

Fixed-Income Report

May 2021

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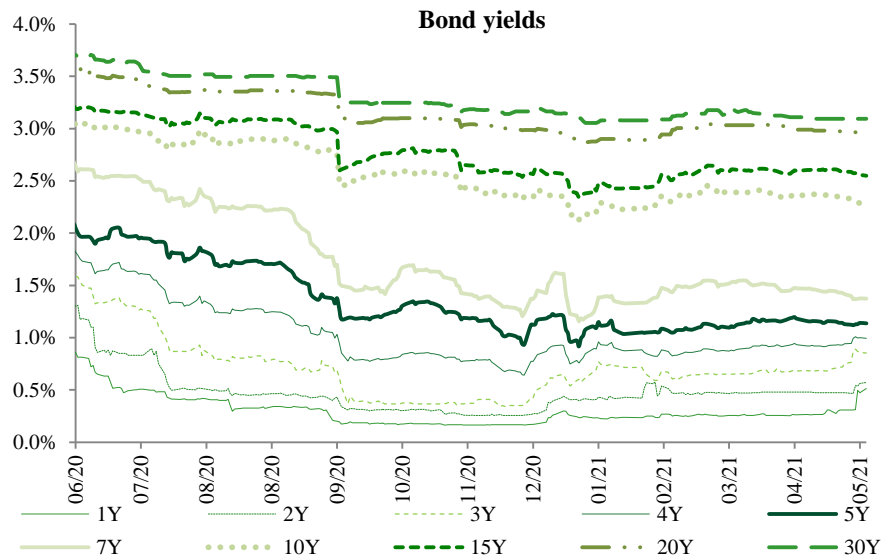
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Round-up



Source: VBMA, VCBS compiles

■ VND 44,183 bn (+68% mom, +140% yoy) was mobilized on primary market. VND 203,419 bn (+5.6% mom, +11.9% yoy) were traded on the secondary market.

■ Yield curve became flatten, bond yields for short-tenors inched up while bond yields for long-tenors decreased slightly. According to VBMA's statistics, bond yields for 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y tenors at the end of the month stood at 0.26% (+25 bps mom), 0.48% (+9.1 bps mom), 0.68% (+17 bps mom), 0.93% (+6.2 bps mom), 1.18% (-4.5 bps mom), 1.47% (-9.8 bps mom), 2.36% (-8.9 bps mom), 2.59% (-4.7 bps mom), 2.99% (-4 bps mom), 3.11% (-11.1 bps mom), respectively.

■ Foreign investors net sold VND 483 bn this month.

■ Interbank rates continued to inch up in May while liquidity was less abundant. At the end of the month, ON-3M interest rates stood at 1.083%, 1.183%, 1.237%, 1.307% and 1.433%.

VCBS Commentary

■ Yield curve may become flatten in the upcoming month as short-term bond yields tick up while long-term bond yields decrease slightly.

■ Although there is no shortage of interbank liquidity, interbank rate levels will remain at higher levels than in the previous period, and may not decrease in the upcoming month.

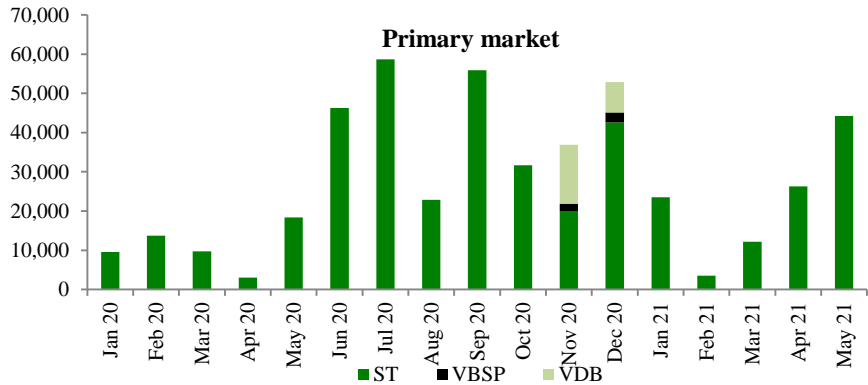
BOND MARKETS

Primary Market

High demand recorded in primary market.

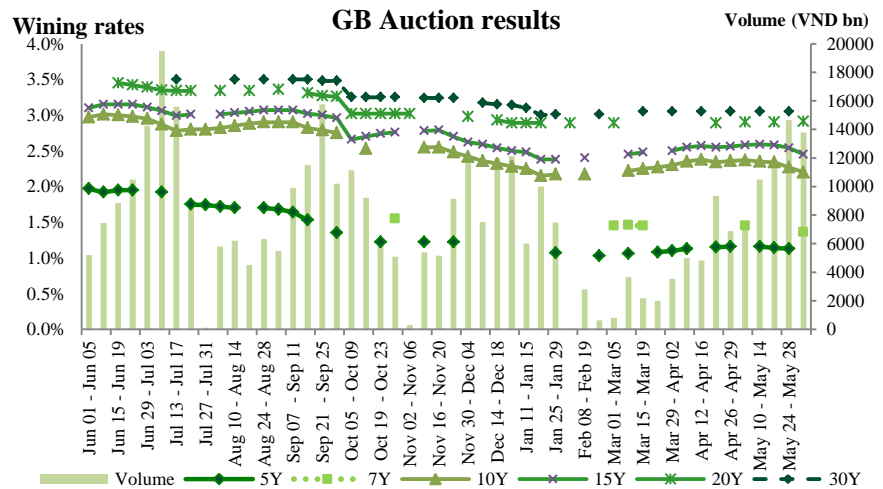
VND 44,183 bn (+68% mom, +140% yoy) worth of bonds were mobilized.

VND 44,183 bn (+68% mom, +140% yoy) worth of bonds were mobilized in this month. In detail, VND 5,250 bn; 250 bn; 25,436 bn; 9,767 bn; 580 and 2,900 bn were mobilized in 5Y, 7Y, 10Y, 15Y, 20Y and 30Y tenors, respectively.



Source: HNX, VCBS

Winning rates decrease slightly. In detail, winning rates for 5Y, 7Y, 10Y, 15Y, 20Y and 30Y tenor winning rates posted at 1.13% (0 bps mom), 1.45% (0 bps mom), 2.27% (-09 bps mom), 2.54% (-02 bps mom), 2.9% (+01 bps mom), 3.05% (0 bps mom).



Source: HNX, VCBS

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

State Treasury issuance plan updated:

We observe high demand in the primary market, especially 10Y tenor. We believe the State Treasury will show a degree of flexibility in adjusting the volume of tenors in accordance with the situation and the demand of state budget capital.

Tenor	Plan Q2.2021	Plan 2021	Issued in April & May 2021	Issued in 5M.2021	% complete Q2.2021	% KH complete 2021
5Y	10,000	20,000	8,419	12,769	84.19%	63.85%
7Y	4,000	15,000	250	2,031	6.25%	13.54%
10Y	35,000	120,000	39,586	54,486	113.10%	45.41%
15Y	35,000	135,000	17,590	30,171	50.26%	22.35%
20Y	8,000	30,000	930	3,070	11.63%	10.23%
30Y	8,000	30,000	3,710	7,163	46.38%	23.88%
Total	100,000	350,000	70,485	109,690	70.50%	31.34%

Source: MOF, VCBS Research

Macro updates:

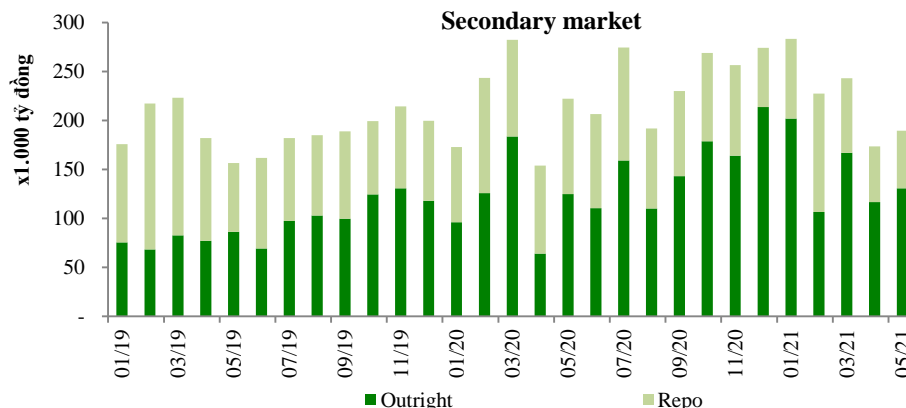
- The General Statistics Office (GSO) has announced the economic report in May 2021. In which, the main highlight is import and export activities with a growth rate of ~33.6%. Specifically, import mainly serving for manufacturing increased by 36%. Meanwhile, the index of industrial production (IIP) in the first 5 months of the year reached a growth of 9.9%- indicate the drastic effort to achieve dual targets. PMI in May drops fractionally to 53.1 points from last month's threshold of 54.7, and still above 50 thresholds. Total retail sales of consumer goods and services in 5M.2021 were estimated at 2,086.1 trillion VND, an increase of only 7.6% YoY. **VCBS forecasts that GDP growth in 1H.2021 can still be above 6%.**
- CPI in May 2021 increased by 0.16% mom, which is equivalent to an increase of 1.43% YTD and 2.9% YoY. On average, in the first 5 months of 2021, CPI increased by 1.29% over the same period last year, the lowest threshold since 2016. Core inflation in the first 4 months increased by 0.82%. The epidemic has yet to come to an end and consequently, consumer demand shall not strongly bounce back. Therefore, **we predict that CPI in June may slightly decrease by 0.1% mom, which equivalent to an increase of 2.11% due to the latest Covid wave.**
- In May, lending and deposit rates experienced a minimal change. During this period, SBV is sending out messages about strict control on credit for speculative real estate. In addition, the key mission is still keeping the interest rate at a low level to support firms to get over the pandemic.
- The central exchange rate stood at 23,135 VND/USD, a decrease 23 dong mom. Besides, the exchange rate at commercial banks ticked down fractionally 20-30 dong. We observe that there still enormous room and resources for the administrative body to stabilize exchange rates. Accordingly, VCBS still keeps our forecast the exchange rate would fluctuate in the range of $\pm 0.5\%$ in 2021.
- So far countries in the world are still vaccinating their population. However, speedy access to vaccine doses is the key reopening of the economy and thereby creates a fact that some countries may recover faster than others. With European countries and the US, although they have begun to reopen, central banks are still quite cautious and do not rush to consider changing their current phenomenally expansionary monetary policies.

Secondary market

Market liquidity was less active.

VND 203,419 bn (+5.6% mom, +11.9% yoy) traded on the secondary market.

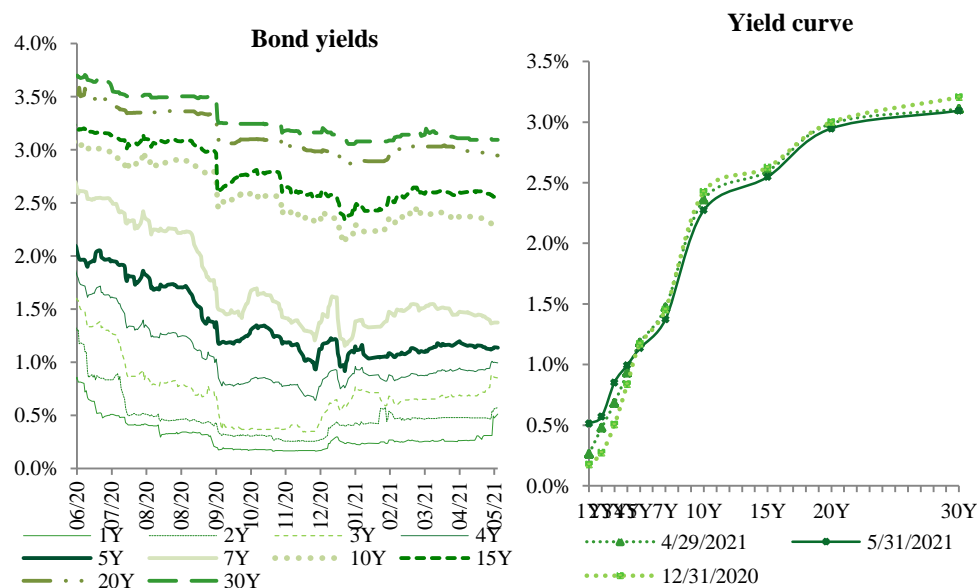
VND 203,419 bn (+5.6% mom, +11.9% yoy) was traded on the secondary market. Outright and repo trading volume reached VND 130,591 bn (+12% mom) and VND 72,827 bn (-4.2% mom), respectively. Thus, the average trading volume per session reached 10,170 bn VND.



Source: HNX, VCBS

Yield curve became flatten, bond yields for short-tenors inched up while bond yields for long-tenors decreased slightly. According to VBMA's statistics, bond yields for 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y tenors at the end of the month stood at 0.26% (+25 bps mom), 0.48% (+9,1 bps mom), 0.68% (+17 bps mom), 0.93% (+6.2 bps mom), 1.18% (-4.5 bps mom), 1.47% (-9.8 bps mom), 2.36% (-8.9 bps mom), 2.59% (-4.7 bps mom), 2.99% (-4 bps mom), 3.11% (-11.1 bps mom).

We observed high demand for long-tenors and bond yields for these tenors decreased. On the other hand, upward pressure recorded on short-tenors while these tenors are sensitive to interbank rates. Thus, yield curve has become flatten in this month.



Source: Bloomberg, VCBS

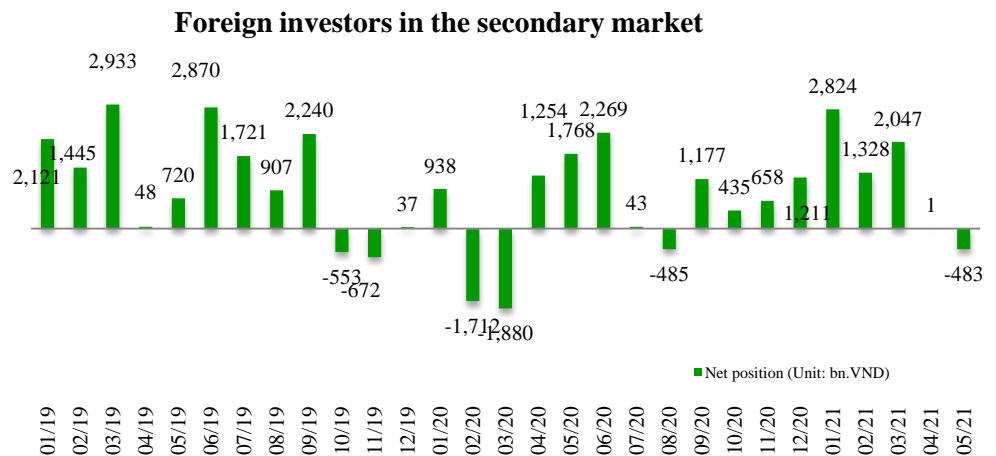
During the latest wave of the pandemic, we observe high investment demand in Government bonds. In addition, there will be a large amount of matured bonds in June (over VND 30,000 billion), which refers to a reinvestment demand. Thus, we expect bond yields for long-tenors to decrease further.

In general, we do not change our expectation that the main trend is downward trend based on supporting factors. (1) The trend of the loosening monetary policy of central banks in the world may lead to an increase in asset prices. (2) Domestically, citizens believe that Vietnam will once again successfully prevent the pandemic. (3) Inflation is kept under control, in addition, inflation in the next month is likely to decrease slightly because consumption is partly affected by the new wave of pandemics in Vietnam. However, interbank rates are higher than the same period last year, leading to the possibility that short-term bond yields (<5Y) are unlikely to decrease, even increased slightly in the next month.

Thus, we believe that in June, yield curve may become flatten as long-term bond yields drop slightly while short-term bond yields move sideways or increase slightly.

Foreign investors net sold VND 483 bn this month

Foreign investors net sold VND 483 bn in the market. In detail, net bought focused on 10Y tenor and foreign investor sold other tenors.



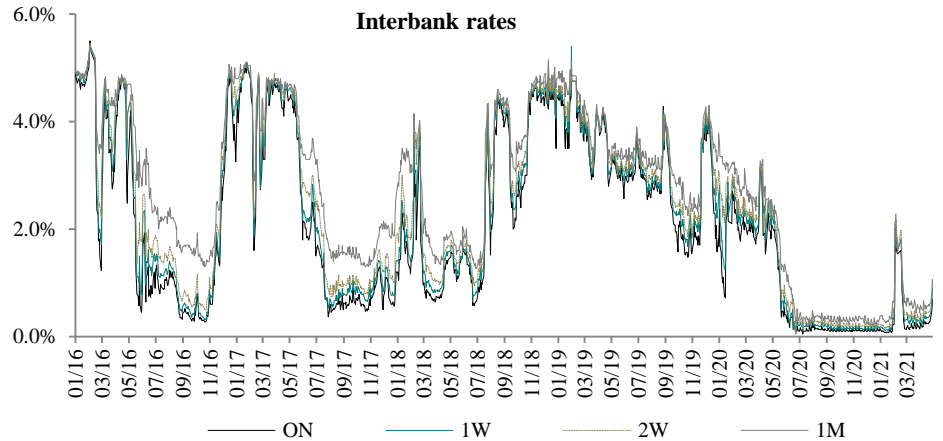
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rates continued to inch up in May while liquidity was less abundant.

Interbank rates continued to inch up in May while liquidity was less abundant. At the end of the month, ON-3M interest rates stood at 1.083%, 1.183%, 1.237%, 1.307% and 1.433%.



Source: Bloomberg, VCBS

Liquidity in this period is less abundant as new resources are expected to appear only from July after the forward contracts in purchasing foreign currency are due. Along with that, concerns around inflation expectations made the operator give priority to the goal of stabilizing inflation.

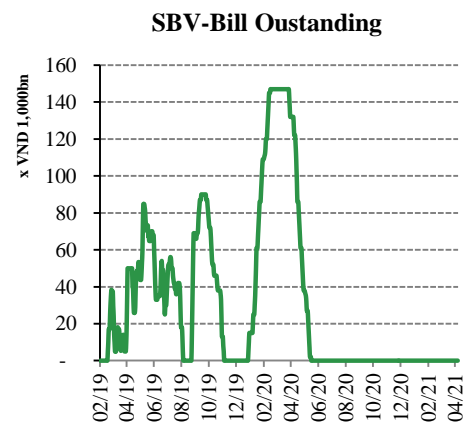
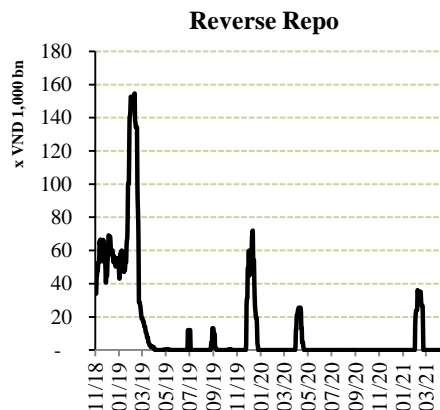
Moreover, taking latest domestic news of COVID-19 into consideration, commercial banks shall re-evaluate judiciously new credit contracts given that bad debts may increase again. On the other hand, the capital flow continued to move to Vietnam as an investment destination with registered FDI and disbursed FDI increased by 14% and 7% over the same period.

Thus, with these factors, although there is no shortage of interbank liquidity, the interbank rate levels will remain at higher levels than the previous period and may not soon decrease again in June.

Open market operation

No intervention needed as abundant liquidity recorded.

No intervention needed as abundant liquidity recorded.



Source: Bloomberg, VCBS

APPENDICES

Primary Market

Month	ST Bond							VDB	VBSP	Volume	
	Issued Volume	5Y	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	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	2,76	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
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
02/21	3.515	1,07	N/A	2,17	2,38	2,89	3,01	0	0	0	3.515
03/21	12.194	1,10	1,45	2,30	2,50	2,89	3,05	0	0	0	12.194
04/21	26.302	1,16	N/A	2,36	2,56	2,89	3,05	0	0	0	26.302
05/21	44.183	1,13	1,45	2,27	2,54	2,9	3,05	0	0	0	44.183

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	106.473	50.726	-	-	173.948
03/21	167.006	72.512	-	-	239.519
04/21	116.601	76.005	-	-	192.607
05/21	130.591	72.827	-	-	203.419

Open Market Operation

Month	Reverse Repo				Outright			
	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	-	-	-	-	-	-	-	-
04/21	-	-	-	-	-	-	-	-
05/21	-	-	-	-	-	-	-	-

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