

Fixed-Income Report

July 2021

In this issue

- Round-up
- Bond markets
- Interest rates

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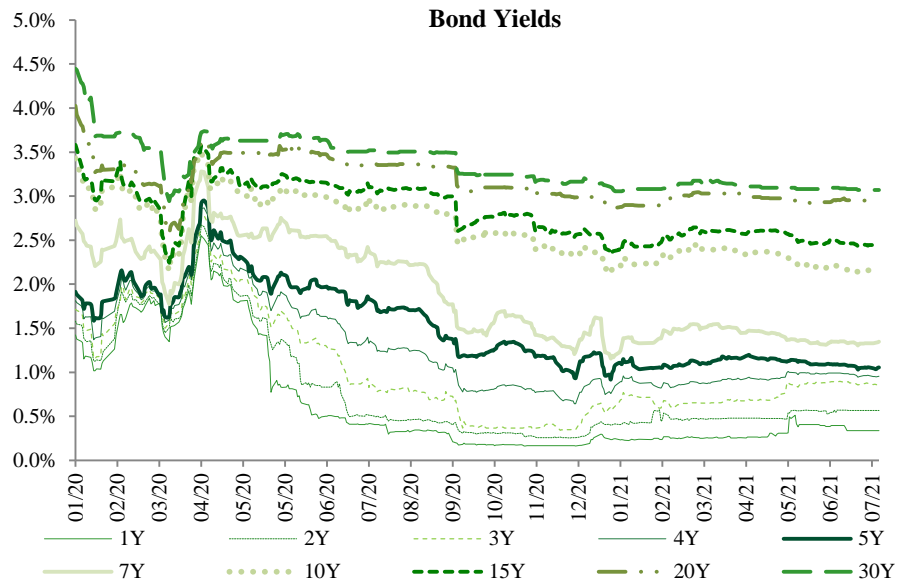
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Round-up



■ VND 32,561 bn was mobilized on primary market. VND 165.080 bn (-16% mom) were traded on the secondary market.

■ Yield curve shifted downwards. 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 0.395% (-5.6 bps mom), 0.568% (-0.033 bps mom), 0.8925% (-3.65 bps mom), 0.992386363636364% (-3.639 bps mom), 1.092% (-3.727 bps mom), 1.346% (+0.1 bps mom), 2.2055% (-1.85 bps mom), 2.4925% (-3.45 bps mom), 2.958% (-1.233 bps mom), 3.095% (-9.6 bps mom).

■ Foreign investors net bought VND 538 bn this month.

■ Interbank rates fell in July when liquidity was more abundant. At the end of the month, interest rates for ON-3M terms were recorded at 0.74, 0.91, 1.02, 1.22 and 1.43 respectively.

VCBS Commentary

■ Interbank liquidity was abundant, thereby interbank rates may decrease again in August.

■ We maintain our expectation that yields will decrease with some supportive factors. (1) The trend of loosening monetary policy of central banks in the world, leads to an increase in asset prices. (2) In the context of the pandemic with complicated developments, the need to invest in government bonds is noted. (3) Inflation is still completely under control. At the same time, (4) abundant interbank liquidity will support the downtrend of bond yields

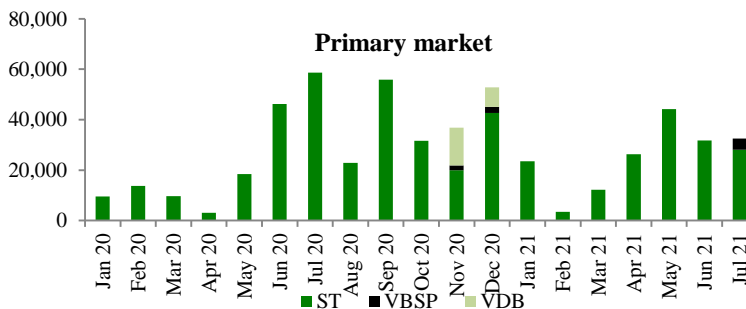
BOND MARKETS

Primary Market

Primary market was inactive. Wining rates decreased slightly.

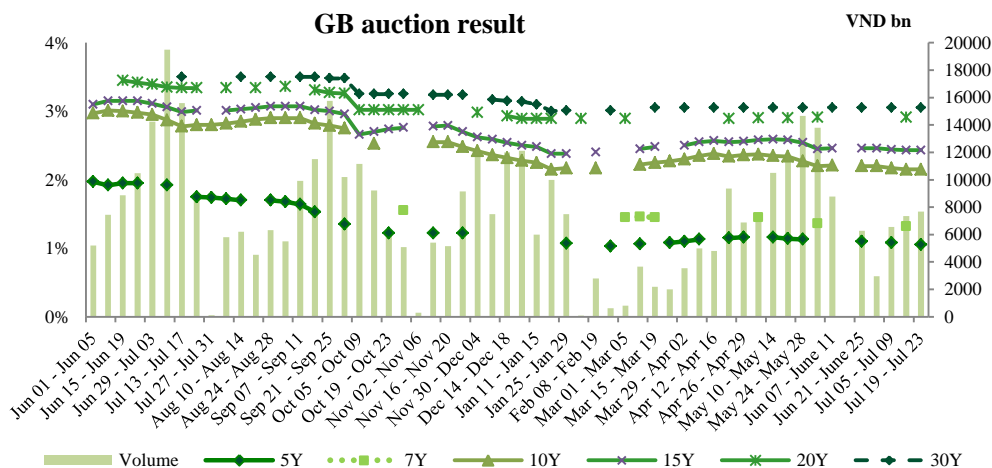
VND 32,561 bn worth of bonds were mobilized.

VND 32,561 bn worth of bonds were mobilized in this month. In detail, ST issued VND 28,061bn (-11.7% mom, -52.2% yoy) and Vietnam Bank for Social Policies (VBSP) issued VND 4.500 bn in this month.



Source: HNX, VCBS

Winning rates for ST bonds decrease slightly. In detail, winning rates for 5Y, 7Y, 10Y, 15Y, 20Y and 30Y tenor winning rates posted at 1.05% (-05 bps mom), 1.32% (-04 bps mom), 2.16% (-04 bps mom), 2.44% (-02 bps mom), 2.9%, 3.05% (+0 bps mom).



Source: HNX, VCBS

Meanwhile, the Vietnam Development Bank (VDB) did not mobilize bonds this month.

State Treasury issuance plan updated:

On July 15, the Ministry of Finance announced the plan to issue bonds in the third quarter: VND 120,000 billion (details as below table).

In the first 7 months of the year, the State Treasury successfully issued VND 169,554 billion (equivalent to 23.4% of the 2021 plan). Note that the public investment focus on quality rather than quantity. With a larger issuance plan in the third quarter, it indicates that the State Treasury is preparing resources for public spending, and disbursement will still focus on key projects.

We believe that the State Treasury will continue to show a degree of flexibility in adjusting the amount of tenors in accordance with the situation and demand for using state budget capital.

Tenor	Plan Q3.21	Plan 2021	Issued in July.21	Issued in 7M.2021	% plan Q3.21	% plan 2021
5Y	10.000	20.000	2.350	16.119	23,5%	80,6%
7Y	8.000	15.000	950	3.481	11,9%	23,2%
10Y	40.000	120.000	10.650	85.792	26,6%	71,5%
15Y	50.000	135.000	8.268	46.921	16,5%	34,8%
20Y	5.000	30.000	140	3.580	2,8%	11,9%
30Y	7.000	30.000	5.703	13.661	81,5%	45,5%
Total	120.000	350.000	28.061	169.554	23,4%	48,4%

Source: MOF, HNX, VCBS Research

Macro updates:

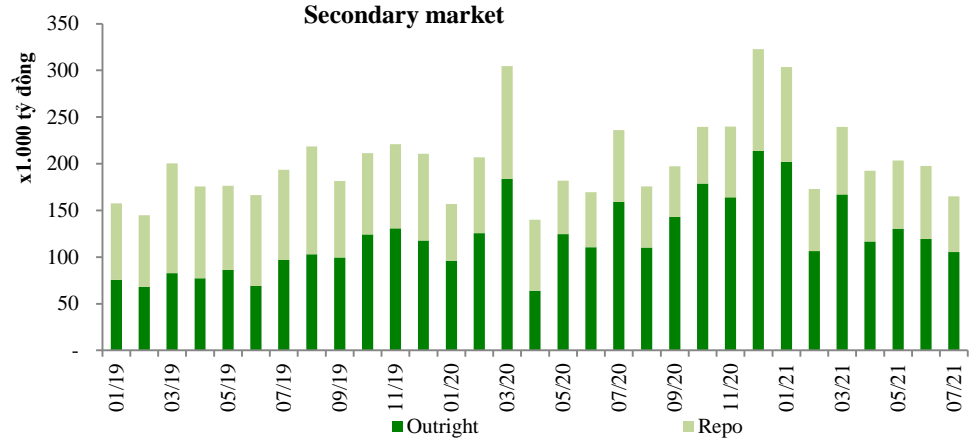
- The Covid-19 epidemic with new variants has complicated developments, negatively affecting industrial production in the first 7 months of 2021, the industrial production index increased by 7.9% compared to the 7 months of 2020. The PMI index recorded the 2nd consecutive month below 50 points reaching 45.1 points in July. Total retail sales of consumer goods and services only increased by 0.7% over the same period last year, excluding weakness. The price factor increased by 0.74%. The low increase compared to the first quarter of the year continued to show the clear impact of the epidemic on consumer demand.
- The consumer price index (CPI) in July 2021 increased by 0.62% compared to the previous month, and increased by 2.64% compared to July 2020, corresponding to an increase of 2.25% compared to December 2020. The reason for the increase in CPI in the past month was due to the increase in food prices when people were worried and increased hoarding during the period of social distancing.
- Although the growth rate showed signs of slowing down, import and export activities still grew at a high rate compared to the previous year. Specifically, the total export and import turnover of goods reached 373.36 billion USD, up 30.2% over the same period last year. In which, exports reached US\$185.33 billion, up 25.5%; imports reached \$188.03 billion, up 35.3%. The trade balance in the first 6 months of 2021 is estimated to have a trade deficit of 2.7 billion USD.
- The bright spot in this period is the stable and less volatile exchange rate, stable deposit interest rates. In the meantime, many commercial banks have announced programs to reduce lending interest rates to support businesses during the pandemic.

Secondary market

Market liquidity was less active.

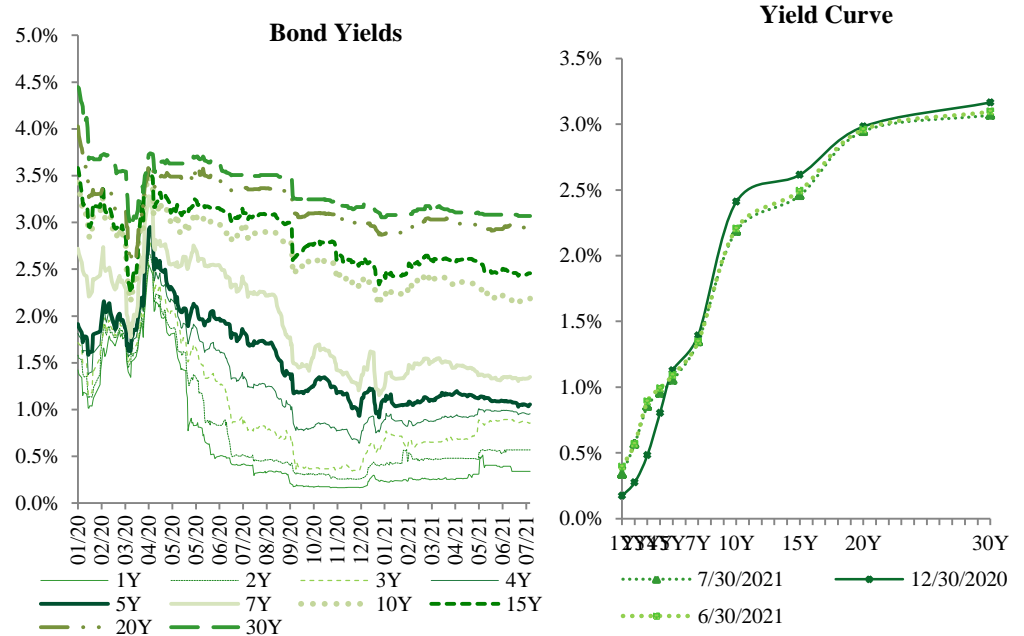
VND 165.080 bn (-16% mom) traded on the secondary market.

VND 165.080 bn (-16% mom) was traded on the secondary market. Outright and repo trading volume reached VND 105,203 bn (-12% mom) and 59,846 bn (-23% mom).



Source: HNX, VCBS

Yield curve shifted downwards. 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 0.395% (-5.6 bps mom), 0.568% (-0.033 bps mom), 0.8925% (-3.65 bps mom), 0.992386363636364% (-3.639 bps mom), 1.092% (-3.727 bps mom), 1.346% (+0.1 bps mom), 2.2055% (-1.85 bps mom), 2.4925% (-3.45 bps mom), 2.958% (-1.233 bps mom), 3.095% (-9.6 bps mom).



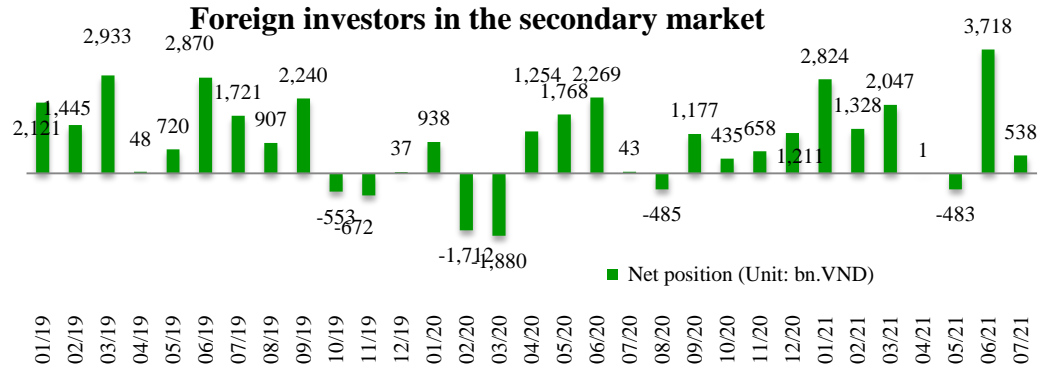
Source: Bloomberg, VCBS

In general, we maintain our expectation that yields will decrease with some supportive factors. (1) The trend of loosening monetary policy of central banks in the world, leads to an increase in asset prices. (2) In the context of the pandemic with complicated developments, we bear in mind the investment demand for fixed income assets. (3) Inflation in Vietnam is still completely under control. At the same time, (4) abundant interbank liquidity will support the downtrend of bond

yields. Note that these days, conservative strategy is dominating the market. Hence, liquidity in secondary market gradually decreases.

Foreign investors net bought VND 483 bn this month

Foreign investors net bought VND 538 bn in the market. In detail, net bought focused on 10Y tenor and foreign investor sold other tenors.



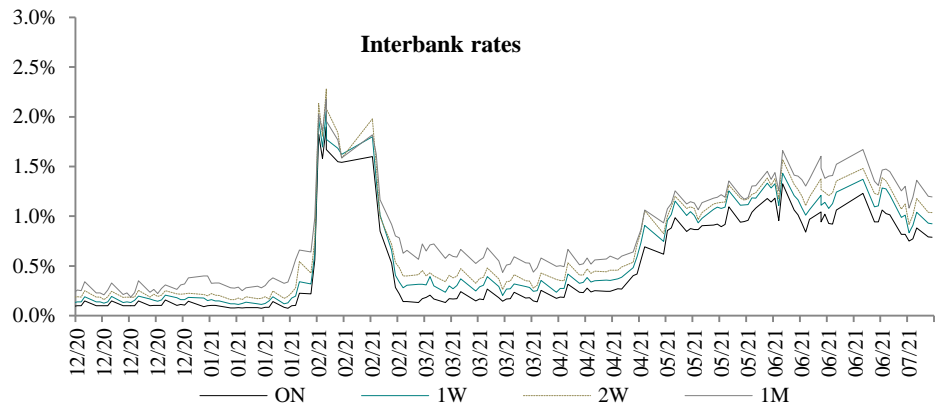
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Interbank rates fell in July when liquidity was more abundant.

Interbank rates fell in July when liquidity was more abundant. At the end of the month, interest rates for ON-3M terms were recorded at 0.74, 0.91, 1.02, 1.22 and 1.43 respectively.



Source: Bloomberg, VCBS

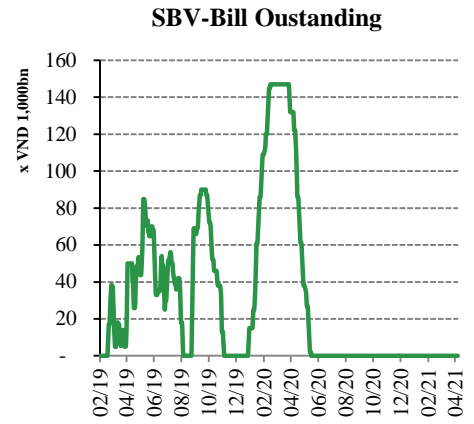
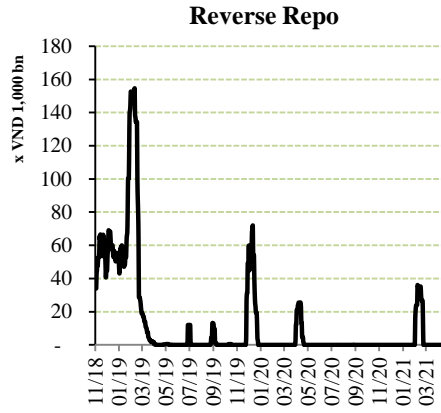
Liquidity in this period is expected to be more abundant than in the previous quarter when new resources may appear in the market after the foreign currency contracts are executed. The bright spot at this time come from the fact that the capital flow continued to choose Vietnam as an investment destination with the number of registered and disbursed FDI. Besides, the target of stabilizing inflation is being well implemented, and there is still plenty of room for control.

Thus, with these factors, interbank liquidity was abundant, thereby interbank rates may decrease again in August.

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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