

Fixed-Income Report

August 09th – 13th/2021

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

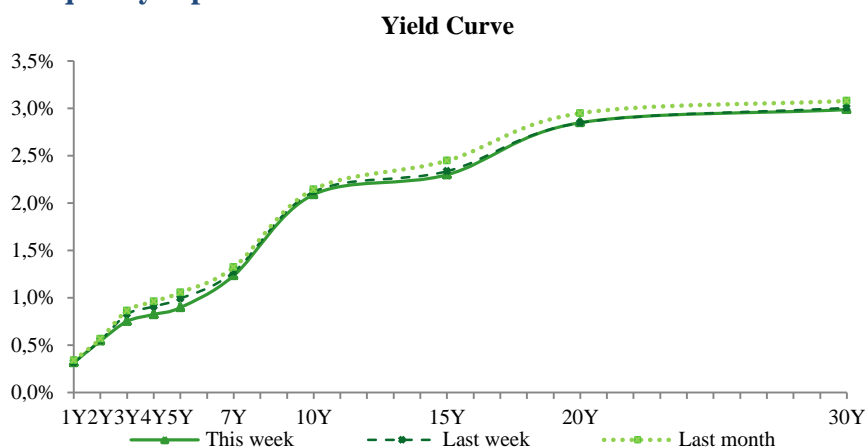
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Round-up

ST successfully issued bonds at lower winning rates.

Yield curve shifted downward minimally.

Ample liquidity reported.



Source: VBMA, VCBS compiles

■ VND 12,914 bn was mobilized from ST and VBSP. VND 28,955 bn (-14.5% wow) was traded on the secondary market.

■ Yield curve shifted downwards and became flattened as long-term bond yields ticked down more than the short ones. According to VBMA data, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y bond yields posted 0.315% (0 bps), 0.546% (-0.4 bps), 0.752% (-7.5 bps), 0.825% (-8.4 bps), 0.898% (-9.4 bps), 1.235% (-3.8 bps), 2.091% (-2.9 bps), 2.3% (-3.7 bps), 2.85% (+0.2 bps), 2.988% (-1.8 bps), respectively.

■ Foreign investors net bought VND 1,070 bn.

■ Interbank rates edged up fractionally last week. In details, ON – 3M rates posted at 0.844%, 1.006%, 1.131%, 1.331% and 1.594% respectively according to Bloomberg data.

VCBS Commentary August 16th – 20th

■ Although fixed income market directly benefit from this news, sentiment was not too excited and low liquidity reported. Hence, we believe that in upcoming weeks, this trend shall continue and bond yields shall tick down but in a minimal level.

■ We believe that the interbank next week may decrease slightly and then settle stably at this level.

Bond Market

Primary Market

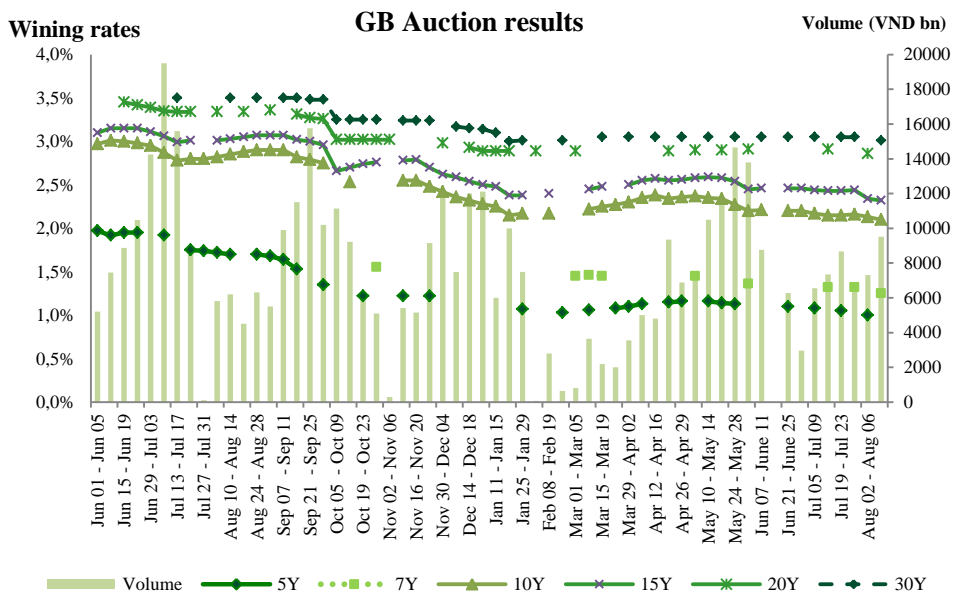
Higher amount of bonds issued at lower winning rates.

VND 12,914 bn was mobilized from ST and VBSP.

VND 9,514 bn was mobilized from ST. Therein, ST successfully issued VND 750 bn at 7Y tenors, VND 2000 bn at 10Y tenors, VND 4,500 bn at 15Y tenors, VND 2,264 bn at 30Y tenors. The registered volume-to-offering volume ratios for 7Y, 10Y, 15Y, 30Y tenors were 4.77; 4.35; 5.38; 1.75 times respectively. Winning volume-to-offering ratios for 7Y, 10Y, 15Y, 30Y tenors stood at 100.00%; 100.00%; 100.00%; 60.37%. Winning rates for 7Y, 10Y, 15Y, 30Y stood at 1.25 (-7 bps); 2.1 (-3 bps); 2.32 (-2 bps); 3.01 (-4 bps) respectively.

VBSP mobilized VND 1,400 bn at 10Y and VND 2,000 bn at 15Y. Winning rates recorded at 2.42% (+7 bps) and 2.58% (-1 bps) respectively.

VDB did not mobilize bond this week.



Source: HNX, VCBS

Secondary Market

VND 28,955 bn (-14.5% wow) was traded on the secondary market.

VND 28,955 bn (-14.5% wow) was traded on the secondary market. Average trading volume per day is VND 5,791 bn. In detail, Outright and repo values were at VND 22,306 bn (-17.7% wow) and VND 6,649 bn (-1.6% wow) respectively. Regarding outright, ST-Bond kept totally dominating trading

volume with 96%

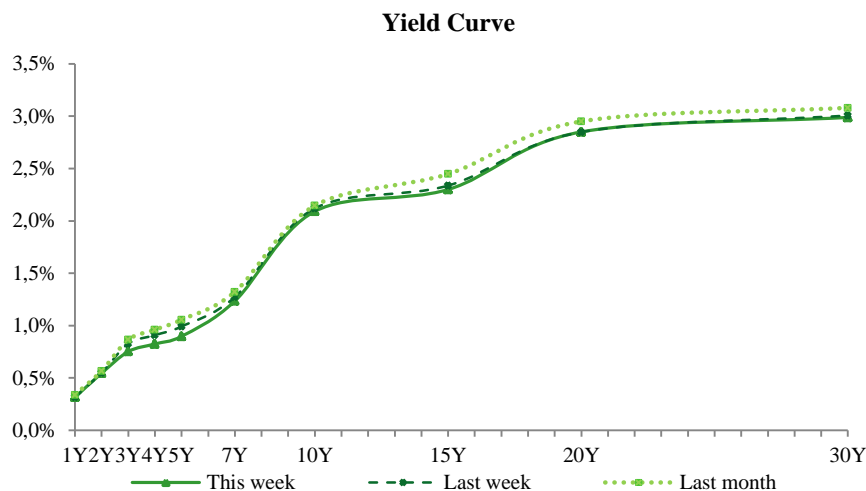
Yield curve shifted downwards and became flattened as long-term bond yields ticked down more than the short ones. According to VBMA data, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y bond yields posted 0.315% (0 bps), 0.546% (-0.4 bps), 0.752% (-7.5 bps), 0.825% (-8.4 bps), 0.898% (-9.4 bps), 1.235% (-3.8 bps), 2.091% (-2.9 bps), 2.3% (-3.7 bps), 2.85% (+0.2 bps), 2.988% (-1.8 bps), respectively. As mentioned in the [previous report](#), although there is still room for bond yields to decrease, the bullish sentiment was not so strong and it seemed that these days a conservative strategy was applied.

On August 11, the State Bank of Vietnam decrease reference exchange rate at SBV Operations Centre by roughly 80-100 VND (calculated based on discounted forward last price). Simultaneously, the SBV changed the method of purchasing foreign currencies from forward contracts to spot transactions. The last downward adjustment was recorded on June 8. At that time, the forward price decreased from 23,125 VND to 22,975 VND.

As mentioned previously, VCBS believes that SBV by means of bilateral negotiation can explain and minimize the risk of Vietnam being labeled as a currency manipulator. Hence, after bilateral negotiation works, SBV promptly reacts to exchange rates as well as the foreign exchange market.

This move will add a significant amount of liquidity to the banking system. We consider it good news with 2 supporting ideas: (1) in the period when the epidemic continues to evolve, a more abundant liquidity "buffer" is vital to ensure the stable operation of the banking system as well as financial markets. (2) Along with that, ample liquidity and lower interbank rates are two criteria that commercial banks appreciate during their conducting package to lower the lending rates. Accordingly, VCBS forecast that the VND shall appreciate against the greenbacks this year. The fluctuation band shall be less than 2%.

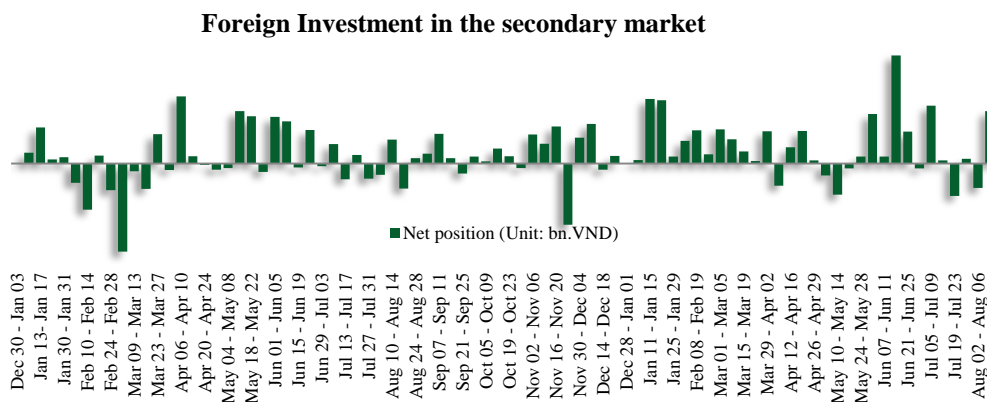
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Source: VBMA, VCBS compiles

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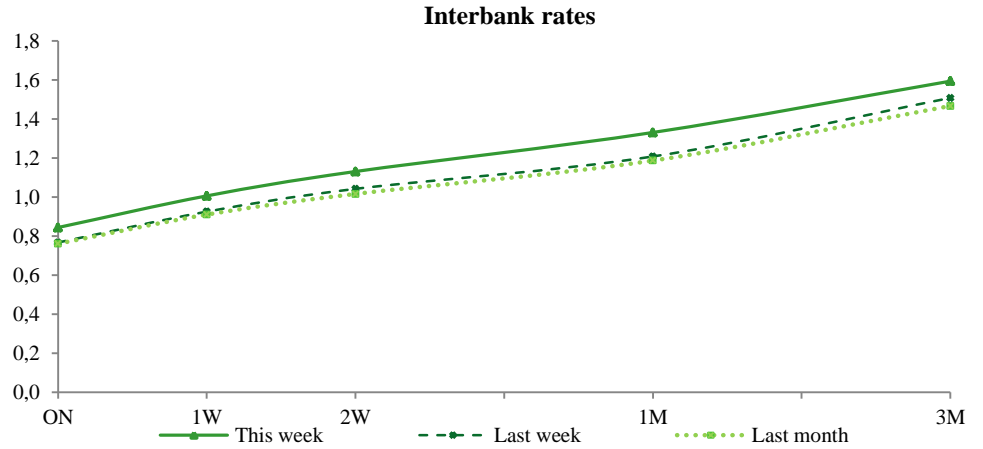
Source: HNX, VCBS

INTEREST RATE

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Interbank Rates

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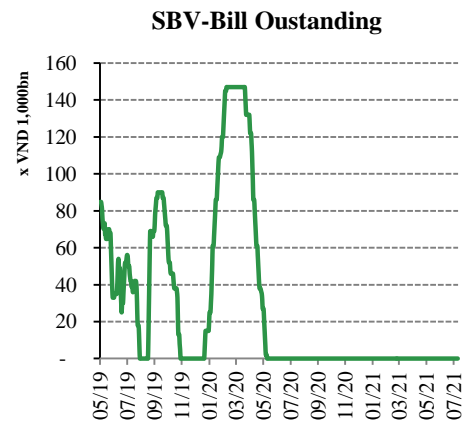
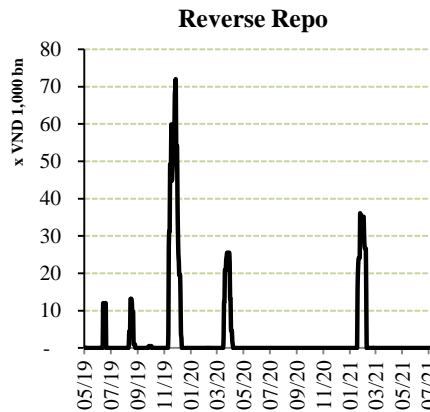
Source: Bloomberg, VCBS

Note that during July and August, several purchasing foreign currencies in terms of the forward contract have been executed. This in accordance with the latest move from SBV, liquidity shall be ample. We believe that the interbank next week may decrease slightly and then settle stably at this 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								
11-Aug-21	7Y	750	3,580	750	4.77	1.25	100.00%	ST
11-Aug-21	10Y	2,000	8,700	2,000	4.35	2.1	100.00%	ST
11-Aug-21	15Y	4,500	24,200	4,500	5.38	2.32	100.00%	ST
11-Aug-21	30Y	3,750	6,568	2,264	1.75	3.01	60.37%	ST
9-Aug-21	10Y	2,000	5,701	1,400	2.85	2.42	70.00%	VBSP
9-Aug-21	15Y	2,000	5,500	2,000	2.75	2.58	100.00%	VBSP

Secondary Market

Issuer	Last week		Current week	
	Value	Value share	Value	Value share
Outright				
ST	26,291	97.00%	21,525	96.50%
VDB	215	0.79%	382	1.71%
VBSP	597	2.20%	398	1.79%
Others	-	0.00%	-	0.00%
Subtotal (1)	27,104	100.00%	22,306	100.00%
Repo				
Repo	6,757	35.30%	6,649	34.81%
Reserve Repo	12,387	64.70%	12,453	65.19%
Subtotal (2)	19,144	100.00%	19,102	100.00%
ST bills				
Outright				
Repo				
Subtotal (3)				
Total (1)+(2)+(3)	46,248		41,407	

Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
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	-	-	-	-	-	-	-	-
07/19 – 07/23	-	-	-	-	-	-	-	-
07/26 – 07/30	-	-	-	-	-	-	-	-
08/02 – 08/06	-	-	-	-	-	-	-	-
08/09 – 08/13	-	-	-	-	-	-	-	-

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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