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Interbank interest rates continue to decrease slightly due to improved liquidity in the system. SBV has not made new transactions on the open market in the second half of June. The USD/VND exchange rate continues to trade steadily even though the USD is increasing in price against other currencies in the region. STV issued VND 31,803bn of G-bonds during the period. The yield of secondary G-bonds declined slightly compared to the previous month. Foreign investors net bought VND 3,718 bn of G-bonds during the month.

Money Market

Interbank interest rates decreased in the second half of June. SBV net injected VND 1.08bn via OMO channel after 4 months without any transactions and all of this money returned to the SBV.

Credit growth in the first 6 months of the year was estimated at 5.47%, much higher than 2.45% in the same period last year. Although capital mobilization growth was only 3.13%, lower than credit growth, the liquidity of the banking system was still quite abundant, reflected by a small decrease in interbank interest rates at the end of June. A Bloomberg survey showed that the overnight interbank rates are trading at 0.94%/year, down by 24 bps compared to the end of last month. Interest rates for other terms are also around 1.14%-1.32%/year, a decrease of about 14-19 bps compared to the end of May.

As we forecasted, interbank interest rates gradually decreased at the end of June, after a large amount of liquidity poured into the system by the SBV from the delivery of 6 months forward purchase of foreign currency. However, we forecast that interbank interest rates are unlikely to return to 0.1%/year as before, which will only revolve around the current level.

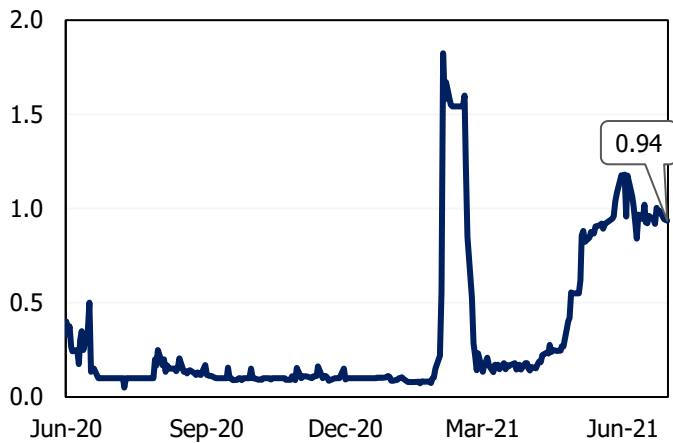
SBV has not made new transactions on the open market except for a small trade in early June and all of this money returned to the SBV. Therefore, with encourage signs of credit growth, the 12% annual target is achievable.

USD/VND exchange rate remains stable.

Last June, the DXY index rose from 90 to 92, reflecting investors' belief in a faster recovery than expected from the US economy. Compared to the end of May, the USD/VND exchange rate on the free market went up by VND 170 per USD and is currently trading at 23,345 VND/USD. The central and interbank rates were respectively traded at VND 23,178 per USD, up VND 43 per USD and VND 23,093 per USD, up VND 2 per USD. Since the beginning of the year, while the value of USD compared to some regional currencies tends to increase, the exchange rate of VND to USD remained at the most stable level.

The DXY Index began to rebound sharply after the Fed's meeting in mid-June as policymakers signaled two interest rate hikes by the end of 2023. Currently, traders are looking to U.S. nonfarm payrolls report this week. The results of this data will determine whether policymakers proceed to raise interest rates sooner. In addition, in the context of the COVID-19 epidemic showing signs of resurgence, threatening the global economic recovery. This causes difficulties for the currencies of some countries such as Australia, the UK and some countries in Europe, creating an advantage for USD.

Figure 1. Interbank overnight lending rate (%)



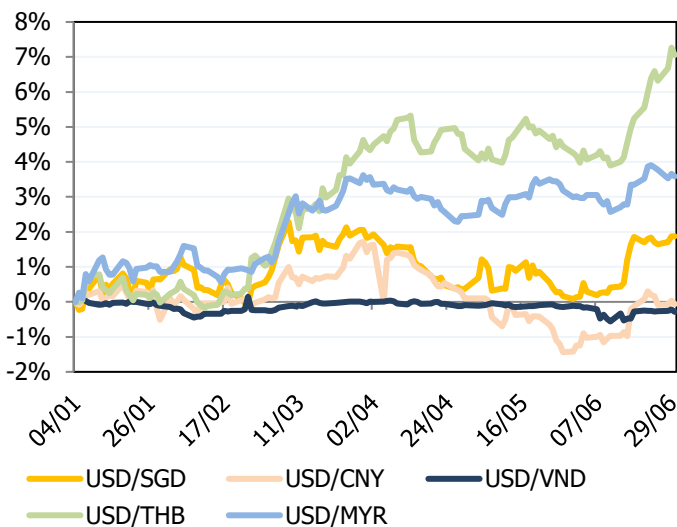
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/03	0.15	0.24	0.28	0.44
29/04	0.55	0.73	0.88	0.91
31/05	1.18	1.33	1.39	1.45
30/06	0.94	1.14	1.25	1.32

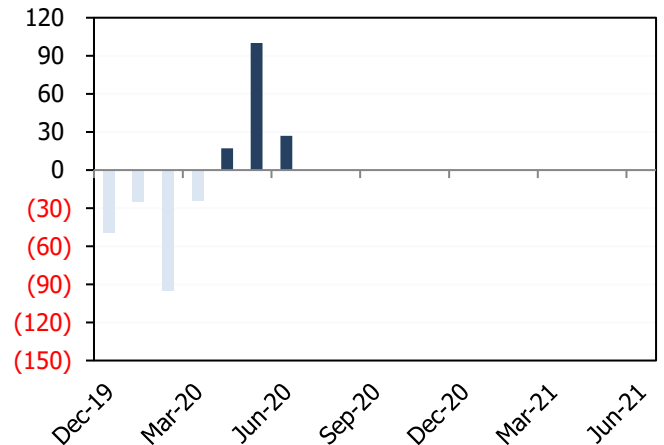
Source: Bloomberg.

Figure 5. Regional currencies performance in 2021



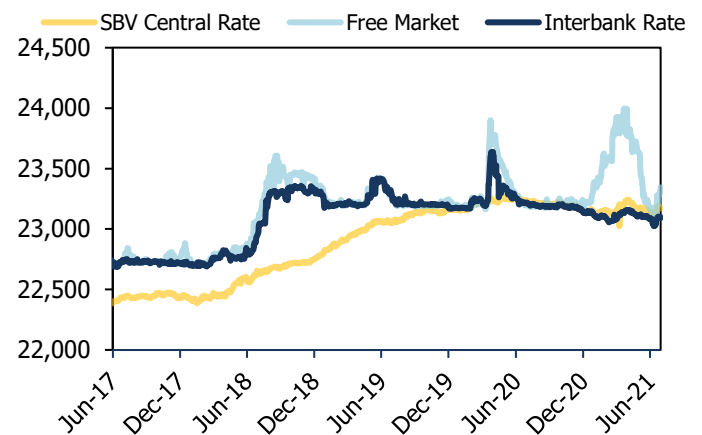
Source: Bloomberg.

Figure 2. SBV's Open Market Operation (Net Injection) [VND tn]



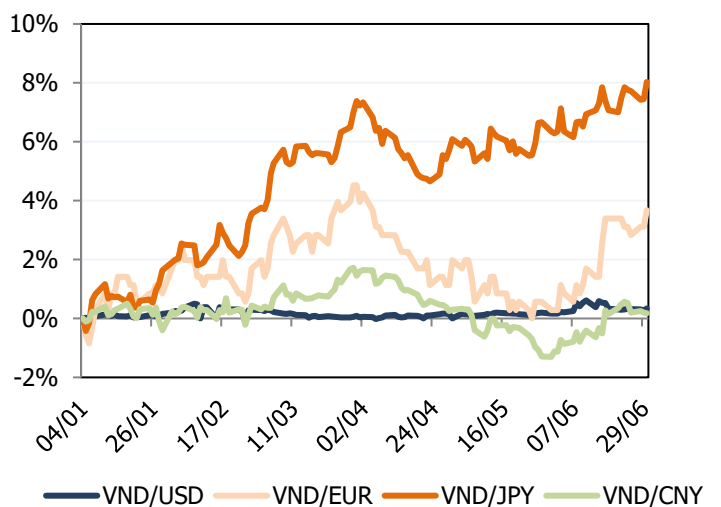
Source: SBV, MBS.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 6. VND compared to major currencies in 2021



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued VND 31,803bn of G-bonds this month with winning yield declined slightly compared to the end of May.

In June, the G-bond issuance situation was being inactive compared to the end of May. In the VND 46,000bn proposed, there were only VND 31,803bn of G-bonds successfully mobilized, at the rate of 69%. The number of successful issuances decreased compared to VND 44,183bn in May. Nevertheless, STV has only issued VND 141,493bn of G-bonds in the first 6 months, reaching 40% of the year plan.

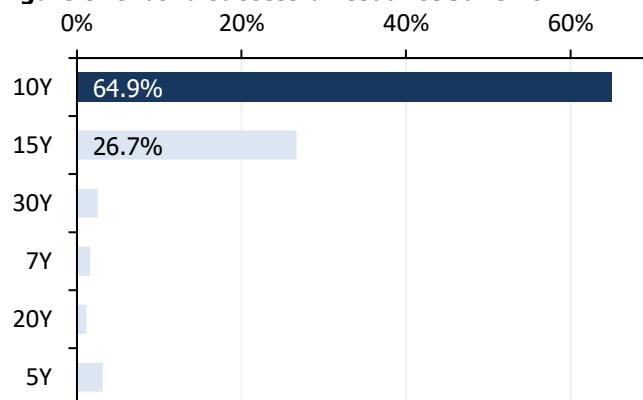
The winning yield of the bonds declined slightly compared to the end of May. The yield for 10Y and 15Y terms were 2.2%/year and 2.46%/year, respectively, down 7-8bps compared to the end of May. The 5Y term yield fell by 3bps to 1.10%/year. In the third week of June, VND 5,000bn of G-bonds were issued for 7Y, 15Y and 20Y terms, the registration rate reached 2.3 times but there was no successful issuance. In the following auctions, the yield for 7Y and 20Y terms continued to fail to win the bid despite the lowest bid interest were 1.35% and 2.95%, respectively. Although, the bid value exceeded the offering amount and the lowest bid interest decreased slightly compared to the previous period, it was not low enough so the issuance rate was not relatively high. The fall in the issuance rate was expected to push the SBV to raise the winning yield at the next auctions.

Figure 7. G-bond auction result in June 2021

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	1,000	1,000	100%	1.10%
7Y	2,500	500	20%	1.36%
10Y	22,000	20,656	94%	2.2-2.21%
15Y	15,500	8,482	55%	2.45-2.46%
20Y	2,500	370	15%	2.91%
30Y	2,500	795	32%	3.05%
Total	46,000	31,803	69%	Unit: VND bn

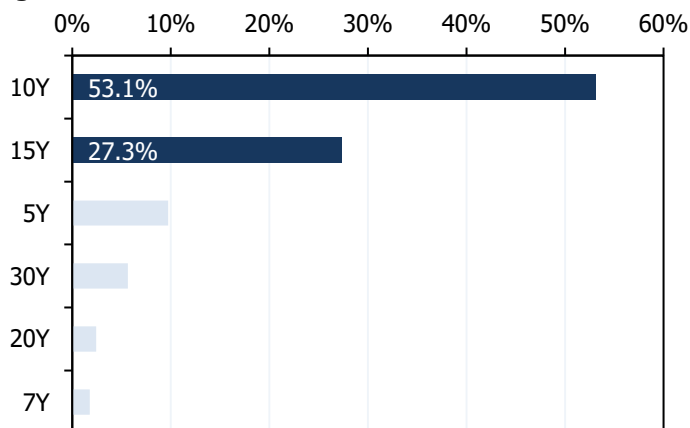
Source: HNX.

Figure 8. G-bond successful issuance June 2021



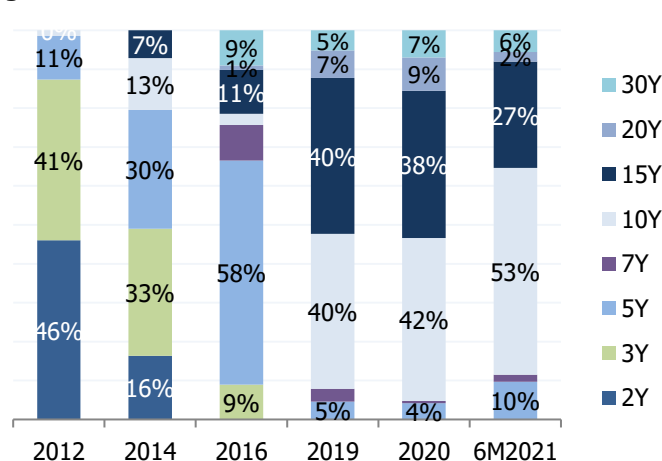
Source: HNX.

Figure 9. G-bond successful issuance in 2021



Source: HNX.

Figure 10. G-bond successful issuance since 2012















Source: HNX.

Figure 11. Government bond issuance 2021

Tenor	VST2021 plan	VST 2021 issued	% VST 2021 plan
5Y	20,000	13,769	69%
7Y	15,000	2,531	17%
10Y	120,000	75,142	63%
15Y	135,000	38,653	29%
20Y	30,000	3,440	11%
30Y	30,000	7,958	27%
Total	350,000	141,493	40%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 30/06/2021

Market	Last closing	Last week*	*Bps changed compared to last closing		31/12/2020*
			Last month		
U.S.	1.47	-1.72	-12.6		55.5
EU	-0.21	-2.90	-2.0		36.2
Japan	0.06	0.20	-2.9		3.7
China	3.09	0.10	1.9		-5.3
South Korea	2.10	4.50	-8.5		37.3
India	6.05	3.30	2.9		18.6
Malaysia	3.28	0.50	5.4		63.5
Singapore	1.60	-1.90	3.1		72.1
Indonesia	6.59	-0.20	16.8		70.4
Philippines	2.25	3.40	-2.6		35.6
Thailand	1.77	-5.70	-10.5		50.2
Vietnam	2.23	0.20	-7.3		-35.1

Source: Bloomberg.

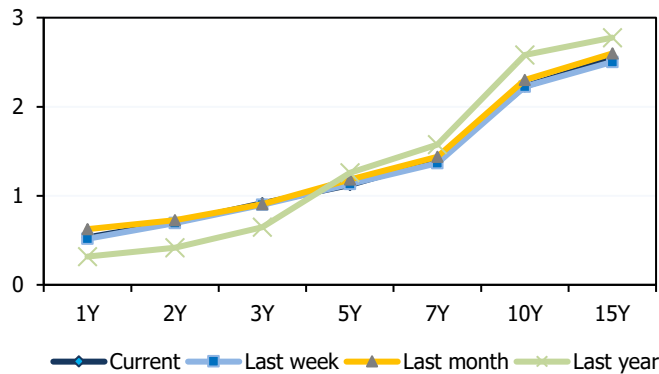
Secondary Market

G-bond yield went down during the month. Average transaction volume on the secondary G-bond market soared by 23% MoM with the proportion of outright transactions increasing gradually. Foreign investors net bought VND 3,718bn of G-bonds this period.

At the end of June, the 10Y yield was at 2.23%/year, down 7 bps compared to the previous month whereas the 2Y yield dropped to 0.7%/year, down 3 bps. Since the beginning of the year, the 2Y yield has increased by 28 bps while the 10Y term yield has decreased by 35 bps.

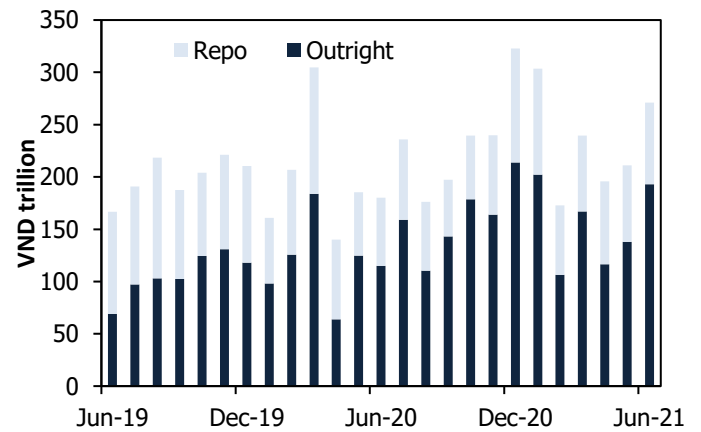
Transactions on the secondary government bond market were more active than the previous month with daily average volumes of VND 12.3tn, up 23%. Of which, outright trading accounted for 71% of the volume this period and VND 193tn. Average transaction was VND 8.7tn/day, up by 34% from the previous month's average. Average repo trading volume increased by 2% compared to May, reaching VND 3.5tn/day. In June, foreign investors net bought the most significant trading volume of G-bonds since the beginning of the year with an amount of VND 3,718bn. Overall, foreign investors net purchased a total of VND 9,856bn of G-bonds in 2021 and VND 15,164bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



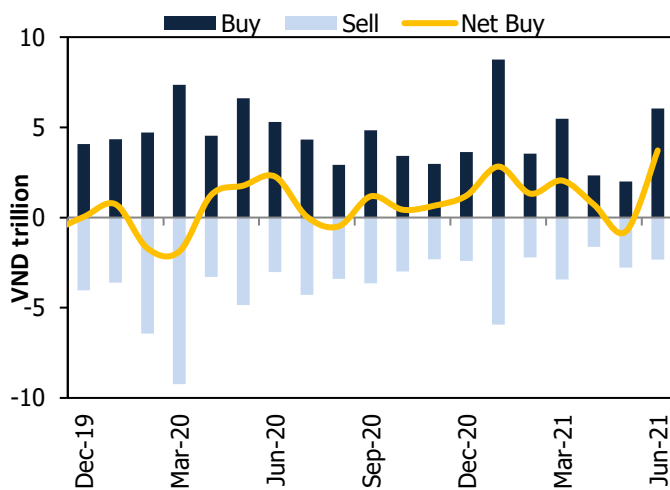
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



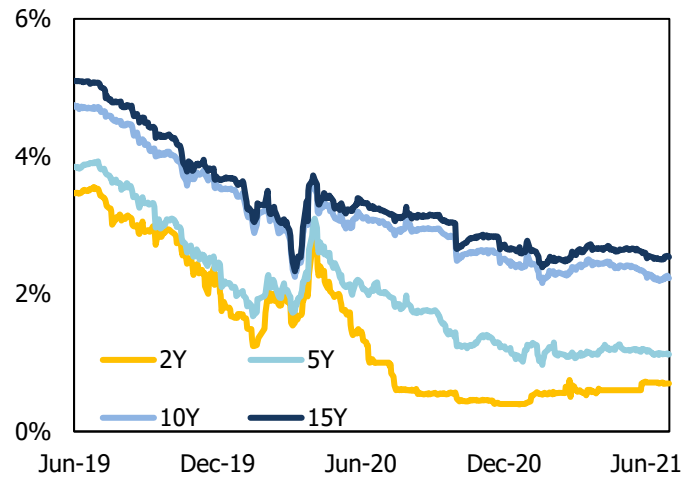
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



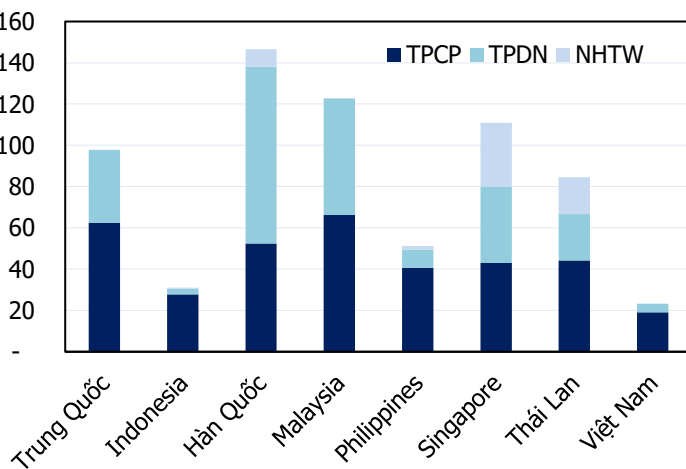
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



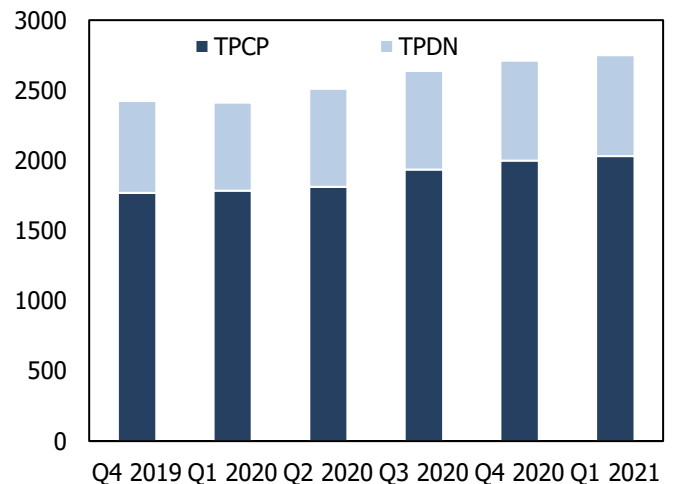
Source: Bloomberg.

Figure 17. Size of bond markets (%GDP Q1 2021)



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

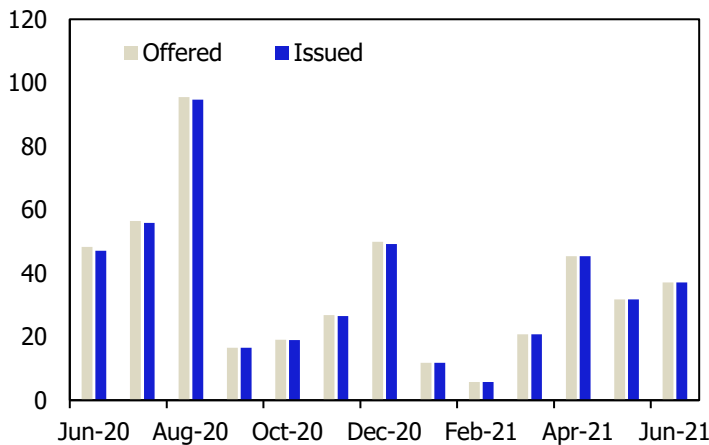


Source: ADB.

Corporate Bond Market

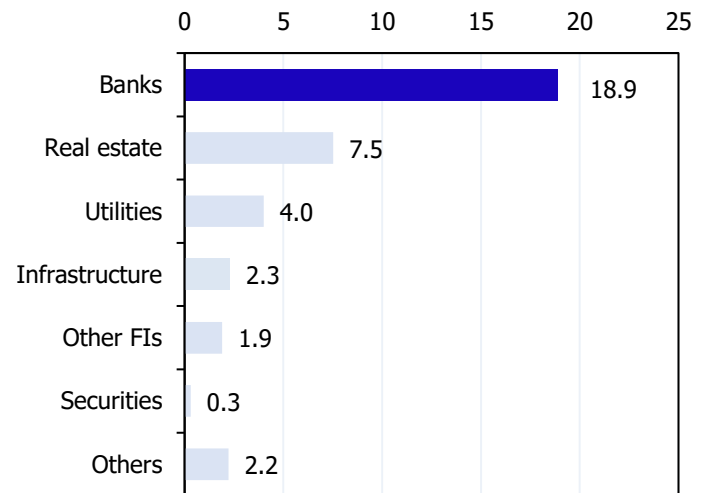
FiinPro data showed that in June, VND 37,118bn of corporate bonds were issued in the domestic market. Of which, Dien gio Trung Nam Đak Lak 1 Joint Stock Company issued the largest bond volume of VND 3,900bn with coupon rate of 9.5%/year. Moreover, Galactic Group Joint Stock Company and F88 Business Joint Stock Company issued bonds with the highest coupon rate of 12.5%/year. The banking industry are the top issuers which accounts for more than 50% of the volume in the month, reached about VND 18.9tn.

Figure 19. Corporate bond offering and issuance (VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 20. Corporate bond issued by sectors in June 2021 (VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in June 2021

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
	Công ty Cổ phần Điện gió Trung Nam Đắk Lắk 1	1-14	3,900	9.5%
LPB	Ngân hàng Thương mại Cổ phần Bưu Điện Liên Việt	2-3	3,500	3.7%
OCB	Ngân hàng Thương mại Cổ phần Phương Đông	3	3,500	3.3%-3.5%
VCG	Tổng Công ty Cổ phần Xuất nhập khẩu và Xây dựng Việt Nam	2-7	2,200	8.5%
ABB	Ngân hàng Thương mại Cổ phần An Bình	3	2,100	4.0%
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	7	2,000	6.18%-6.28%
SHB	Ngân hàng Thương mại Cổ phần Sài Gòn – Hà Nội	2	2,000	3.8%
HDB	Ngân hàng Thương mại Cổ phần Phát Triển Thành phố Hồ Chí Minh	3-7	1,700	4.0%-7.78%
	Công ty Tài chính TNHH MTV Ngân hàng Việt Nam Thịnh Vượng	2	1,600	7.5%
BAB	Ngân hàng Thương mại Cổ phần Bắc Á	3	1,500	4.2%
KBC	Tổng Công ty Phát triển Đô thị Kinh Bắc	2	1,500	10.8%
MSB	Ngân hàng Thương mại Cổ phần Hàng Hải Việt Nam	3	1,300	4.0%
	Công ty Cổ phần Kinh doanh nhà Sunshine	5	1,200	11.0%
ACB	Ngân hàng Thương mại Cổ phần Á Châu	3	1,200	4.0%
VJC	Công ty Cổ phần Hàng không Vietjet	5	1,000	N/A
	Công ty TNHH Tư vấn Đầu tư Nguyễn Bình	3	1,000	11.0%

Ticker	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
	Công ty TNHH Xây dựng và Phát triển Hoàng Long	3	1,000	11.0%
	Công ty Cổ phần Galactic Group	4	773,86	12.5%
	Tổng Công ty Đông Bắc	5	700	8.17%
	Công ty Cổ phần Hưng Thịnh Land	3	600	10.0%
	Công ty Cổ phần Bất Động Sản BNP Global	2	500	10.3%
KDH	Công ty Cổ phần Đầu tư và Kinh doanh nhà Khang Điền	4	400	12.0%
	Công ty Cổ phần Tập đoàn Địa ốc Hoàng Cát	3	300	11.0%
	Công ty Cổ phần Thương mại Dịch vụ Công nghệ cao	3	250	9.6%
MBS	Công ty Cổ phần Chứng khoán MB	1,5	200	7.5%
	Công ty Cổ phần Đầu tư Đường Mặt Trời	2	200	8.0%
CTI	Công ty Cổ phần Đầu tư Phát triển Cường Thuận IDICO	3	150	10.2%
VCI	Công ty Cổ phần Chứng khoán Bản Việt	2	110	7.5%
HPX	Công ty Cổ phần Đầu tư Hải Phát	1	100	11.0%
	Công ty Cổ phần Đầu tư Thành Thành Công	2	100	10.5%
	Công ty Cổ phần Kinh doanh F88	1,5	100	12.5%
	Công ty Cổ phần Năng lượng Bắc Hà	3	100	10.5%
	Công ty Cổ phần Phát triển Khu Công nghiệp và Đô thị Thủ thừa IDICO - CONAC	2	100	10.0%
FCN	Công ty Cổ phần FECON	2	95	10.0%
HNF	Công ty Cổ phần Thực phẩm Hữu Nghị	4	70	10.0%
VIB	Ngân hàng Thương mại Cổ phần Quốc tế Việt Nam	7	70	7.57%

Source: HNX, FiinPro, MBS Research

PRODUCT

This product is issued fortnightly with chief focus on the Vietnam's bond market. In this report, we connect macroeconomic indicators with changes in the money market and the bond market. MBS issues this report, however, errors and inaccurate information, if existed, belong to the author. We thank our valued customers for reading and giving feedbacks on our products.

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