

Fixed-Income Report

1Q.2021

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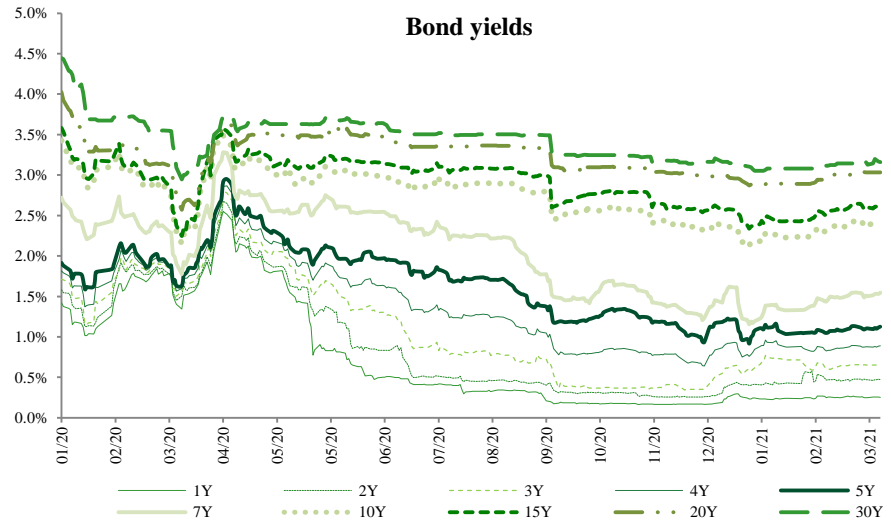
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Round-up



■ In Q1.2021, VND 39,205 bn (-67.71% qoq, +18.87% yoy) worth of bond was mobilized. VND 715,951 bn (-10.7% qoq, -7.1% yoy) was traded on secondary market.

■ Bond yields fell in the first half of January before gradually increasing in the remainder of Q1. According to VBMA, yields on 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y terms ended 1Q.2021 at 0.177% (+7.8 bps qoq), 0.273% (+19.7 bps qoq), 0.55% (+14.5 bps qoq), 0.838% (+3.7 bps qoq), 1,170% (-6.9 bps qoq), 1,454% (+8.1 bps qoq), 2,424% (-2.5 bps qoq), 2,625% (-1.6 bps qoq), 2,999% (+3.2 bps qoq), 3,205% (-2.2 bps qoq).

■ The foreign investors net bought approximately VND 6,199 bn.

■ Except for the seasonal increase around the Lunar New Year, the interbank interest rate level is low. Interest rates for OM-3M tenors were recorded at 0.25%, 0.36%, 0.43%, 0.58% and 1.2%, respectively.

■ The State Bank net injected VND 50,726 billion in the first half of February, however, this volume matured within the month.

VCBS Commentary

■ During this period, short-term upward pressure still existed in the first half of the quarter. For the second half of 2Q, the downtrend will prevail mainly thanks to the maintained investment, reinvestment demand and abundant interbank liquidity. Moreover, the trend of loosening monetary policy leads to the upward trend in prices of assets.

■ Interbank market: we believe that the interbank rates will remain low.

Bond Market

Primary market

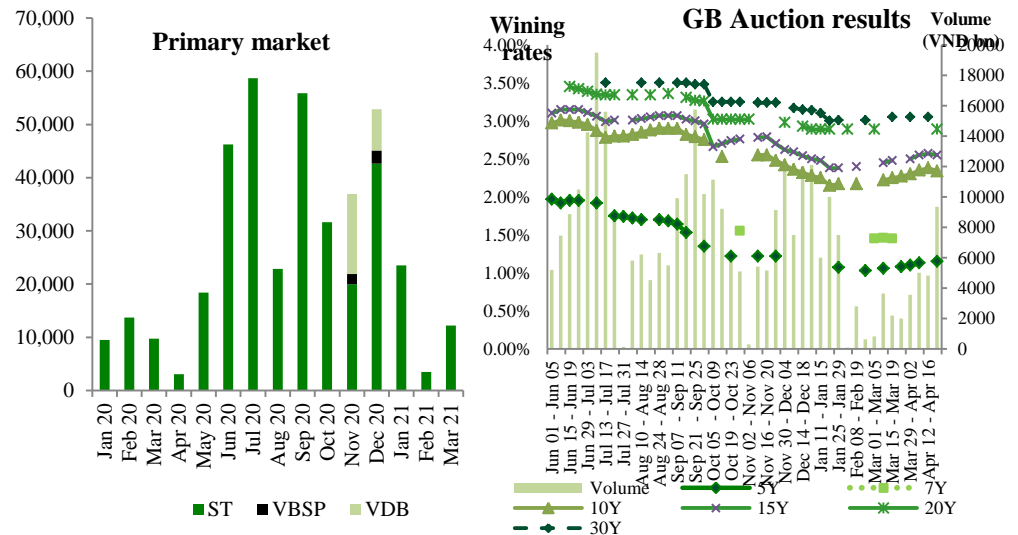
The primary market was less active

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In Q1.2021, VND 39,205 bn (-67.71% qoq, +18.87% yoy) worth of bond was mobilized from the State Treasury (ST). In detail, VND 4.350 1,787 bn; VND 14,900 bn; VND 12.581 bn; VND 2,140 bn and 3,453 bn were mobilized in 5Y, 7Y, 10Y, 15Y, 20Y and 30Y tenors, respectively.

After falling sharply at the beginning of the year, the winning interest rate increased slightly at the end of the quarter. In particular, winning rates for 5Y, 10Y, 15Y, and 20Y stood at 1.10% (-12 bps qoq, -70 bps yoy); 1.45% (-10 bps qoq, -45 bps yoy); 2.30% (+02 bps qoq, +12 bps yoy); 2.50% (0 bps qoq, -03 bps yoy); 2.89% (0 bps qoq, -11 bps yoy) and 3.05% (-09 bps qoq, +05 bps yoy).

Meanwhile, VDB and VBSP did not mobilize bonds in the third quarter.



Source: HNX, VCBS

State Treasury issuance plan updated:

In 1Q.2021, VND 39,205 billion of government bonds was issued (39.21% of the plan for 1Q.2021, and 11.20% of the plan for 2021). Mobilization volume has not been boosted in the first quarter in the context of budget surplus. Moreover, this also shows ST is not in a hurry to issue when public investment focusing on quality and efficiency. Furthermore, the target to increase the issuance of long-tenors continues for 10 and 15Y tenors.

Tenor	Plan Q1.2021	Plan Q2.2021	Plan 2021	Issued in Q1.2021	% Plan Q1.2021	% Plan 2021
5Y	5.000	10.000	20.000	4350	87,00%	21,75%
7Y	5.000	4.000	15.000	1.787	35,74%	11,91%
10Y	35.000	35.000	120.000	14.900	42,57%	12,42%
15Y	35.000	35.000	135.000	12.581	35,95%	9,32%

20Y	10.000	8.000	30.000	2.140	21,40%	7,13%
30Y	10.000	8.000	30.000	3.453	34,53%	11,51%
Total	100.000	100.000	350.000	39.205	39,21%	11,20%

Source: HNX, VCBS

Macro updates:

- According to the GSO, GDP in the first quarter of 2021 is estimated to increase by 4.48% yoy, higher than the growth rate of 3.68% in the first quarter of 2020. Although the Covid-19 pandemic happened complicatedly in some localities, negatively affecting the socio-economy, the first quarter growth showed the direction and management of the Government's and residents' efforts to pursue dual goals. In the general growth of the whole economy, the industry and construction sector increased by 6.3%, contributing 55.96%; the service sector increased by 3.34%, contributing 35.70%; the agriculture, forestry and fishery sector increased by 3.16%, contributing 8.34% to the general growth. We maintain our forecast that GDP growth in 2021 can reach 6.5% -7%.
- CPI in March 2021 decreased by 0.27% mom, mainly due to lower demand from consumers after the Lunar New Year and abundant supply. CPI increased by 1.31% compared to December 2020 and by 1.16% yoy. Average CPI in Q1.2021 increased by 0.29%, the lowest rate in the past 20 years, partly erasing recent concerns about the possibility of higher inflation. Therefore, we maintain our view that inflation could increase by 3.0% - 3.5% this year.
- The State Bank continued to present a consistent message on proactive and flexible monetary policy management, consistent with the general operating actions of central banks in the world, but still ensured the target of prudential ratios, healthy system. In which, the policy highlights in the first quarter (1) changing the method of purchasing foreign currencies from spot to 6-month term forward; (2) issue Circular 03 amending Circular 01 on credit institutions and foreign bank branches rescheduling, exempting, reducing interest and fees, keeping debt group in order to support customers affected by the Covid-19 pandemic.
- Center rate increased by 113 VND to 23,237 VND/USD on March 31st, while the exchange rate at commercial banks decreased slightly to 23,170 VND/USD. The macroeconomic foundation is stable with the support from investment capital flow, SBV has important resources to ensure exchange rate and market stability. Accordingly, VCBS forecasts the exchange rate will fluctuate within $\pm 0.5\%$.
- In March, some banks raised deposit rates from 10-50 basis points for individual customers. We have seen a slight increase in interest rates after a long period of relative lowering deposit rates. Moreover, the upward pressure on deposit rate recorded in a few banks with low interest rates, mainly for short terms. This may not reflect upward pressure on deposit rates in the whole system. Besides, it is unlikely that interest rates will rise again soon as the direction throughout is to maintain a low rate level to support businesses.
- On April 16, the US Treasury announced that there is not enough evidence to conclude that Vietnam as a currency manipulator. According to the SBV, Vietnam's monetary policies are enacted for many different macroeconomic purposes, but

certainly "not aim to create an unfair competitive advantage in term of international trade". This is recognition of Vietnam's efforts to cooperate in providing information, as well as a positive signal to the policy management space in 2021.

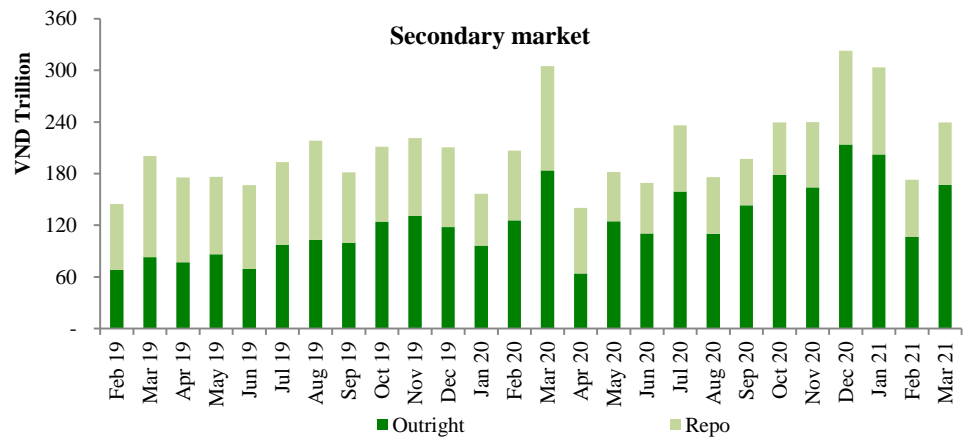
- Monetary policy of the central banks in the world continued to show that the commitments on easing continued to be maintained, typically the Fed and ECB when the economic and labor signals showed up. However, to increase efficiency, coordination is needed with fiscal policies. However, it can be confirmed that the trend throughout this period is the increase in the price of assets in which the government bond channel, which is considered a risk-free asset, is no exception.

Secondary Market

Trading volume was less active, but still high.

VND 715,951 bn (-10.7% qoq, -7.7% yoy) was traded on secondary market.

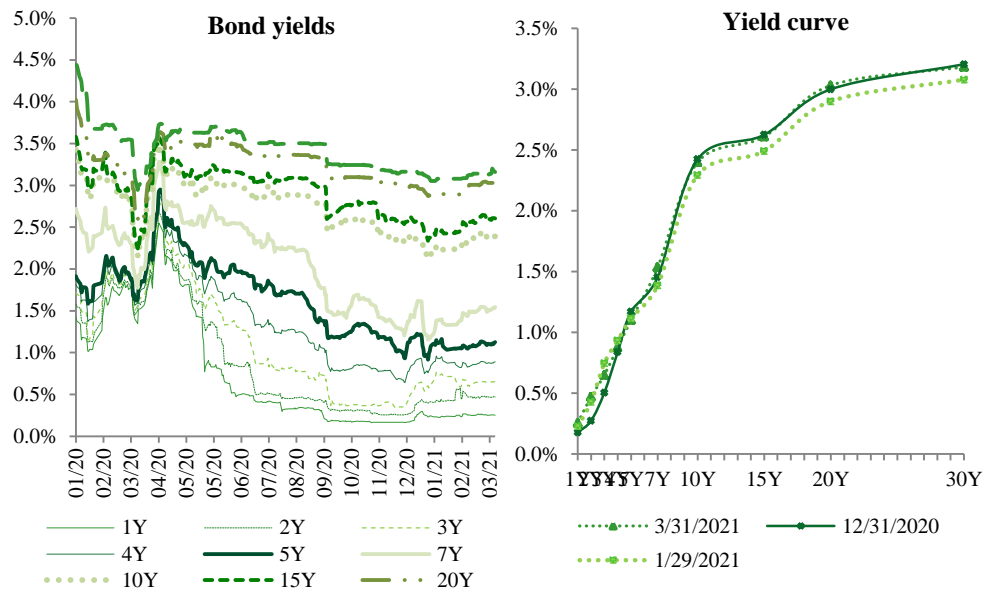
VND 715,951 bn (-10.7% qoq, -7.7% yoy) was traded on secondary market in Q1.2021. Average trading volume per session reached VND 12,345 billion/session (+ 17.67% compared to the average session in 2020). Specifically, the value of outright transactions reached VND 475,603 billion (-14.5% qoq, + 17.2% yoy) while the value of repo transactions reached VND 240,348 billion (-2.1% qoq, -8.5 % yoy).



Source: HNX, VCBS

Bond yields fell in the first half of January before reversing to increase in the rest of Q1. According to Bloomberg, yields on 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y terms ended Q3.2019 at 0.177% (+7.8 bps qoq), 0.273% (+19.7 bps qoq), 0.55% (+14.5 bps qoq), 0.838% (+3, 7 bps qoq), 1,170% (-6.9 bps qoq), 1,454% (+8.1 bps qoq), 2,424% (-2.5 bps qoq), 2,625% (-1.6 bps qoq), 2,999 % (+3.2 bps qoq), 3,205% (-2.2 bps qoq), respectively.

After falling in the first half of January, yields reversed and increased due to: (1) US Government bond yields rose when the US economy showed signs of better than expected recovery, leading to concerns about the change. policy of the central banks; (2) Rising commodity prices create expected inflation in 2021; (3) Along with that, bond yields have fallen quite sharply in a long time ago, investor sentiment is quite sensitive to potential factors that can change macro stability.

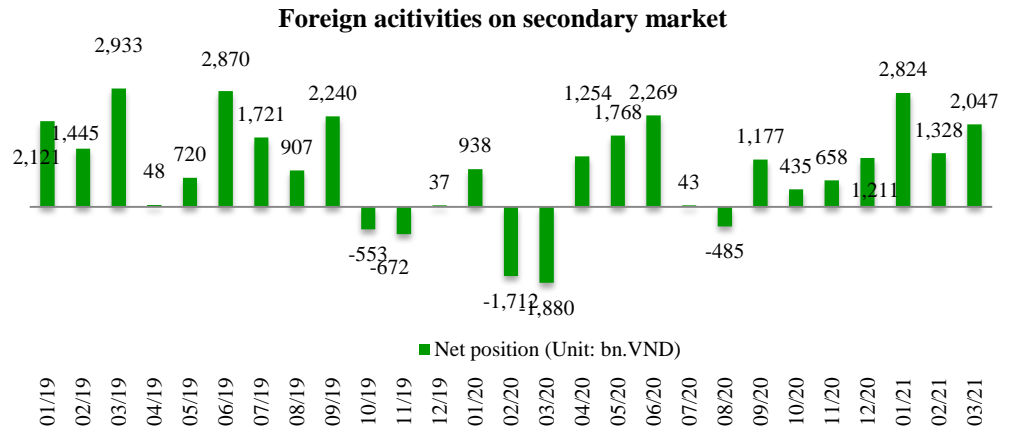


As mentioned above, in the first half of 2Q.2021, it can be seen that yields may be under short-term upward pressure due to concerns about inflation and the rebound of US bond yields. Domestically, the first period of Quarter 2 is forecasted to record a 1-year increase in inflation over the same period due to the impact of pandemics. During this period, with a consistent and thorough message about the target of controlling inflation and stabilizing macroeconomic factors, the State Bank will not rush to intervene and adjust special interest rates in the context that the inflation target is still under question.

However, the downtrend is a long-term trend thanks to the following points: (1) the demand for investment in government bonds is maintained: (i) The volume of matured bonds in Q2 is estimated at approximately more than 60 trillion dong, which may lead reinvestment demand of market members. (ii) Moreover, Government bonds are still the preferred channel under the direction of the State Bank of Vietnam to ensure ratios; Reasonable credit growth goes with quality, efficiency, and credit restriction in speculative real estate business; (2) On the world market, the trend of loosening monetary policy in the world has been maintained, the upward trend of asset price is forecasted to not end soon. (3) Finally, abundant liquidity and low interbank rates play an important role in supporting the downward trend of yields.

The foreign investors net bought approximately VND 6.199 bn in Q1.2021

The foreign investors net bought approximately VND 6.199 bn. Note that the bond market often observes a strong increase in foreign transactions in the first quarter of the year, showing that foreign investors have placed confidence in risk-free assets. In particular, the credit rating agency Moody's recently announced to keep Vietnam's national credit rating unchanged and raised its outlook from negative to positive, indicating an improved confidence of investors.



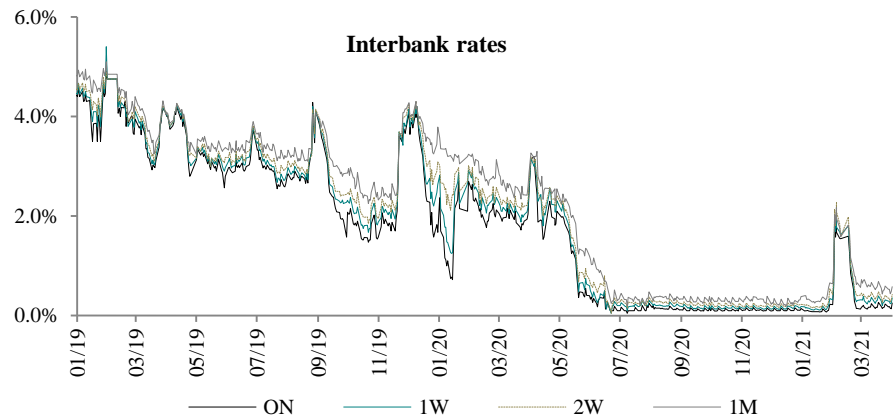
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Except for the seasonal increase around the Lunar New Year, the interbank rate level is low.

Except for the seasonal increase around the Lunar New Year, according to Bloomberg data the interbank rate level is low. Interest rates for OM-3M term were recorded at 0.25%, 0.36%, 0.43%, 0.58% and 1.2%. respectively.



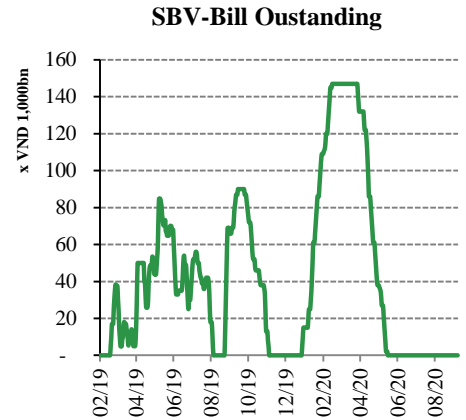
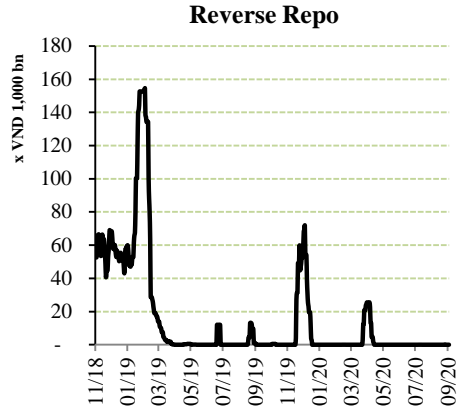
Source: Bloomberg, VCBS

Interbank rates will remain at a low level: (1) Loosening monetary policy is forecasted to continue in many countries around the world, followed by the trend of abundant liquidity. (2) Vietnam, with stable growth and macroeconomic foundations, is an attractive destination for foreign investment inflows. In particular, we expect disbursed FDI in 2021 can be boosted. At the same time, (3) the context of the domestic and world economic situation are providing resources to support exchange rate stability, especially after the US withdrew Vietnam from the list of currency manipulation countries. It should also be noted that at the end of the second quarter, foreign currency forward contracts will be implement. Hence, a large amount of resources is expected to show up soon to the market.

Open Market Operation

The State Bank net injected VND 50,726 billion in the first half of February, however this volume matured within the month.

The State Bank net injected VND 50,726 billion in the first half of February, however this volume matured within the month. Specifically, with flexible and active management, supporting liquidity before the Lunar New Year, the State Bank net injected VND 50,726 billion via 7-day tenor OMO at the 2.5%/year. After that, this volume matured in the second half of the month. After that, the State Bank did not intervene through the Open Market Operations, mainly because the interbank market liquidity was abundant.



Source: Bloomberg, VCBS

End.

APPENDICES

Primary Market

Month	ST Bond							VDB	VBSP	Other	
	Issued Volume	5 Y	7Y	10Y	15Y	20Y	30Y	Issued Volume	Issued Volume	Issued Volume	Issued Volume
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	2,98	3,15	3,42	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	55.891	1,35	N/A	2,75	2,96	3,26	3,48	0	0	0	55.891
10/20	31.643	1,22	1,55	2,53	2,76	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
01/21	23.496	1,07	N/A	2,15	2,38	2,89	3,00	0	0	0	23.496
02/21	3.515	1,07	N/A	2,17	2,38	2,89	3,01	0	0	0	3.515
03/21	2.438	1,10	1,45	2,30	2,50	2,89	3,05	0	0	0	2.438

Secondary Market

Month	Bonds		ST-bills		Total
	Outright	Repo	Outright	Repo	
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
02/21	50.726	50.726	-	-	101.452
03/21	167.006	72.512	-	-	239.518

Open Market Operation

Month	Reverse Repo				Outright (SBV Bills)			
	Due	Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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	-	-	-	-	-	-	-	-
02/21	50,726	50,726	-	-	-	-	-	-
03/21	-	-	-	-	-	-	-	-

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