

Fixed-Income Report

Apr 2022

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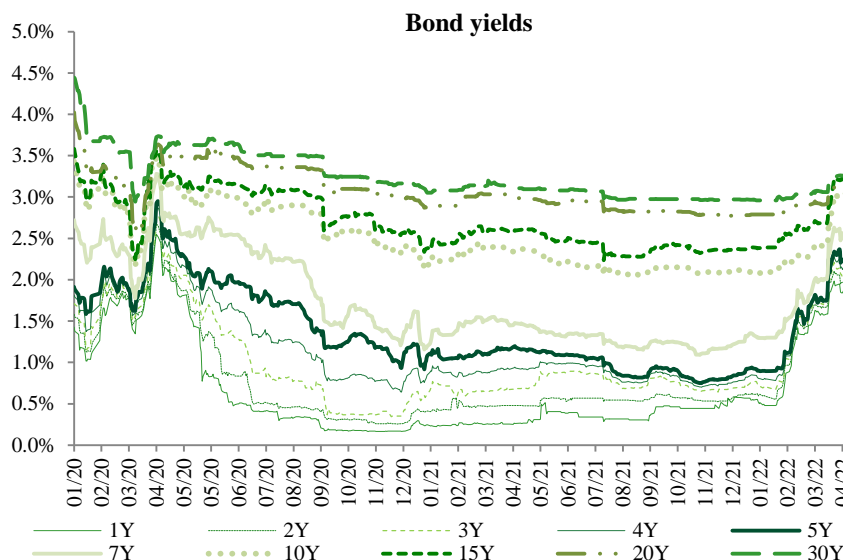
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Round-up



Source: VBMA, VCBS compiles

■ VND 4,720 billion (-46.5% mom, -82.1% yoy) was mobilized on primary market. VND 203.089 bn (-8.3% mom, +5.0% yoy) was traded on the secondary market.

■ Yield curve became flatten and shifted upwards. According to Bloomberg statistics, the yield for 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y tenors stood at 0.478% (+26.8 bps mom), 0.587% (+28.5 bps mom), 0.705% (+31 bps mom), 0.8% (+33.3 bps mom), 0.895% (+35.7 bps mom), 1.298% (+51.5 bps mom), 2.091% (+58.1 bps mom), 2.391% (+47.2 bps mom), 2.788% (+29 bps mom), 2.961% (+21 bps mom).

■ Foreign investors net sold VND 1,206 bn this month.

■ There was certain pressure on liquidity, interbank rates increased this month. At the end of the month, interest rates for ON-3M terms were recorded at 2.3%, 2.63%, 2.67%, 2.7% and 2.73%, respectively.

VCBS Commentary

■ Under unfavorable conditions and increasing uncertainties, market participants reassessed risks and reward in the market, thereby triggering selling pressure in the recent period. However, we believe that the cautious and pessimistic sentiment has been partly reflected in bond prices and yields. Thus, the pressure to increase in the coming time, if any, will not be much; instead, will increase slightly, before moving back to the balance.

■ VCBS assesses that interbank rates are likely to move around the current levels and it will take a considerable time before interbank rates gradually cool down. Interbank rate levels in 2022 will be about 1%-1.5% higher than the previous year.

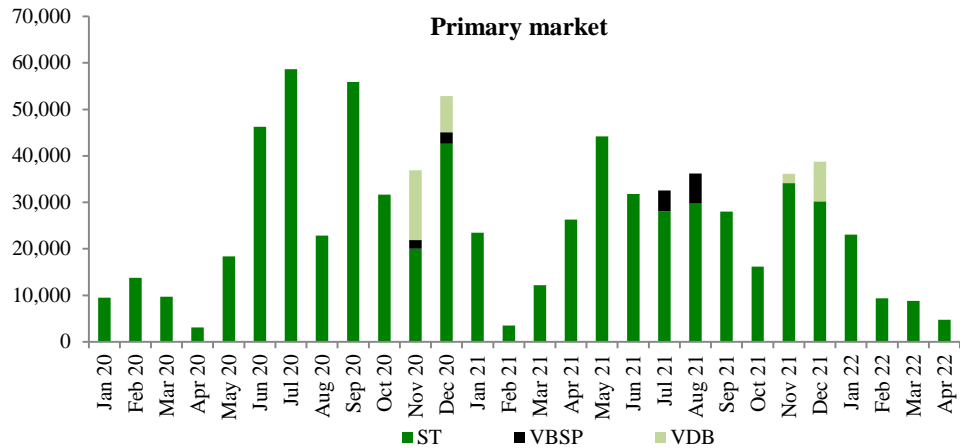
BOND MARKETS

Primary Market

The primary market was inactive.

VND 4,720 billion (-46.5% mom, -82.1% yoy) worth of bonds were mobilized.

VND 4,720 billion (-46.5% mom, -82.1% yoy) worth of bonds were mobilized during the month from the State Treasury. Specifically, the State Treasury has mobilized 2,000 billion VND, 2,000 billion VND; 500 billion and 120 billion dong of bonds with tenors of 10Y, 15Y, 20Y and 30Y.

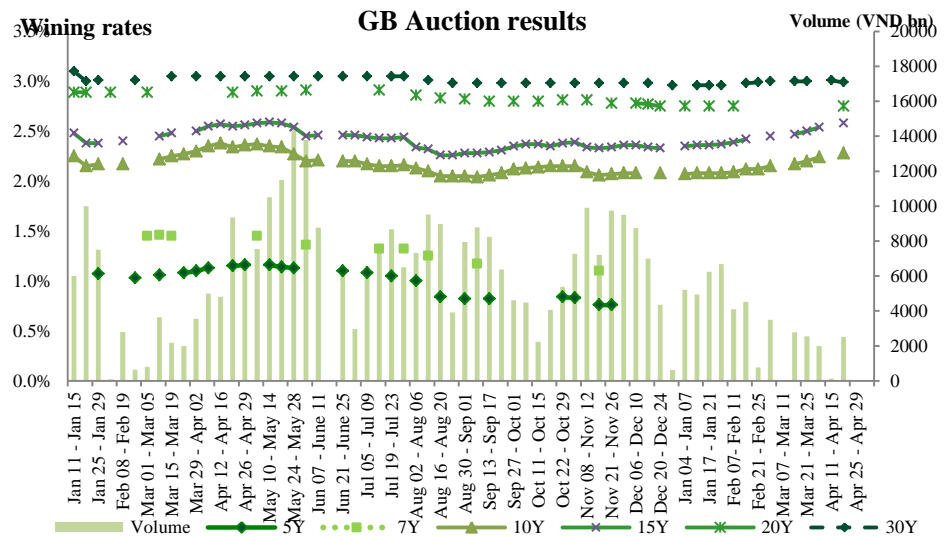


Source: HNX, VCBS

Winning interest rates inched up. Specifically, the winning rates stood at 2.28% (+08 bps mom); 2.58% (+08 bps mom); 2.75% (0 bps mom) and 2.99% (-01 bps mom) for 10Y, 15Y, 20Y and 30Y tenors.

The Bank for Social Policies (VBSP) mobilized 100 billion dong of 5Y bonds:2.39%.

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



Source: HNX, VCBS

State Treasury issuance plan updated:

In 4M.2022, 45,902 billion VND of government bonds were issued (11.5% of the 2022 plan). Mobilization volume has not been boosted in the context of budget surplus. As noted in previous reports, this shows that the State Treasury is not in a hurry to issue at all cost when disbursing public investment focuses on quality and efficiency.

Tenor	Plan Q2.2022	Plan 2022	Issued in Apr.2022	% Plan Q2.2022	Issued in 4M.20222	% Plan2022
5Y	10,000			0.0%		
7Y	5,000			0.0%		
10Y	45,000		2,000	4.4%	20,642	
15Y	35,000		2,000	5.7%	14,950	
20Y	10,000		500	5.0%	2,185	
30Y	15,000		120	0.8%	8,125	
Tổng	120,000	400,000	4,620	3.9%	45,902	11.5%

Source: MOF, HNX, VCBS Research

Macro updates:

- Given that the Covid-19 pandemic has been controlled, enterprises have been more proactive in terms of production and business plans, overcoming difficulties to recover and expand their businesses. Industrial production in April is estimated to increase by 2% month-on-month and by 9.4% year-on-year. Generally, in the first four months of 2022, the industrial production index increased by 7.5% over the same period last year.
- In addition, business start-up activity flourished in April. The number of newly established enterprises reached the highest ever with 15,000 enterprises. Generally, in the first 4 months of 2022, the number of newly established enterprises increased by 12.3% over the same period in 2021; the number of enterprises returning to operation increased by 60.6% and the number of enterprises completing dissolution procedures decreased by 17.5%.
- Consumer demand is showing positive signs of improvement. Total retail sales of consumer goods and services in April 2022 was estimated at 455.5 trillion VND, increased by 3.1% mom and increased by 12.1% yoy. In the first 4 months of 2022, the total retail sale of consumer goods and services is estimated at 1,777.4 trillion VND (+6.5% yoy, if excluding the price factor, in the same period in 2021: +7.2%).
- In April 2022, the export was estimated at 33.26 billion USD (-4.2% mom, +25% yoy); import was estimated at 32.19 billion USD (-1.5% mom, +15.5% yoy). Generally in the first 4 months of 2022, export was estimated at 122.36 billion USD (+16.4% yoy); import was estimated at 119.83 billion USD (+15.7% yoy). Thus, in the first 4 months of 2022, the trade balance of goods was estimated to have a trade surplus of 2.53 billion USD (the same period last year, the trade surplus was 1.5 billion USD).
- The consumer price index (CPI) in April was under slight upward pressure, mainly due to the upward force on price of housing maintenance materials in line with the price of input materials; educational services increased again in some localities after the period of exemption and reduction on tuition fee; Prices of eating outside and travel services increased. Specifically, CPI in April increased by 0.18% mom, increased by 2.09% compared to December 2021 and increased by 2.64% yoy. On average, in the first 4 months of 2022, CPI increased by 2.1% over the same period last year, higher than the increase of 0.89% in the first 4 months of 2021. We believe that CPI may continue to increase in the following months

as prices of materials in the world increase, and the demand for travel and tourism may increase during the holidays. Inflation in 2022 is forecasted to increase above 4%.

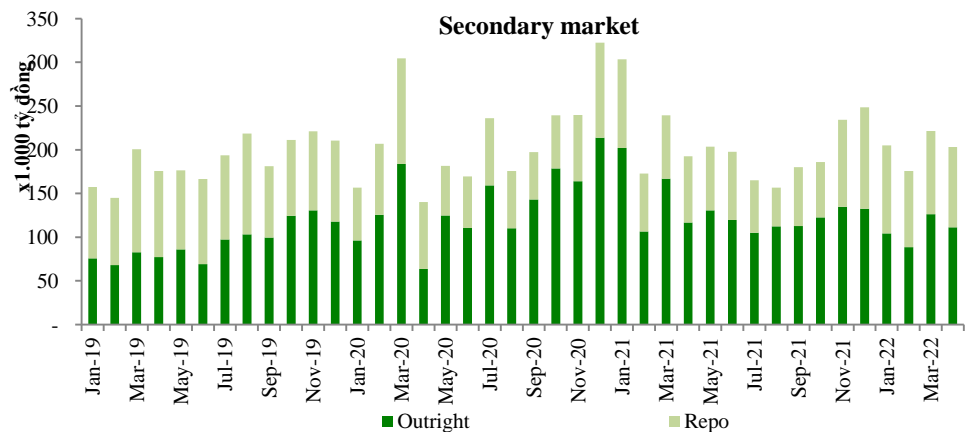
- On May 4, the Fed announced the decision to raise interest rates for the second time since the drastic easing of monetary policy due to the pandemic. Specifically, the Fed decided to raise rates by 50 bps, to 0.75% - 1.0%. The Fed has not raised rates by more than 25 basis points since April 2000. In addition, the Fed announced it will begin reducing the size of its balance sheet from next month. Accordingly, the Fed plans to reduce its asset portfolio worth \$9 trillion, specifically: \$47.5 billion per month from June, then increase it to \$95 billion from September. It is noted that the Fed reached consensus on the possibility of a 50 bps increase in the next meetings, and has not considered the possibility - 75 bps in the next meeting.
- The Fed's decision on the process and rate hike is quite similar to market expectations, especially in the context that US inflation data is still high. Thus, the trend of neutralizing the adverse effects of loosening monetary policy is the main trend in the next period, led by more hawkish moves of the Fed. From now until the end of the year, the Fed is expected to have 4-5 interest rate hikes. Thus, the USD appreciates against other strong currencies. That leads to the possibility of VND depreciating relative to USD. This shows a difficult problem for central banks to ensure targets related to inflation and the balance in the correlation of monetary policy compared to other countries in the world while central banks have raised rates to response to inflation, and Vietnam is no exception.
- In the context of many risks and uncertainties, the operator chose to maintain a moderate level of liquidity in the interbank market, ensuring credit growth in harmony with operating objectives while closely managing the movement of capital to the real estate market or other markets. Accordingly, the geopolitical risks associated with the trend of gradually neutralizing the loosening monetary policy in the world are the main factors that make the interbank rate may stand at higher levels (increase by 1-1.2. % over the same period). Up to this point, the selection of the State Bank has shown some reasonableness and flexibility in the context of the general situation in the world, especially inflation has not yet been determined to have a more positive change.

Secondary market

Market liquidity was less active.

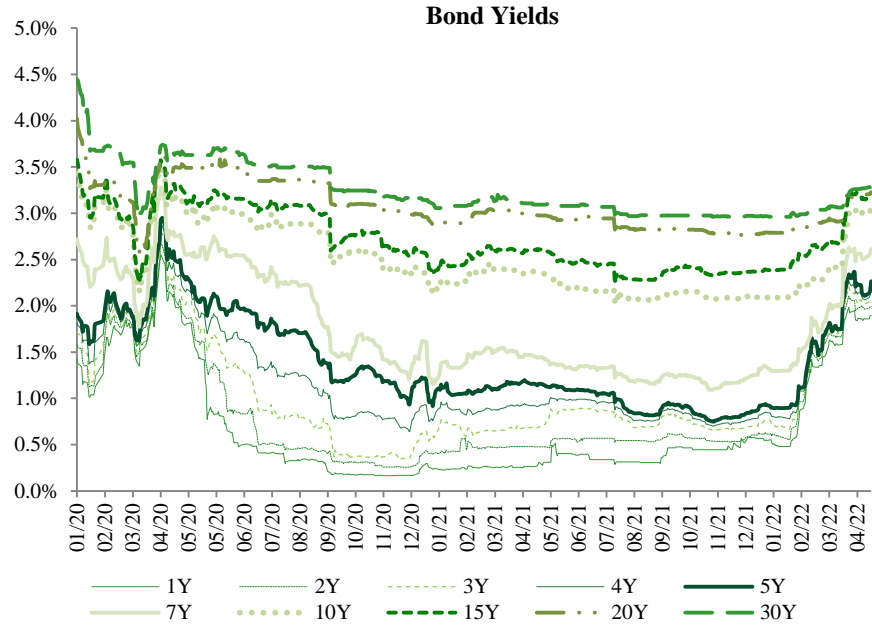
VND 203.089 bn (-8.3% mom, +5,0% yoy) traded on the secondary market.

VND 203.089 bn (-8.3% mom, +5,0% yoy) was traded on the secondary market. Outright and repo trading volume reached VND 111,414 bn (-11.7% mom) and 91,676 bn (-3.7% mom).



Source: HNX, VCBS

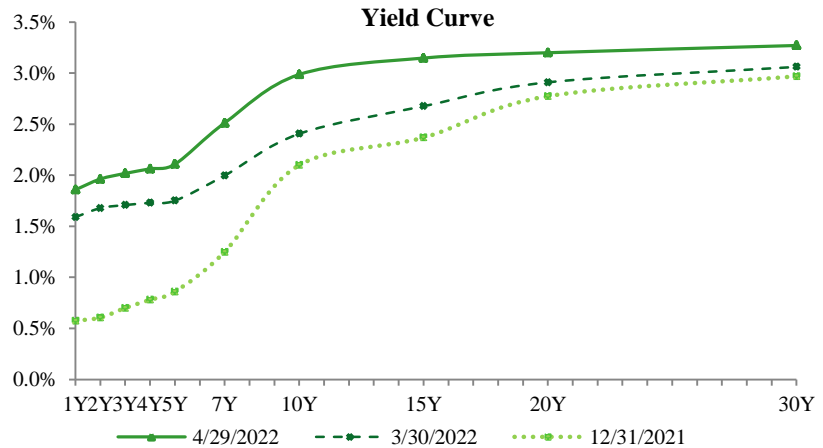
Yield curve became flatten and shifted upwards. According to Bloomberg statistics, the yield for 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y tenors stood at 0.478% (+26.8 bps mom), 0.587% (+28.5 bps mom), 0.705% (+31 bps mom), 0.8% (+33.3 bps mom), 0.895% (+35.7 bps mom), 1.298% (+51.5 bps mom), 2.091% (+58.1 bps mom), 2.391% (+47.2 bps mom), 2.788% (+29 bps mom), 2.961% (+21 bps mom).



Source: Bloomberg, VCBS

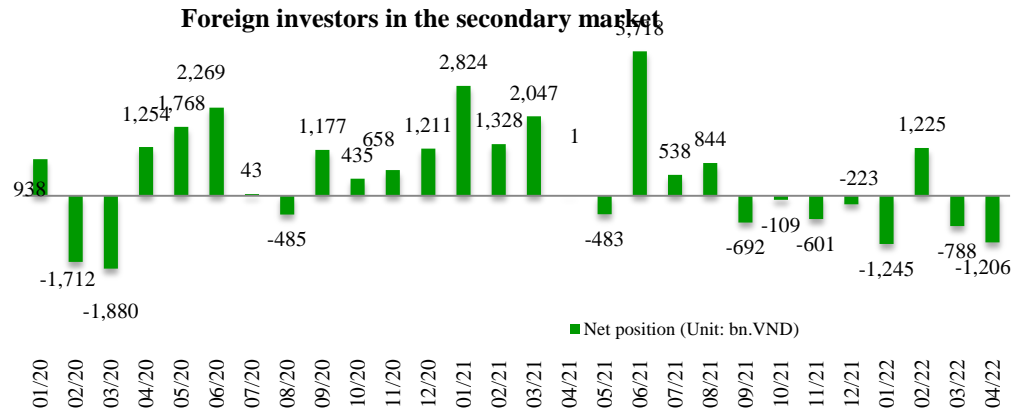
At the moment, we do not foresee any factors that can press down bond yields, instead, upward pressures on bond yields in the market. Interbank rates are likely to fluctuate around the current levels. Due to the sensitive nature of interbank liquidity, the yield curve may shift upwards.

Under unfavorable conditions and increasing uncertainties, market participants reassessed risks and rewards in the market, thereby triggering selling pressure in the recent period. However, we believe that the cautious and pessimistic sentiment has been partly reflected in bond prices and yields. Thus, the pressure to increase in the coming time, if any, will not be much; instead, will increase slightly, before moving back to the balance.



Foreign investors net sold VND 1,206 bn this month

Foreign investors net sold VND 1,206 bn in the market. Foreign investors were inactive in the first months of the year when uncertain factors were escalating in the world.



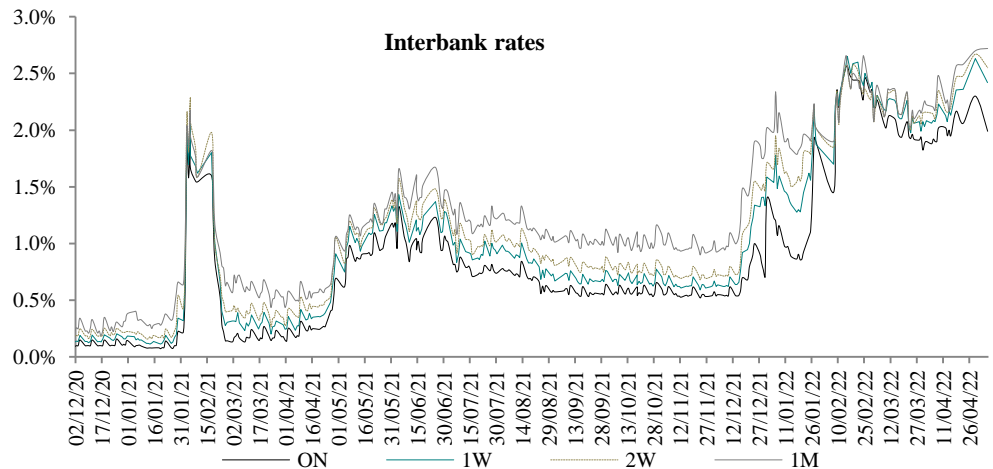
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

There was certain pressure on liquidity, interbank rates increased this month.

There was certain pressure on liquidity, interbank rates increased this month. At the end of the month, interest rates for ON-3M terms were recorded at 2.3%, 2.63%, 2.67%, 2.7% and 2.73%, respectively.



Source: Bloomberg, VCBS

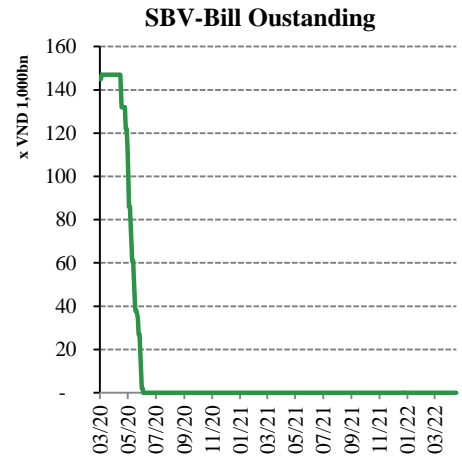
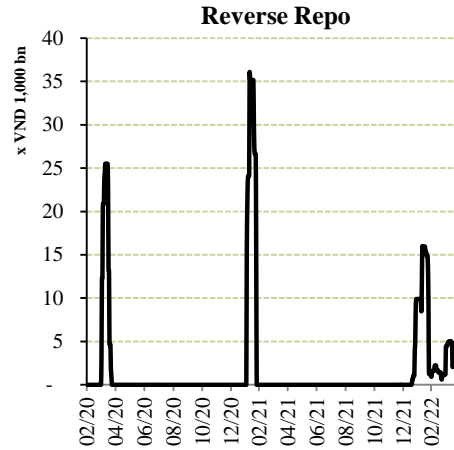
From the world perspective, the main trend is still gradually neutralizing the adverse effects of loose monetary policies. This view was once again reinforced in the announcement of the interest rate hike and the plan to reduce the balance sheet size at the FOMC in May. Domestically, inflationary pressure is still present. The upward pressure on world raw material prices partially limits the ability of operators to intervene the targets.

Thus, VCBS assesses that interbank rates are likely to move around the current levels and it will take a considerable time before interbank rates gradually cool down. Interbank rate levels in 2022 will be about 1%-1.5% higher than the previous year.

Open market operation

SBV net injected 1,648.38 billion VND through open market operations.

SBV net injected 1,648.38 billion VND through open market operations. Specifically, with active and flexible management, the State Bank injected VND 8,375 billion through 7-day term - 2.5%/year; In addition, VND 6,727 billion volume was due.



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
01/21	23.496	1,07	N/A	2,17	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	2,3	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
06/21	31.803	1,10	1,36	2,20	2,46	2,9	3,05	0	0	0	31.803
07/21	28.061	1,05	1,32	2,16	2,44	2,91	3,05	4.500	0	0	32.561
08/21	29.702	0,84	1,25	2,05	2,26	2,83	2,98	0	0	0	29.702
09/21	39.958	0,82	1,17	2,12	2,35	2,80	2,98	0	0	0	39.958
10/21	16.146	0,84	N.A	2,15	2,38	2,81	2,98	0	0	0	16.146
11/21	34.133	0,76	1,10	2,07	2,34	2,78	2,98	2.000	0	0	36.133
12/21	30.220	0,85	1,30	N/A	2,34	N/A	2,96	0	8.500	0	38.720
01/22	23.082	N/A	N/A	2,08	2,37	2,75	2,96	0	0	0	23.082
02/22	9.380	N/A	N/A	2,12	2,42	2,75	2,99	0	0	0	9.380
03/22	8.820	N/A	N/A	2,20	2,50	N/A	3,00	0	0	0	8.820
04/22	4.620	N/A	N/A	2,28	2,58	2,75	2,99	0	100	0	4.720

Secondary Market

Month	Bonds		ST-bills		Total
	Outright	Repo	Outright	Repo	
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
06/21	119.580	77.945	-	-	197.525
07/21	105.235	59.846	-	-	165.080
08/21	112.364	44.367	-	-	156.730
09/21	112.918	67.242	-	-	180.160
10/21	122.708	63.153	-	-	185.861
11/21	134.560	99.731	-	-	224.292
12/21	132.587	116.136	-	-	248.722
01/22	104.158	100.964	-	-	205.122
02/22	88.562	87.000	-	-	175.562
03/22	126.134	95.229	-	-	221.363
04/22	203,089	111,414	-	-	91.676

Open Market Operation

Month	Reverse Repo				Outright			
	Due	Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
01/21	-	-	-	-	-	-	-	-
02/21	50.726	50.726	-	-	-	-	-	-
03/21	-	-	-	-	-	-	-	-
04/21	-	-	-	-	-	-	-	-
05/21	-	-	-	-	-	-	-	-
06/21	-	-	-	-	-	-	-	-
07/21	-	-	-	-	-	-	-	-
08/21	-	-	-	-	-	-	-	-
09/21	-	-	-	-	-	-	-	-
10/21	-	-	-	-	-	-	-	-
11/21	-	-	-	-	-	-	-	-
12/21	-	-	-	-	-	-	-	-
01/22	-	9,899	9,899	9,899	-	-	-	-
02/22	24,809	15,830	(8,979)	920	-	-	-	-
03/22	3,028	6,494	3,466	4,387	-	-	-	-
04/22	6,727	8,375	1,648	6,035	-	-	-	-

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