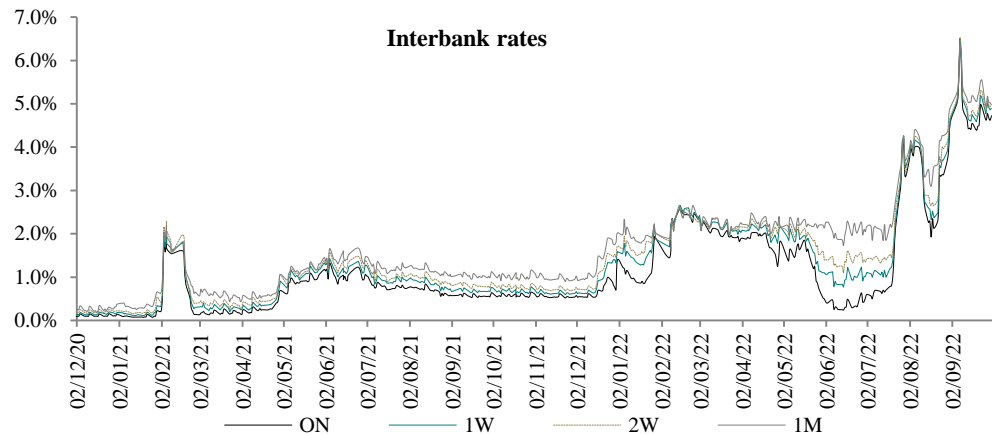
Sources: HNX, VCBS

## INTEREST RATE

### Interbank rate

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Sources: Bloomberg, VCBS

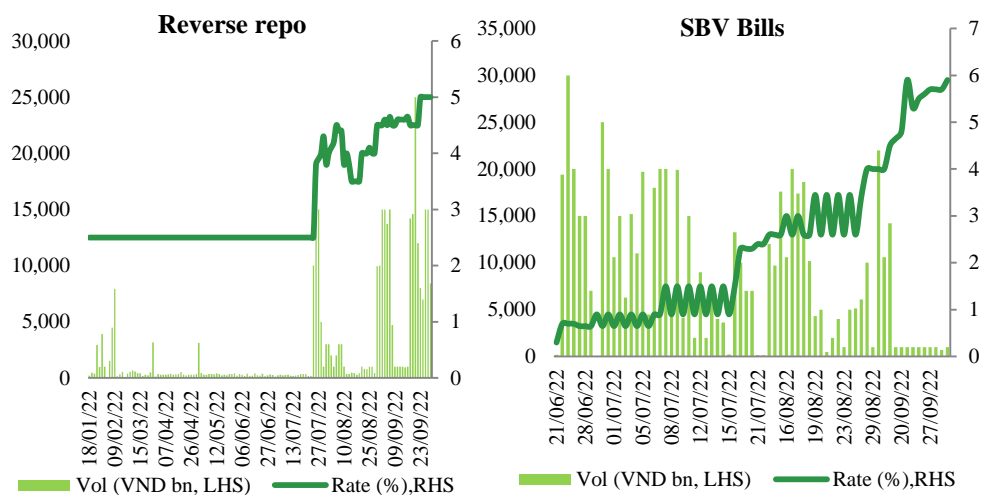
During this period, the economy recognized challenges to macro stability: exchange rate pressure has not shown signs of cooling down anytime soon, inflation is currently under control, but long-term pressure still exists, causing Operators to continue to act cautiously. With the top priority being to maintain factors' stability (inflation control, exchange rate stability), the SBV cannot be too aggressive in maintaining a state of abundant liquidity in the market, **aiming to reduce the appeal of holding USD.**

To sum up, we believe that interbank rates will likely remain above 5%, interbank rates rise above OMO rates, and will occur more often especially at the end of the year: (1) According to the seasonal factor, the end of the year usually records a higher credit growth rate. (2) At the same time, preparing liquidity to meet the year-end needs of customers requires certain resource preparation.

### Open Market Operation

**SBV net injected VND 39,644 billion in the quarter.**

SBV net injected VND 39,644 billion in the quarter. Specifically, with active and flexible management, the SBV utilized simultaneously and harmoniously reverse repo and SBV-bills via OMO. Notably, since the end of July, the State Bank of Vietnam has conducted open market operations in the form of competitive interest rates bidding. It also marked the time when OMO rates exceeded 2.5%. Since July, it can be seen that the interest rate of SBV bills tends to increase continuously, especially when the bidding volume is offered at a fixed amount.



Source: Bloomberg, VCBS

**End**

## APPENDICES

### Primary Market

Month	ST Bond							VDB	VBSP	Other	Issued Volume
	Issued Volume	5 Y	7Y	10Y	15Y	20Y	30Y	Issued Volume	Issued Volume	Issued Volume	
21-Oct	16,146	0.84	N/A	2.15	2.38	2.81	2.98	0	0	0	16,146
21-Nov	34,133	0.76	1.1	2.07	2.34	2.78	2.98	2,000	0	0	36,133
21-Dec	30,220	0.85	1.3	N/A	2.34	N/A	2.96	0	8,500	0	38,720
22-Jan	23,082	N/A	N/A	2.08	2.37	2.75	2.96	0	0	0	23,082
22-Feb	9,380	N/A	N/A	2.12	2.42	2.75	2.99	0	0	0	9,380
22-Mar	8,820	N/A	N/A	2.2	2.5	N/A	3	0	0	0	8,820
22-Apr	4,620	N/A	N/A	2.28	2.58	2.75	2.99	0	100	0	4,720
22-May	7,910	N/A	N/A	2.34	2.64	2.75	3.01	0	2,600	0	10,510
22-Jun	15,275	N/A	N/A	2.48	2.78	2.75	N/A	0	2,300	0	17,575
22-Jul	9,335	N/A	N/A	2.58	2.83	N/A	N/A	0	0	0	9,335
22-Aug	26,160	N/A	N/A	2.85	3.15	N/A	N/A	0	0	0	26,160
22-Sep	10,700	N/A	N/A	2.93	3.3	N/A	N/A	0	0	0	10,700

### Secondary Market

Month	Bonds		ST-bills		Total
	Outright	Repo	Outright	Repo	
10/21	122,708	63,153	-	-	185,861
11/21	134,560	99,731	-	-	224,292
12/21	132,587	116,136	-	-	248,722
01/22	104,158	100,964	-	-	205,122
02/22	88,562	67,209	-	-	155,122
03/22	126,134	100,964	-	-	221,363
04/22	111,414	87,000	-	-	203,089
05/22	76,139	95,229	-	-	153,003
06/22	98,217	76,749	-	-	174,966
07/22	81,937	41,704	-	-	123,640
08/22	54,294	87,606	-	-	141,900
09/22	56,430	77,373	-	-	133,802

### Open Market Operation

Month	Reverse Repo				Outright (SBV Bills)			
	Due	Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
10/21	-	-	-	-	-	-	-	-
11/21	-	-	-	-	-	-	-	-
12/21	-	-	-	-	-	-	-	-
01/22	-	9,899	9,899	1,065	-	-	-	-
02/22	24,809	15,830	(8,979)	1,440	-	-	-	-
03/22	3,028	6,494	3,466	4,387	-	-	-	-
04/22	6,727	8,375	1,648	6,035	-	-	-	-
05/22	8,818	5,260	(3,558)	2,477	-	-	-	-
06/22	4,328	3,550	(778)	1,768	49,600	151,639	102,040	19,600
07/22	3,883	49,634	45,751	47,450	239,869	248,929	9,060	111,099
08/22	70,337	45,264	(25,073)	2,133	216,059	160,160	(55,899)	112,930
09/22	96,744	79,069	(17,674)	4,703	155,800	165,999	10,199	65,399



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