

**Fixed-Income Report**

**June 13<sup>th</sup> – 17<sup>th</sup> 2022**

**In this issue**

- Round up
- Bond market
- Interest rates

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See Disclaimer at Page 5

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

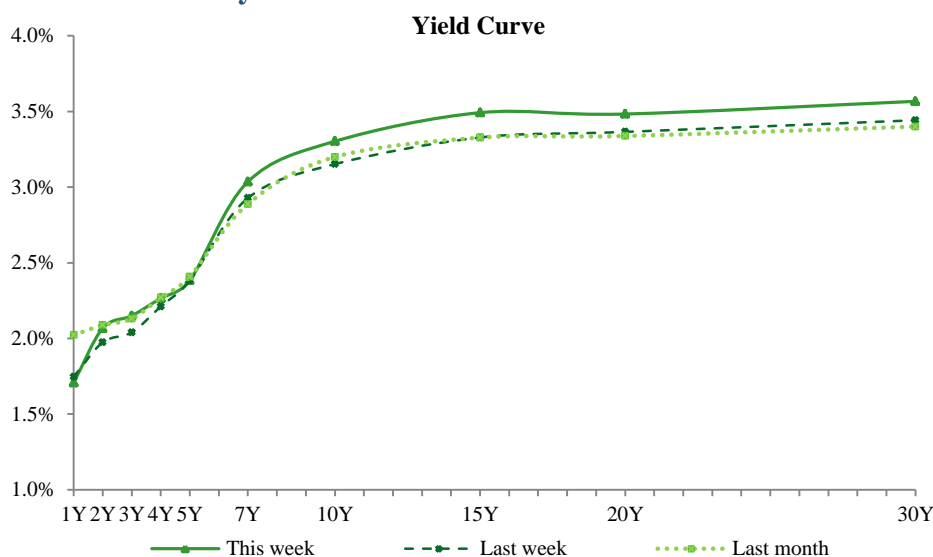
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**Round-up**

**The primary market was inactive.**

**Yield curve shifted upwards.**

**Interbank rates stayed at low levels.**



Source: VBMA, VCBS compiles

■ VND 3,065 bn was mobilized in the primary market. VND 36,753 bn (-14.3% wow) was traded on the secondary market.

■ Yield curve shifted upwards. According to VBMA data, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y bond yields posted at 1.707% (-3.9 bps), 2.067% (+9.3 bps), 2.15% (+11 bps), 2.266% (+5.5 bps), 2.383% (+0.1 bps), 3.035% (+10.8 bps), 3.303% (+15.1 bps), 3.492% (+16.4 bps), 3.483% (+11.8 bps), 3.567% (+12.5 bps), respectively.

■ Interbank rates stayed at low levels. In details, ON – 3M rates posted at 0.492%, 1.225%, 1.608%, 2.292% and 2.692%, respectively according to Bloomberg data.

■ SBV net injected VND 489.22 bn via OMO channel

**VCBS Commentary**

■ VCBS observes that the cautious sentiment prevails in the context of higher inflation expectation and rising geopolitical uncertainties. Market participants are waiting the measurements of operators and central banks responding to inflation. Thus, bond yields may fluctuate in an upward and tight band in the upcoming week.

**Bond Market**

**Primary Market**

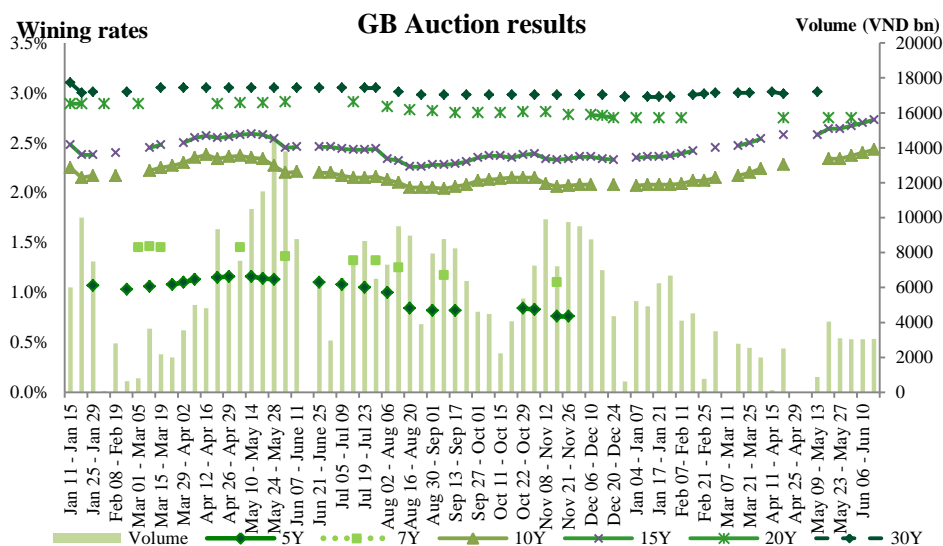
The primary market was inactive.

**VND 3,065 bn was mobilized from ST.**

**VND 3,065 bn was mobilized from ST.** Therein, ST successfully issued VND 1,500 bn at 10Y tenors, VND 1,565 bn at 15Y tenors. The registered volume-to-offering volume ratios for 10Y, 15Y, 20Y tenors were 1.68; 1.43; 0 times respectively. Winning volume-to-offering ratios for 10Y, 15Y, 20Y tenors stood at 75.0%; 78.25%; 0%. Winning rates for 10Y, 15Y stood at 2.46 (+3 bps); 2.73 (+3 bps) respectively.

Therein, VBSP offered VND 1,500 bn at 3Y tenors, VND 500 bn at 5Y tenors, VND 500 bn at 10Y tenors, VND 500 bn at 15Y tenors; however, none of these tenors was issued successfully. It emphasized low demand from market participants.

VDB did not mobilize bond this week.



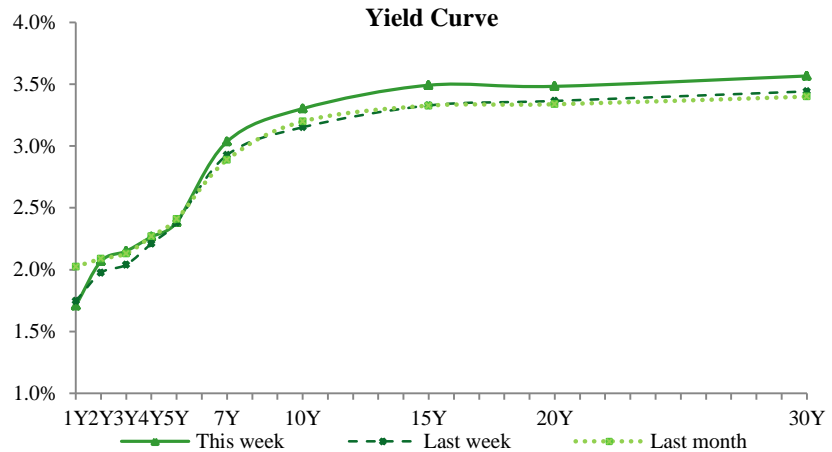
Source: HNX, VCBS compiles

**Secondary Market**

**VND 36,753 bn (-14.3% wow) was traded on the secondary market.**

**VND 36,753 bn (-14.3% wow) was traded on the secondary market.** Average trading volume per day is VND 7,351 bn. In detail, Outright and repo values were at VND 25,253 bn (-16.4% wow) and VND 11,500 bn (-9.3% wow) respectively. Regarding outright, ST-Bond kept totally dominating trading volume with 100%

**Yield curve shifted upwards.** According to VBMA data, 1Y, 2Y, 3Y, 4Y, 5Y, 7Y, 10Y, 15Y, 20Y and 30Y bond yields posted at 1.707% (-3.9 bps), 2.067% (+9.3 bps), 2.15% (+11 bps), 2.266% (+5.5 bps), 2.383% (+0.1 bps), 3.035% (+10.8 bps), 3.303% (+15.1 bps), 3.492% (+16.4 bps), 3.483% (+11.8 bps), 3.567% (+12.5 bps), respectively. Market in this period appeared to be vulnerable to macroeconomic news, which is beyond expectation and in this case is the high US inflation in May.



Source: VBMA, VCBS compiles

On June 15, Fed announced its decision to raise interest rates for the third time since the drastic easing monetary policy due to the pandemic. Specifically, Fed decided to raise interest rates by 75 bps, to 1.5% - 1.75% (this is the largest increase since 1994). In addition, Fed lowered its economic growth outlook for 2022 (from 2.8% to 1.7%) while raising its inflation forecast for 2022 (from 4.3% to 5.2%). In the short term, it can be seen that the expectation of this increase has been partly reflected in the past sessions after the inflation data in the US in May reached a high level of 8.6% (market's expectations: 8.2%).

In the long term, Fed's rate hike process has not ended when the long-term interest rate may reach 3.8% and in the July meeting, interest rate may reach up to 75 basis points. In general, the measures to raise interest rates during this period are aimed at restraining the increase in demand, while inflationary pressure is mainly caused by rising commodity and fuel prices, supply chain disruptions and instability. Therefore, the effectiveness of raising interest rates to cool down inflation may not be high and may even have the opposite effect, especially higher cost of funds which makes production activities difficult.

In summary, with a "hawkish" policy orientation, we maintain the view that the USD appreciates compared to other foreign currencies. That leads to the possibility of VND depreciating relative to USD. This shows a difficult

challenge for the State Bank: ensuring the target related to inflation and the balance in the correlation of monetary policy compared to other countries when many central banks have raised interest rates in response to inflation. Accordingly, it is not excluded that the State Bank may consider using more interest rate tools in the coming period.

In addition, BoE announced a 0.25% interest rate hike to 1.25%, which is the highest UK rate hike since January 2009.

Overall, major central banks tend to neutralize the adverse effects of easing monetary. **Thus, asset prices in the world may log into a correction phase rather than an upward phase.**

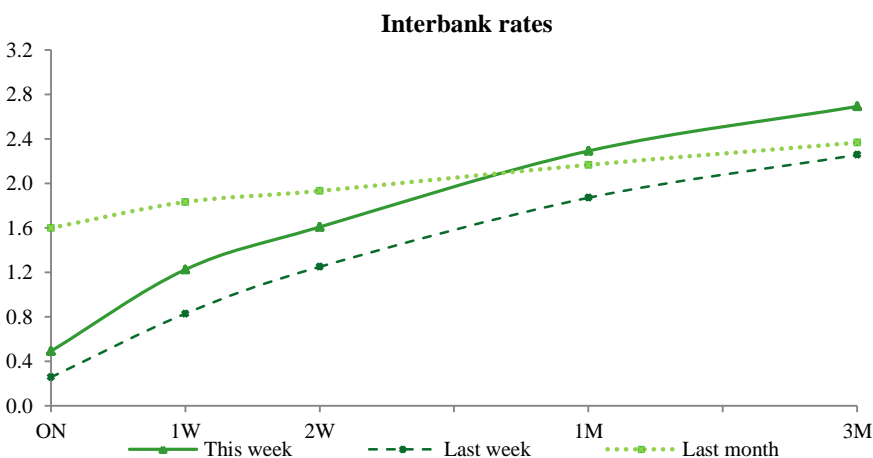
VCBS observes that the cautious sentiment prevails in the context of higher inflation expectations and rising geopolitical uncertainties. Market participants are waiting for the measurements of operators and central banks responding to inflation. Thus, **bond yields may fluctuate in an upward and tight band in the upcoming weeks.**

## INTEREST RATE

**Interbank rates stayed at low levels.**

### Interbank Rates

**Interbank rates stayed at low levels.** In details, ON – 3M rates posted at 0.492%, 1.225%, 1.608%, 2.292% and 2.692%, respectively according to Bloomberg data.



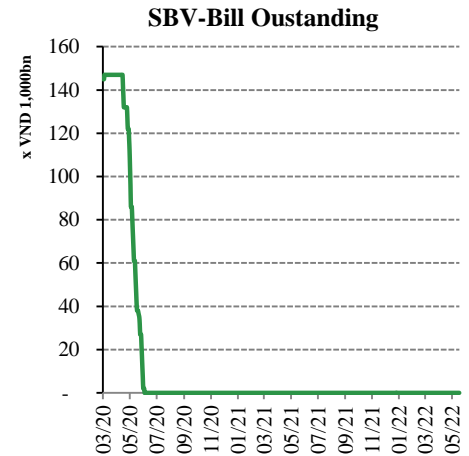
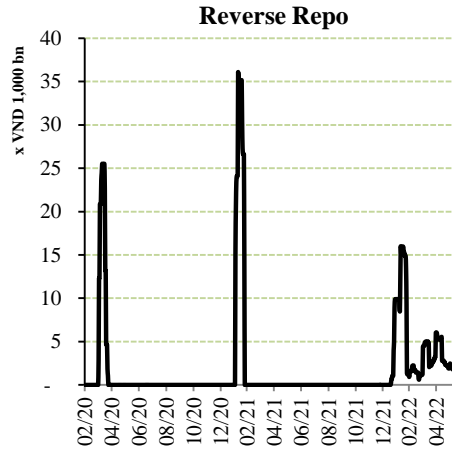
*Source: Bloomberg, VCBS*

These weeks, liquidity in the interbank market is more abundant while almost commercial banks reached their credit growth limit. We believe that interbank rates may stay at low levels in the upcoming weeks while there is no further announcement related to higher credit quota.

**SBV net injected VND 489.22 bn via OMO channel.**

**Open Market Operation**

**SBV net injected VND 489.22 bn via OMO channel.** In detail, SBV offered VND 1,045 bn of repo while VND 556 bn are due this week.



*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
<b>ST bills</b>								
<b>Government and government-backed bonds</b>								
13-Jun-22	3Y	1,500	2,000	-	1.33	0	0.00%	VBSP
13-Jun-22	5Y	500	500	-	1.	0	0.00%	VBSP
13-Jun-22	10Y	500	150	-	.3	0	0.00%	VBSP
13-Jun-22	15Y	500	-	-	.	0	0.00%	VBSP
15-Jun-22	10Y	2,000	3,351	1,500	1.68	2.43	75.00%	ST
15-Jun-22	15Y	2,000	2,865	1,565	1.43	2.73	78.25%	ST
15-Jun-22	20Y	500	-	-	0.00	0	0.00%	ST

### Secondary Market

Issuer	Last week		Current week	
	Value	Value share	Value	Value share
<b>Outright</b>				
ST	28,001	92.69%	25,160	99.63%
VDB	1,697	5.62%	93	0.37%
VBSP	511	1.69%	-	0.00%
Others	-	0.00%	-	0.00%
<b>Subtotal (1)</b>	<b>30,209</b>	<b>100.00%</b>	<b>25,253</b>	<b>100.00%</b>
<b>Repo</b>				
Repo	12,685	46.13%	11,500	55.66%
Reserve Repo	14,813	53.87%	9,163	44.34%
<b>Subtotal (2)</b>	<b>27,498</b>	<b>100.00%</b>	<b>20,663</b>	<b>100.00%</b>
<b>ST bills</b>				
Outright				
Repo				
<b>Subtotal (3)</b>				
<b>Total (1)+(2)+(3)</b>	<b>57,707</b>		<b>45,916</b>	

### Open Market Operation

Date	Due	Reverse Repo			Outright (SBV Bills)			
		Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
03/21 - 03/25	1,019	715	(304)	1,125	-	-	-	-
03/28 - 04/01	411	3,794	3,384	4,509	-	-	-	-
04/04 - 04/08	715	1,231	517	5,026	-	-	-	-
04/11 - 04/15	3,794	987	(2,808)	2,218	-	-	-	-
04/18 - 04/22	1,231	1,732	500	2,718	-	-	-	-
05/02 - 05/06	1,732	1,011	(721)	5,314	-	-	-	-
05/09 - 05/13	4,303	1,772	(2,531)	2,783	-	-	-	-
05/16 - 05/20	1,011	550	(461)	2,322	-	-	-	-
05/23 - 05/27	1,772	1,372	(400)	1,921	-	-	-	-
05/30 - 06/03	550	556	6	1,928	-	-	-	-
06/06 - 06/10	1,372	1,017	(354)	1,573	-	-	-	-
<b>06/13 - 06/17</b>	<b>556</b>	<b>1,045</b>	<b>489</b>	<b>2,063</b>	-	-	-	-

## **DISCLAIMER**

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