

Fixed-Income Report

3Q.2021

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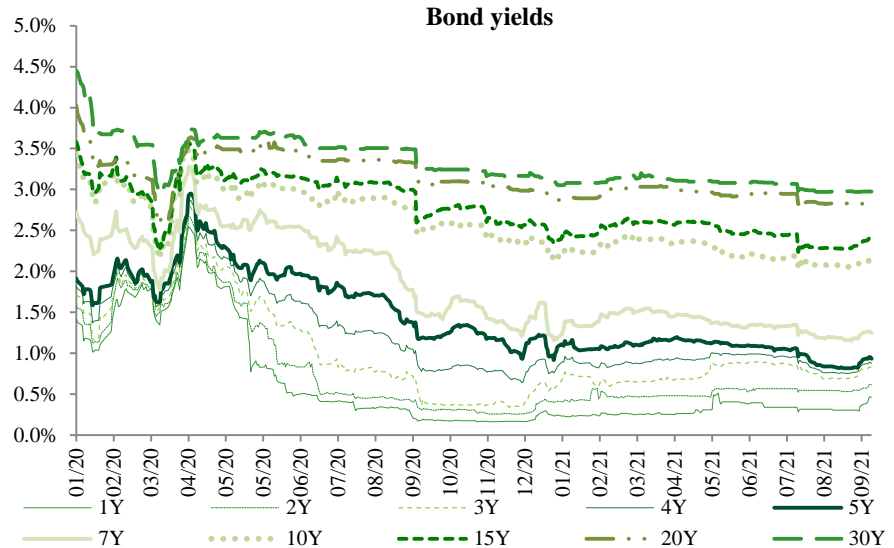
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Round-up



■ VND 107,245 bn worth of bond was mobilized. VND 507,971 bn (-15.4% qoq) was traded on secondary market.

■ Bond yields fell at the beginning of the quarter, then inched up at the end of the third quarter. According to Bloomberg, yields for 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y terms at the end of quarter stood at 0.395% (+7 bps qoq), 0.56% (+4.86 bps qoq), 0.89% (-6.55 bps qoq), 0.99% (-10,339 bps qoq), 1.09% (-14.12 bps qoq), 1.34% (-8.7 bps qoq), 2.20% (-6.25 bps qoq), 2.49% (-9.55 bps qoq), 2.95% (-12.93 bps qoq), 3.09% (-0.25 bps qoq).

■ The foreign investors net bought approximately VND 690 bn.

■ Abundant liquidity supported the downtrend of interbank rates in Q3.2021. Interbank rates for OM-3M tenors were recorded at 0.629%, 0.754%, 0.868%, 1.104% and 1.461% respectively.

■ The SBV almost did not use OMO tools during the quarter.

VCBS Commentary

■ In the rest of 2021, VCBS assesses that the downtrend will slow down; upward force, if any, may appear at the end of the year.

■ VCBS believes that liquidity will be abundant in the last quarter of 2021; the interbank rates will remain at the current levels, and only observe short-term upward pressure at the end of the year.

Bond Market

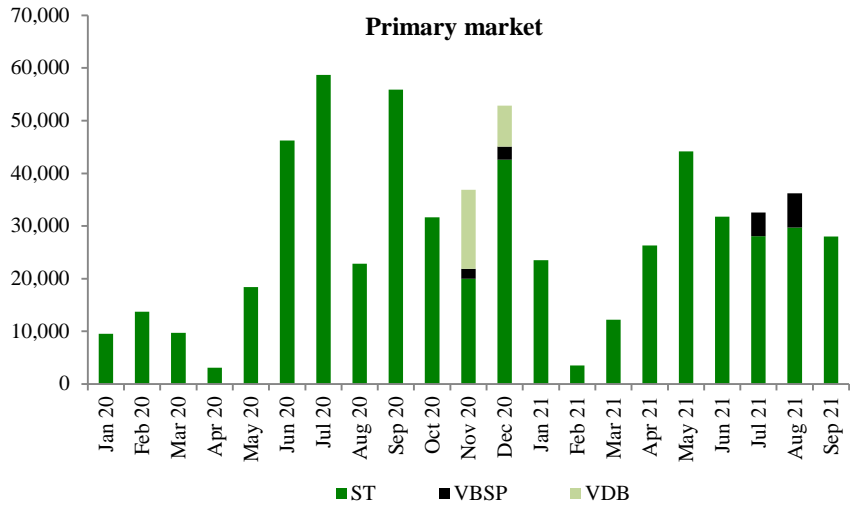
Primary market

Government bond issuance was accelerated.

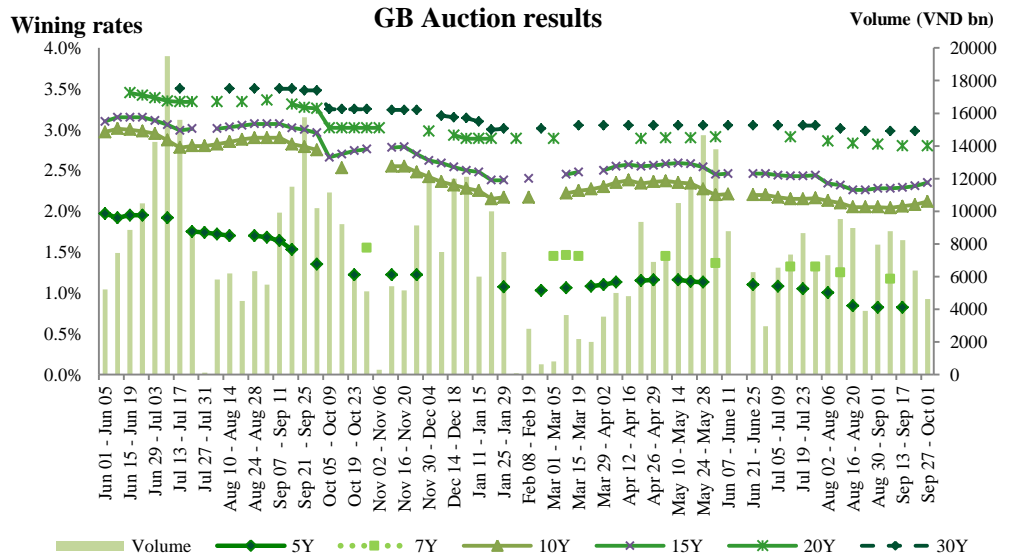
VND 107,245 bn worth of bond was mobilized.

VND 107,245 bn worth of bond was mobilized. In detail, State Treasury (ST) issued VND 96,221 bn for all tenors: VND 6,079 bn; VND 2,700 bn; VND 30,892 bn; VND 37,872 bn; VND 7,065 and VND 11,613 bn were mobilized in 5Y, 7Y, 10Y, 15Y, 20Y and 30Y tenors.

Meanwhile, VDB issued VND 11,024 bn and VBSP did not mobilize bonds in this quarter.



Winning interest rates mainly decreased in the quarter, and only increased in the last auction sessions. In particular, winning rates for 5Y, 10Y, 15Y, 20Y and 30Y stood at 0.82% (-28 bps qoq); 1.17% (-19 bps qoq); 2.12% (-08 bps qoq); 2.35% (-11 bps qoq); 2.80% (-11 bps qoq) and 2.98% (-07 bps qoq).



Source: HNX, VCBS

State Treasury issuance plan updated:

In the third quarter of 2021, the State Treasury successfully issued VND 96,241 billion, equivalent to 80.2% of the third quarter plan. In the first 9 months of the year, the State Treasury mobilized 237,714 billion VND (equivalent to 67.9% of the plan. year 2021). In which, the goal of increasing the issuance of long-tenors continues to be implemented for 10-year and 15-year bonds.

	Plan Q3.2021	Plan 2021	Issued in Q3.2021	Issued in 3Q.2021	% Plan Q3.2021	% Plan 2021
5Y	10,000	20,000	6,079	19,848	60.8%	99.2%
7Y	8,000	15,000	2,700	5,231	33.8%	34.9%
10Y	40,000	120,000	30,892	106,034	77.2%	88.4%
15Y	50,000	135,000	37,892	76,525	75.8%	56.7%
20Y	5,000	30,000	7,065	10,505	141.3%	35.0%
30Y	7,000	30,000	11,613	19,571	165.9%	65.2%
Total	120,000	350,000	96,241	237,714	80.2%	67.9%

Source: HNX, VCBS

Macro updates:

- According to GSO, growth in the first 9 months of the year reached 1.42% over the same period in 2020. Although measures to lift lockdown observed since October, there are still many difficulties for firms after long manufacturing disruptions. Accordingly, VCBS predicts that **GDP growth in Q4 shall reach about 3.5%-4.5% compared to the same period last year. GDP growth for this year shall be 2.12% - 2.44%**. We consider these figures quite positive compared to other countries in the region.
- During the pandemic, the Government claimed the priority goal of ensuring the people's health and lives. Later on, in the upcoming period, after some initial achievements in containing the pandemic, the Government's priorities will be a resumption of sustainable production chains so as to adapt to the new situation, and simultaneously ensure social security policies for the people. Besides vaccination the population strategy, this is a key point to claim a more positive economic recovery not only in the last quarter of the year but also in 2022.
- The consumer price index (CPI) in September 2021 decreased by 0.62% compared to the previous month, which is equal to a 2.06% increase over the same period last year, and an increase of 1.81% compared to December 2020. The underlying reason is lowering some expenses such as rent, tuition fees, electricity bills, etc. **In October, VCBS forecasts that CPI shall tick down 0.2%-0.3%, corresponding to an increase of 1.76%-1.66% over the same period** due to lower pork prices and tuition fees in October. On the other hand, the increase in gasoline prices has not created enough upward pressure when the demand has yet to recover strongly.
- Import and export activities still grew at a high rate, but the momentum somewhat slowed down compared to the second quarter. In which, export turnover of goods was estimated at 240.52 billion USD, up 18.8% over the same period; imports reached 242.65 billion USD, up 30.5%. Import value of machinery and input materials secured a

strong growth. The trade balance in the first 9 months of 2021 is estimated to have a trade deficit of 2.13 billion USD. Note that in September we recorded a trade surplus of 0.5 billion USD. At the same time, registered FDI in the first 9 months of the year increased slightly again. This helps to prolong the period when VND appreciates against the USD.

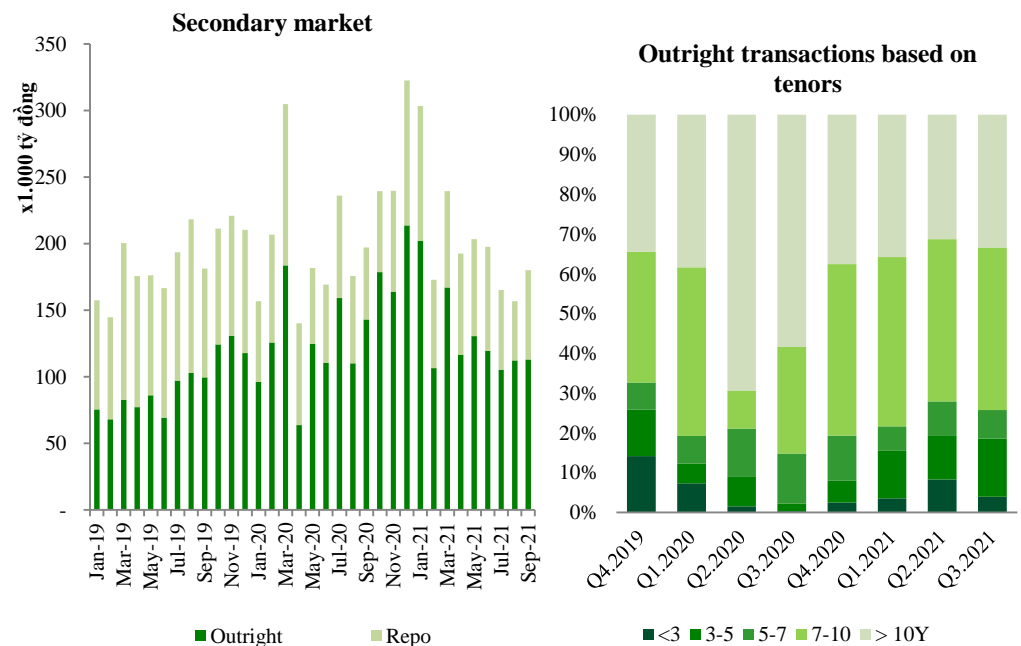
- These days, discussions about neutralizing loose monetary policies go on notably at central banks FED or BOE, in which countries where inflation is climbing up. Although it is an irreversible trend of neutralizing loose monetary policy, VCBS still believes that this process will take long time when the post-epidemic economic recovery in many countries is still fragile.

Secondary Market

Trading volume was less active, but still high.

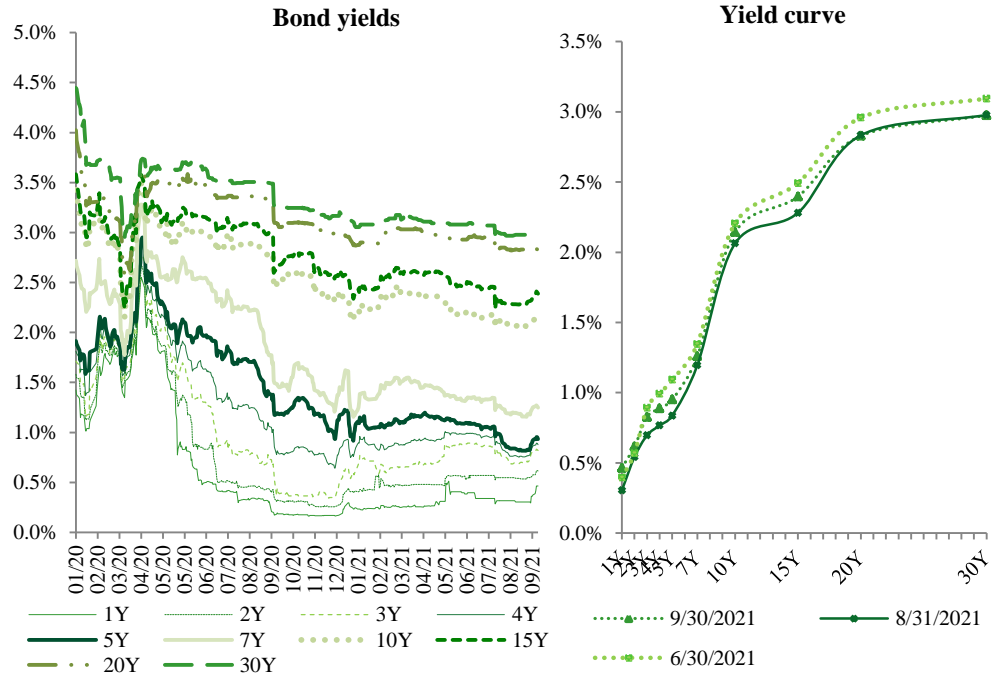
VND 507,971 bn (-15.4% qoq) was traded on secondary market.

VND 507,971 bn (-15.4% qoq) was traded on secondary market in Q3.2021. Specifically, the value of outright transactions reached VND 330,517 billion (-9.9% qoq) while the value of repo transactions reached VND 171,455 billion (-24.4% qoq).



Source: HNX, VCBS

Bond yields fell at the beginning of the quarter, then inched up at the end of the third quarter. According to Bloomberg, yields for 1Y, 2Y, 3Y, 5Y, 7Y, 10Y and 15Y terms at the end of quarter stood at 0.395% (+7 bps qoq), 0.56% (+4.86 bps qoq), 0.89% (-6.55 bps qoq), 0.99% (-10,339 bps qoq), 1.09% (-14.12 bps qoq), 1.34% (-8.7 bps qoq), 2.20% (-6.25 bps qoq), 2.49% (-9.55 bps qoq), 2.95% (-12.93 bps qoq), 3.09% (-0.25 bps qoq).

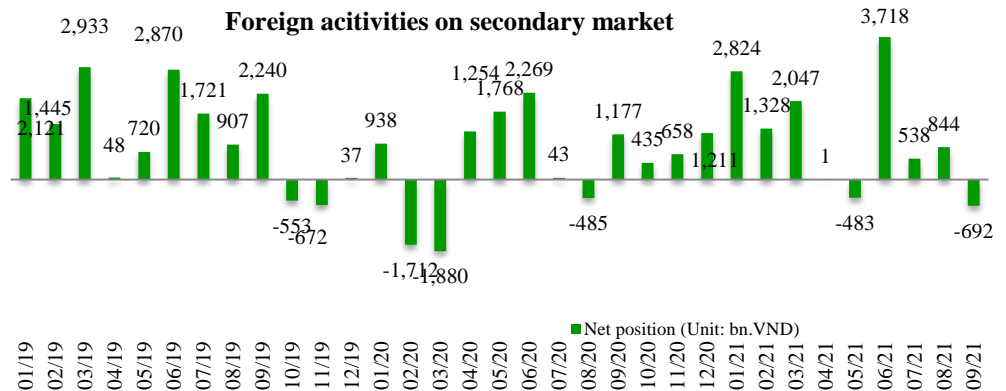


Source: Bloomberg, VCBS

In the rest of 2021, VCBS assesses that the downtrend will slow down; upward force, if any, may appear at the end of the year. The SBV will continue to maintain a consistent and prudent policy for the stable state of the market; thus, bond yields may not change much in the first half of Q4. In November and December, seasonal effects could create upward pressure on bond yields. At the same time, liquidity in the interbank market will be an important factor affecting the movements of bond yields, especially short tenors. In addition, market participants' expectations are more cautious when the potential returns are not commensurate with the risks.

The foreign investors net bought approximately VND 690 bn in this quarter

The foreign investors net bought approximately VND 690 bn. Net bought in foreign transactions showed that foreign investors still put their faith in risk-free assets in countries that have achieved macroeconomic stability and controlled the pandemic like Vietnam.



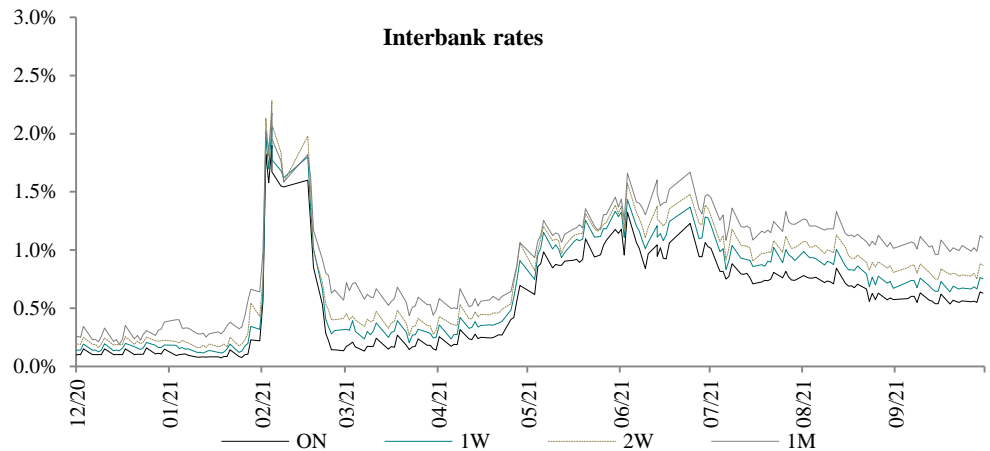
Source: HNX, VCBS

INTEREST RATE

Interbank Rates

Abundant liquidity supported the downtrend of interbank rates.

Abundant liquidity supported the downtrend of interbank rates in Q3.2021. Interbank rates for OM-3M tenors were recorded at 0.629%, 0.754%, 0.868%, 1.104% and 1.461%, respectively.



Source: Bloomberg, VCBS

Interbank rates may remain at the current levels and market liquidity will be abundant: (1) Central banks around the world was preparing to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the central banks’ goals. Thus, abundant liquidity remains in the banking system. (2) Vietnam with its macroeconomic fundamentals is an attractive destination for foreign investment inflows. At the same time, (3) with the context of the domestic economic situation, it is the basis for the State Bank to have room to operate the monetary policy flexibly.

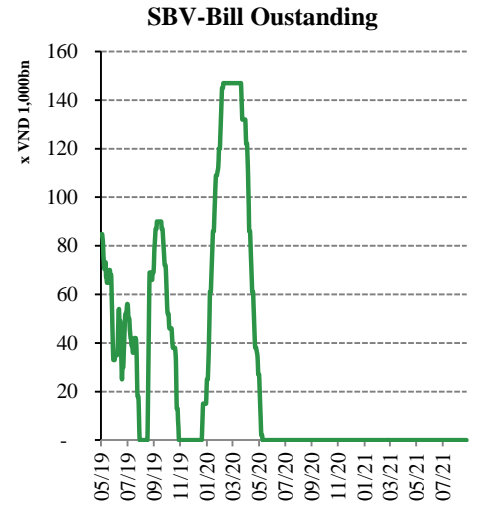
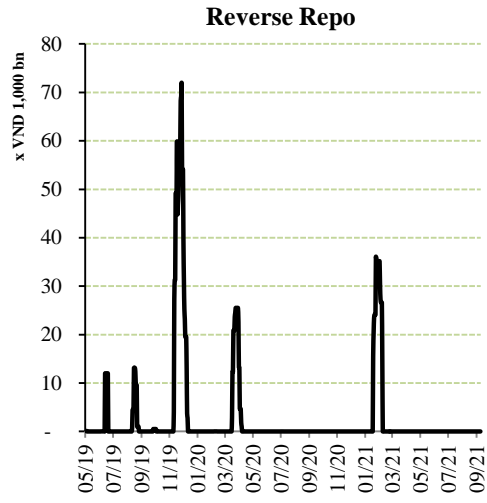
However, it is not excluded that interbank rates may be under certain upward pressure, especially at the end of the year: (1) According to seasonal factors, year-end is usually the time to record the credit growth. (2) At the same time, preparing liquidity to meet the year-end needs of customers requires certain resources. (3) The Government continues to show drastic measures in disbursing public investment, creating an expectation that the amount of deposits deposited by the Treasury in the banking system will no longer be abundant.

Thus, in Q4 we believe that liquidity will be abundant; the interbank rates will remain at the current levels, and only observe short-term upward pressure at the end of the year.

Open Market Operation

The SBV almost did not use OMO tools during the quarter.

The SBV almost did not use OMO tools during the quarter. In which, the SBV almost did not use Repo while liquidity in the banking systems is still abundant. At the same time, the SBV did not issue T-bills while inflation kept under control. This message implicates the view about abundant liquidity and the stability.



Source: Bloomberg, VCBS

End

APPENDICES

Primary Market

Month	ST Bond							VDB	VBSP	Other	Issued Volume
	Issued Volume	5 Y	7Y	10Y	15Y	20Y	30Y	Issued Volume	Issued Volume	Issued Volume	
08/20	22.580	1,70	N/A	2,9	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	2,28	2,4	2,8	3,11	6.900	2.400	0	52.989
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	0	4.500	0	32.561
08/21	29.702	0,84	1,25	2,05	2,26	2,83	2,98	0	6.524	0	36.226
09/21	39.958	0,82	1,17	2,12	2,35	2,80	2,98	0	0	0	39.958

Secondary Market

Month	Bonds		ST-bills		Total
	Outright	Repo	Outright	Repo	
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
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

Open Market Operation

Month	Reverse Repo				Outright (SBV Bills)			
	Due	Offer	Balance	Outstanding	Due	Offer	Balance	Outstanding
08/20	-	-	-	-	-	-	-	-
09/20	-	-	-	-	-	-	-	-
10/20	-	-	-	-	-	-	-	-
11/20	-	-	-	-	-	-	-	-
12/20	-	-	-	-	-	-	-	-
01/21	-	-	-	-	-	-	-	-
02/21	50.726	50.726	-	-	-	-	-	-
03/21	-	-	-	-	-	-	-	-
04/21	-	-	-	-	-	-	-	-
05/21	-	-	-	-	-	-	-	-
06/21	-	-	-	-	-	-	-	-
07/21	-	-	-	-	-	-	-	-
08/21	-	-	-	-	-	-	-	-
09/21	-	-	-	-	-	-	-	-

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