

Fixed-Income Report

July 12th – July 16th/2021

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Macroeconomic, Fixed-Income, Financial and Corporation Information updated at

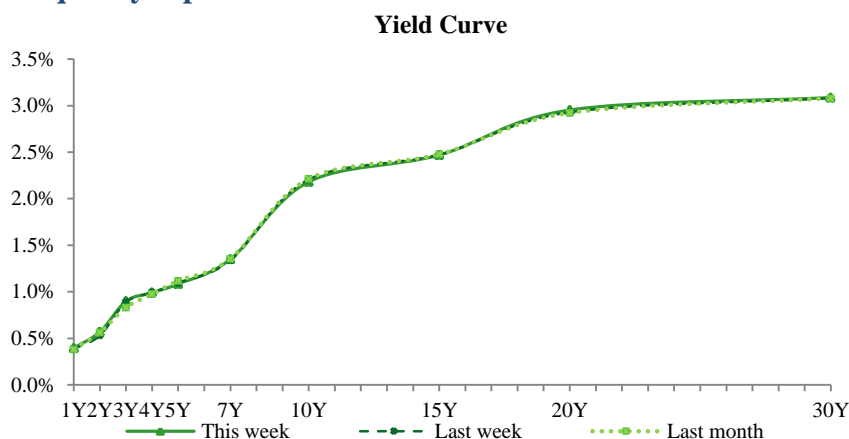
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Round-up

ST & VBSP successfully issued bonds at lower winning rates.

Yield curve shifted downward minimally.

Ample liquidity reported.



Source: VBMA, VCBS compiles

■ VND 8,840 bn was mobilized from ST and VBSP. VND 42,043 bn (+6.1% wow) was traded on the secondary market.

■ Yield curve shifted downwards minimally. According to VBMA data, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y bond yields posted at 0.339% (unchanged), 0.568% (+0.133 bps), 0.859% (-3.35 bps), 0.953% (-2.984 bps), 1.048% (-2.518 bps), 1.327% (-0.3 bps), 2.156% (-0.6 bps), 2.439% (-1.3 bps), 2.943% (-1.033 bps), 3.07% (-1.2 bps), respectively.

■ Interbank rates ticked down significantly this week. In details, ON – 3M rates posted at 0.71%, 0.857%, 0.903%, 1.087% and 1.34%, respectively according to Bloomberg data.

■ No transaction recorded this week.

VCBS Commentary July 19th – July 23rd

■ With the expectation of liquidity in the banking system gradually being more ample, we believe that next week bond yield will move in a tight downward band. However, offensive strategy still dominates the market these days.

■ We believe in the upcoming weeks, interbank rates can decrease a little bit more before settling stably at that level.

Bond Market

Primary Market

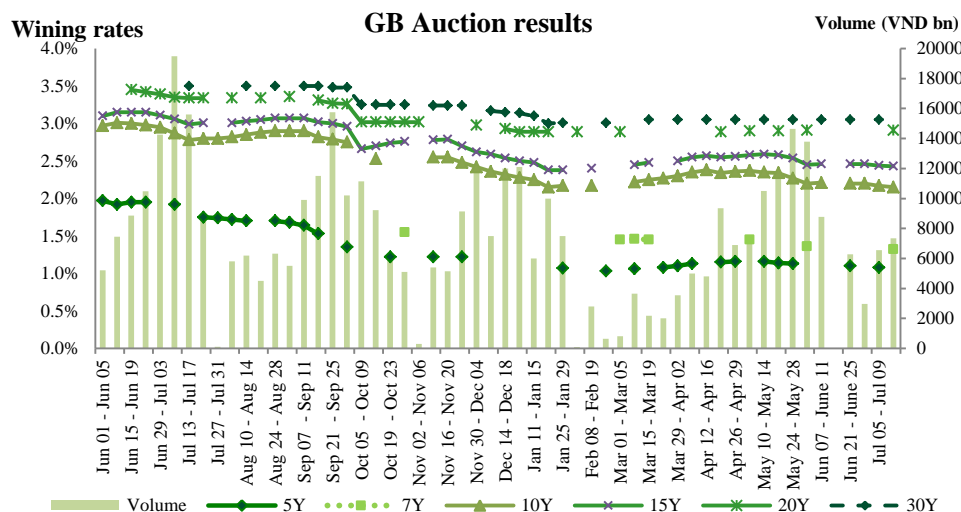
Higher amount of bonds issued at lower winning rates.

VND 8,840 bn was mobilized from ST and VBSP.

VND 7,340 bn was mobilized from ST. Therein, ST successfully issued VND 700 bn at 7Y tenors, VND 4,500 bn at 10Y tenors, VND 2,000 bn at 15Y tenors, VND 140 bn at 20Y tenors. The registered volume-to-offering volume ratios for 7Y, 10Y, 15Y, 20Y tenors were 3.3; 3.59; 3.61; 2.28 times respectively. Winning volume-to-offering ratios for 7Y, 10Y, 15Y, 20Y tenors stood at 70.00%; 100.00%; 100.00%; 28.00%. Winning rates for 7Y, 10Y, 15Y, 20Y stood at 1.32 (-4 bps); 2.15 (-2 bps); 2.43 (-1 bps); 2.91 (unchanged) respectively.

VBSP mobilized VND1,500 bn at 10 and 15Y. Note this is the very first auction for VBSP in 2021. Winning rates ticked down significantly for both tenors 10Y at 2.5% (-25 bps) and 15Y at 2.59% (-41 bps).

VDB did not mobilize bond this week.



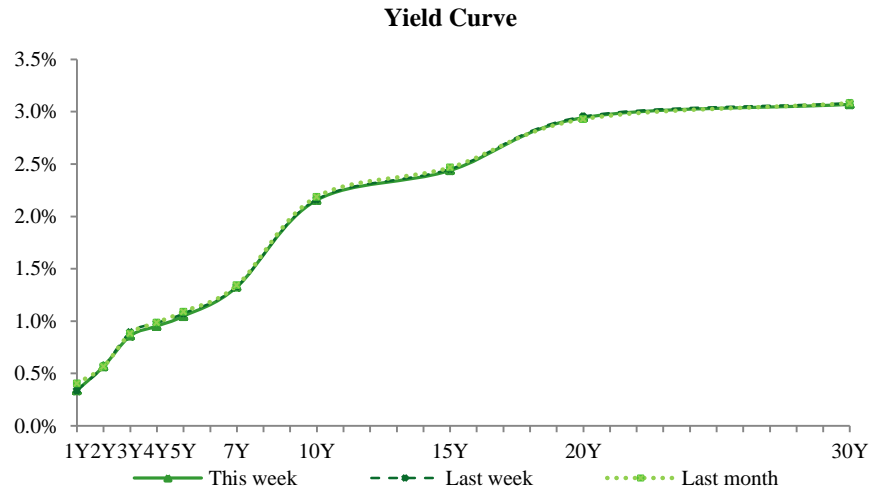
Source: HNX, VCBS

Secondary Market

VND 42,043 bn (+6.1% wow) was traded on the secondary market.

VND 42,043 bn (+6.1% wow) was traded on the secondary market. Average trading volume per day is VND 8,409 bn. In detail, Outright and repo values were at VND 27,994 bn (+6.7% wow) and VND 14,049 bn (+4.9% wow) respectively. Regarding outright, ST-Bond kept totally dominating trading volume with 98%.

Yield curve shifted downwards minimally. According to VBMA data, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y bond yields posted at 0.339% (unchanged), 0.568% (+0.133 bps), 0.859% (-3.35 bps), 0.953% (-2.984 bps), 1.048% (-2.518 bps), 1.327% (-0.3 bps), 2.156% (-0.6 bps), 2.439% (-1.3 bps), 2.943% (-1.033 bps), 3.07% (-1.2 bps), respectively.



Source: VBMA, VCBS compiles

On 20th July, SBV and The U.S. Treasury Department said they reached an agreement under which SBV will allow more flexibility in its currency. Therein SBV reaffirms that it doesn't use the exchange rate to create an unfair competitive advantage in international trade.

As mentioned in previous reports, VCBS believe that SBV by means of bilateral negotiation can explain and minimize the risk of Vietnam being labeled as currency manipulator. Accordingly, VCBS maintains the forecast that the exchange rate shall fluctuate in a tight band of $\pm 0.5\%$. Note that we have already included the assumption that the greenback appreciate against other strong currencies this year.

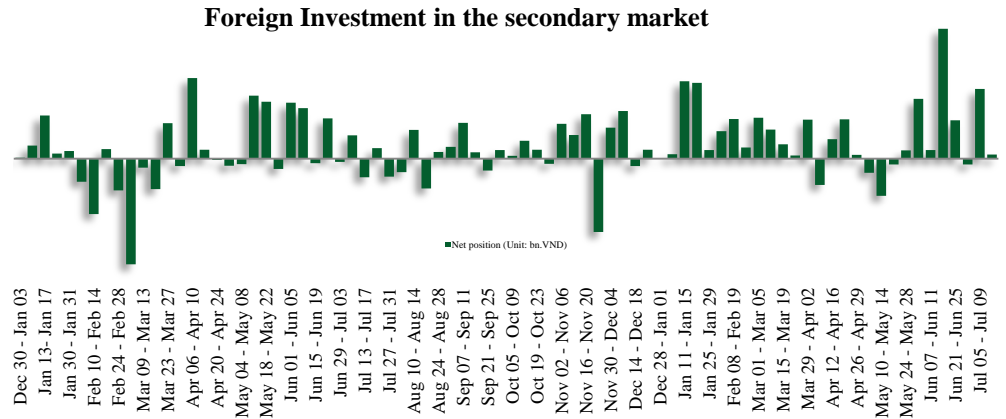
In a broader view, the stable foreign exchange market along with well-controlled inflation, SBV shall have more room in term of policies to achieve the target of lower lending rates to support businesses and people to overcome the epidemic.

We still believe that the downward trend on bond yields has yet to come to an end. Nevertheless, bond yields only ticked down gradually and no strong buy attempt reported. We put down this phenomenon down to an offensive strategy by market participants in the context of higher risk once exposing to the market.

With the expectation of liquidity in the banking system gradually being more ample, we believe that next week bond yield will move in a tight downward band.

Foreign investors net bought VND 67 bn.

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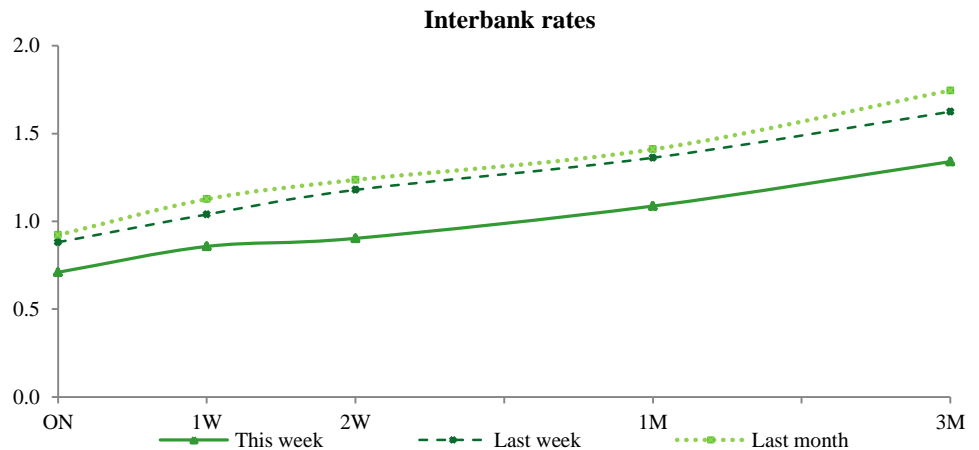
Source: HNX, VCBS

INTEREST RATE

Interbank rates ticked down significantly this week.

Interbank Rates

Interbank rates ticked down significantly this week. In details, ON – 3M rates posted at 0.71%, 0.857%, 0.903%, 1.087% and 1.34%, respectively according to Bloomberg data.



Source: Bloomberg, VCBS

This week liquidity is more abundant and consequently ticks down interbank rates as more resources are coming from forward contracts in purchasing

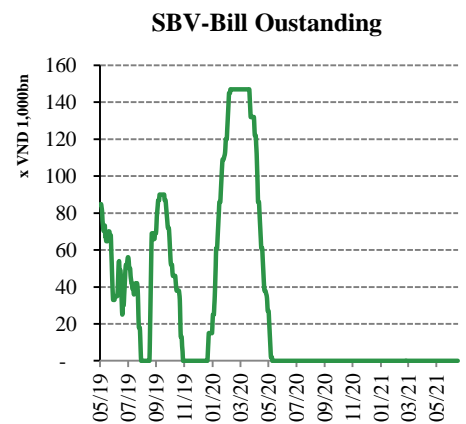
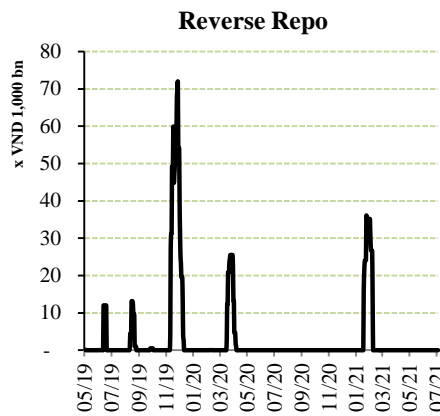
foreign currency. Note that SBV has announced the decision of new credit growth quota for commercial banks this year. However the quantity allowed is only about half of the one proposed by commercial banks. This may relate to SBV’s orientation for banks to lower lending rates to support the firms in dealing with the pandemic situation.

We believe in the upcoming weeks, interbank rates can decrease a little bit more before settling stably at that level.

Open Market Operation

No transaction recorded this week.

SBV do not need to pump liquidity in the system.



Source: Bloomberg, VCBS Research

APPENDICES

Bond Auctions

Auction date	Tenor	Offering volume	Registering volume	Winning volume	Register to Offering Ratio	Winning rate (%)	Winning/Offering	Issuer
ST bills								
Government and government-backed bonds								
14-Jul-21	7Y	1,000	3,300	700	3.3	1.32	70.00%	ST
14-Jul-21	10Y	4,500	16,170	4,500	3.59	2.15	100.00%	ST
14-Jul-21	15Y	2,000	7,215	2,000	3.61	2.43	100.00%	ST
14-Jul-21	20Y	500	1,140	140	2.28	2.91	28.00%	ST
12-Jul-21	15Y	1,000	6,350	500	6.35	2.59	50.00%	VBSP
12-Jul-21	10Y	1,000	5,100	1,000	5.1	2.5	100.00%	VBSP

Secondary Market

Issuer	Last week		Current week	
	Value	Value share	Value	Value share
Outright				
ST	24,860	94.77%	27,418	97.94%
VDB	1,371	5.23%	576	2.06%
VBSP	-	0.00%	-	0.00%
Others	-	0.00%	-	0.00%
Subtotal (1)	26,230	100.00%	27,994	100.00%
Repo				
Repo	13,392	37.31%	14,049	41.18%
Reserve Repo	22,499	62.69%	20,067	58.82%
Subtotal (2)	35,891	100.00%	34,116	100.00%
ST bills				
Outright				
Repo				
Subtotal (3)				
Total (1)+(2)+(3)	62,121		62,110	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
04/19 – 04/23	-	-	-	-	-	-	-	-
04/26 – 04/29	-	-	-	-	-	-	-	-
05/03 – 05/07	-	-	-	-	-	-	-	-
05/10 – 05/14	-	-	-	-	-	-	-	-
05/17 – 05/21	-	-	-	-	-	-	-	-
05/24 – 05/28	-	-	-	-	-	-	-	-
05/31 – 06/04	-	-	-	-	-	-	-	-
06/07 – 06/11	-	1	1	1	-	-	-	-
06/21 – 06/25	-	-	-	-	-	-	-	-
06/28 – 07/02	-	-	-	-	-	-	-	-
07/05 – 07/09	-	-	-	-	-	-	-	-
07/12 – 07/16	-	-	-	-	-	-	-	-

DISCLAIMER

This report is designed to provide updated information on the fixed-income, including bonds, interest rates, some other related. The VCBS analysts exert their best efforts to obtain the most accurate and timely information available from various sources, including information pertaining to market prices, yields and rates. All information stated in the report has been collected and assessed as carefully as possible.

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