

Tuan Hoang

Chief Economist

Tuan.hoangcong@mbs.com.vn

Anh Le

Research Analyst

Anh.LeMinh@mbs.com.vn

The open market did not conduct new transactions, showing that liquidity is still abundant at the end of the lunar year. The interbank interest rates return to low levels when liquidity is more stable. USD/VND exchange rate on different markets moved in contrasting directions. STV issued VND 10,152bn of G-bonds during the period. The yield of secondary G-bonds went sideways compared to the previous month. Foreign investors return to net sell VND 1,265bn of G-bonds this period.

Money Market

Interbank interest rates have cooled down after a sharp increase in last month. In December, SBV injected VND 10,539.71bn through the open market channel and all this money was returned to the SBV in the first half of the January.

At the end of the year, the demand for liquidity increased, but the liquidity of the banking system is still very abundant and in the first half of January, there were no new transactions on the open market. Interbank interest rates are back to low levels. A Bloomberg survey showed that the overnight interbank rates are trading at 0.88%/year, down by 33 bps compared to the end of last month. Interest rates for other terms are also around 1.34%-1.83%/year, a decrease of about 5-8 bps compared to the end of December.

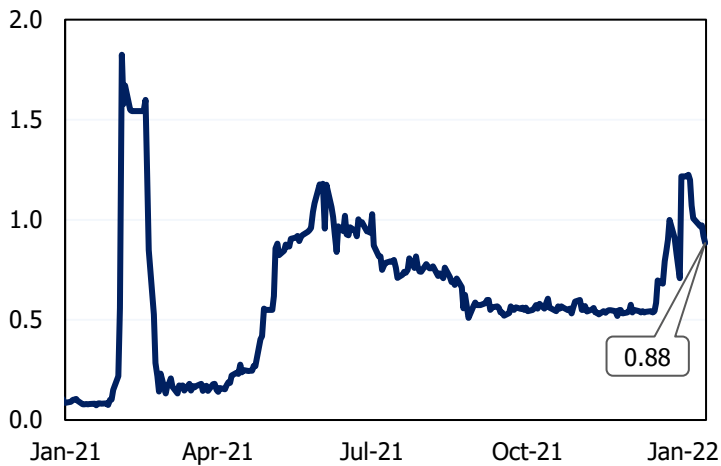
According to the deposit interest rates in January 2022 at many banks, the multi-term interest rates have increased slightly from 0.1-0.3% compared to the beginning of previous month. However, this adjustment was mainly in the group of joint-stock commercial banks, while the interest rates of the state-owned banks remained stable. System liquidity is somewhat more stressful than the previous period due to seasonal factors. This is also the period when many businesses need credit capital for production and business. At the time of the 2022 Lunar New Year, banks are still actively bringing cheap loans to the market to stimulate credit demand during the peak season. We expect this low interest rate to continue in the first quarter of 2022. When the economy gradually recovers, credit demand returns, and bank interest rates will rise again.

USD/VND exchange rate moved in contrasting directions...

The USD/VND exchange rates in the first half of January experienced movements in the opposite directions, shown in the differentials between the free market rate and the central and interbank rate. The demand for foreign currency at the end of the lunar year caused the USD/VND exchange rate on the free market to increase by 65 VND/USD and is currently trading at 23,535 VND/USD compared to the end of December. The central and interbank rates were respectively traded at 23,082 dong/USD, down 63 dong/USD and 22,897 dong/USD, down 89 dong/USD.

The DXY Index dropped to 95.1 points in the first half of January. In January, the USD Index dropped sharply when the monthly US inflation announced to be higher-than-expected and the annual increase in consumer price inflation reached the expected level of 7%. Investors were even worried when Fed began to consider reducing the size of its balance sheet. According to many experts and investors, it is impossible to confirm whether the Fed's plans will be a positive factor for the USD in the long run.

Figure 1. Interbank overnight lending rate (%)



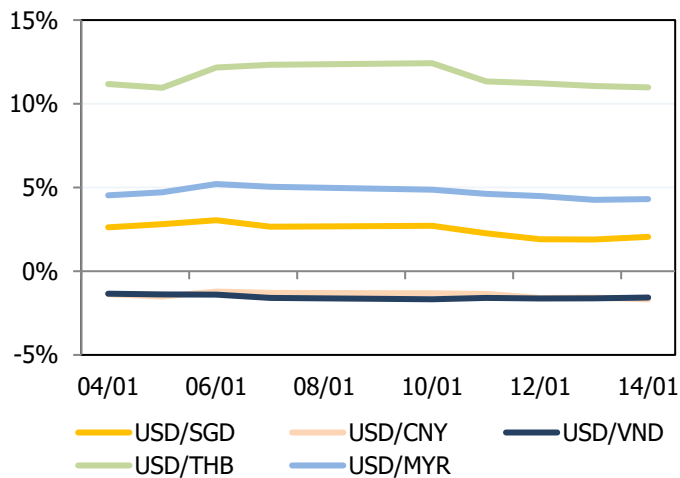
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/10	0.59	0.71	0.79	1.06
30/11	0.54	0.63	0.72	0.96
31/12	1.22	1.42	1.55	1.83
15/01	0.88	1.34	1.50	1.83

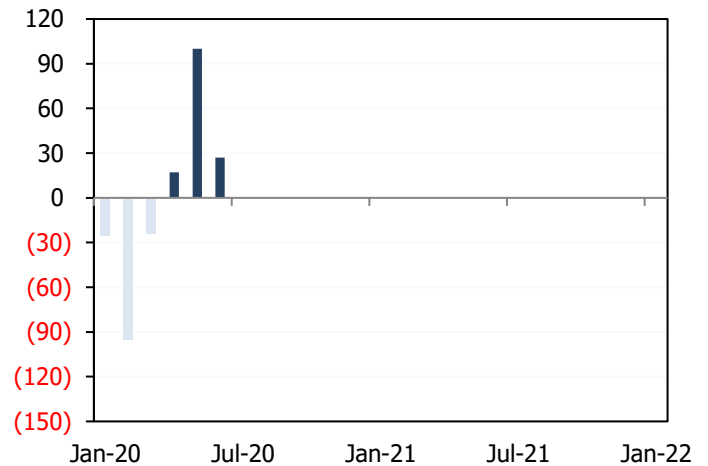
Source: Bloomberg.

Figure 5. Regional currencies performance in 2021



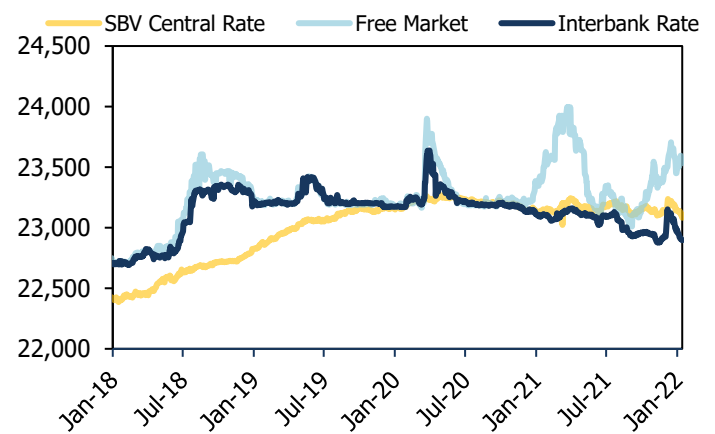
Source: Bloomberg.

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



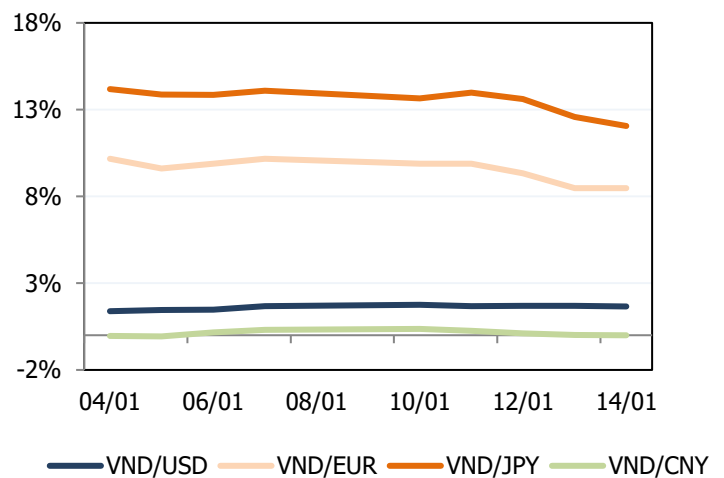
Source: SBV, MBS.

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 10,152bn of G-bonds this period with the winning yield went sideways compared to the end of December.

In the first half of January, the STV faced difficulty issuing bonds. In the VND 14,000bn proposed, there were only VND 10,152bn of G-bonds successfully mobilized, at the rate of 73%. The STV has set out a plan to issue G-bonds in Q1 of 2022 at VND 105,000bn (including the issuance volume for Vietnam Social Insurance), of which 10Y and 15Y terms are expected to have the largest issuance volume, respectively at 35,000bn VND and 40,000bn VND.

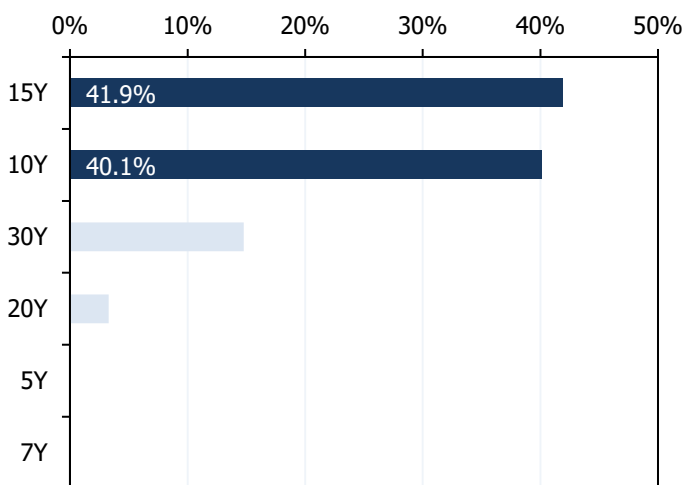
The yields remain relatively the same compared to the previous month. The yield for 10Y was 2.08%/year, stay the same compared to the end of the previous month while the yield for 15Y terms increased 3 bps to 2.36%/year. We forecast the STV to raise yields in the near future to attract capital for the newly launched VND 350,000bn support package.

Figure 7. G-bond auction result in January 2022

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y				
7Y	500	0	0%	0.00%
10Y	5,500	4,067	74%	2.07-2.08%
15Y	5,500	4,250	77%	2.35-2.36%
20Y	1,000	335	34%	2.75%
30Y	1,500	1,500	100%	2.96%
Total	14,000	10,152	73%	Unit: VND bn

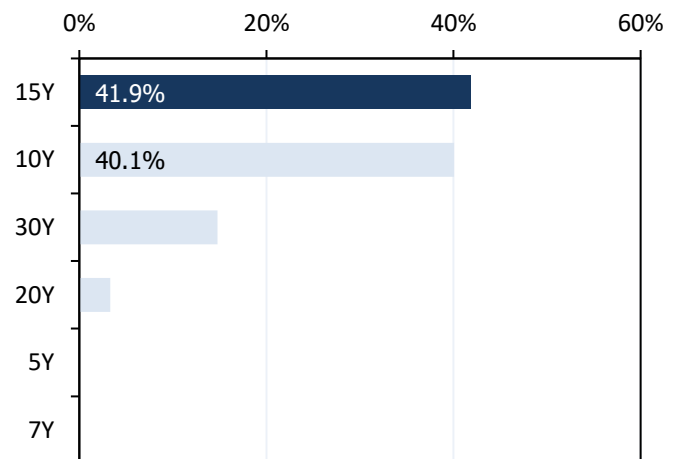
Source: HNX.

Figure 9. G-bond successful issuance in 2021



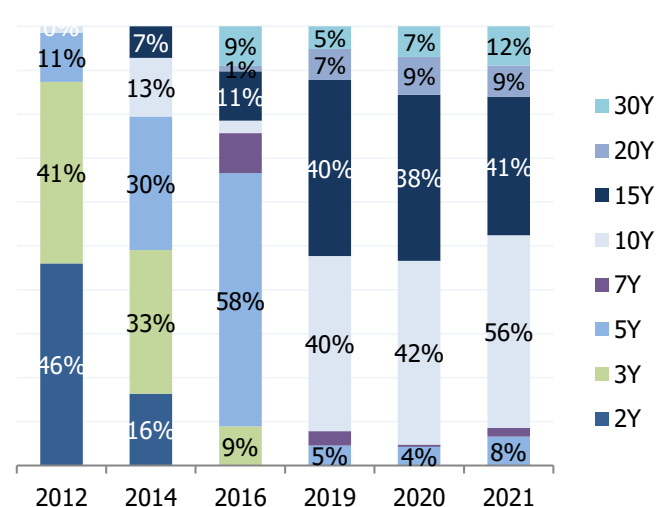
Source: HNX.

Figure 8. G-bond successful issuance January 2022



Source: HNX.

Figure 10. G-bond successful issuance since 2012



Source: HNX.

Figure 11. Government bond issuance 2022

Tenor	VST Q1 2022 plan	VST Q1 2022 issued	% VST 2022 plan
5Y	5,000	0	0%
7Y	5,000	0	0%
10Y	35,000	4,067	12%
15Y	40,000	4,250	11%
20Y	10,000	335	3%
30Y	10,000	1,500	15%
Total	105,000	10,152	10%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 15/01/2022

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2021*
U.S.	1.78	2.21	27.4	27.4
EU	-0.05	-0.30	13.1	13.1
Japan	0.14	-14.00	7.2	7.2
China	2.79	-2.60	1.4	1.4
South Korea	2.46	0.70	20.9	20.9
India	6.58	4.20	12.8	12.8
Malaysia	3.63	-1.20	7.0	7.0
Singapore	1.81	-2.40	8.3	8.3
Indonesia	6.39	-7.00	0.5	0.5
Philippines	2.72	10.71	36.8	36.8
Thailand	2.15	6.49	18.6	18.6
Vietnam	2.11	-3.90	-5.9	-7.9

Source: Bloomberg.

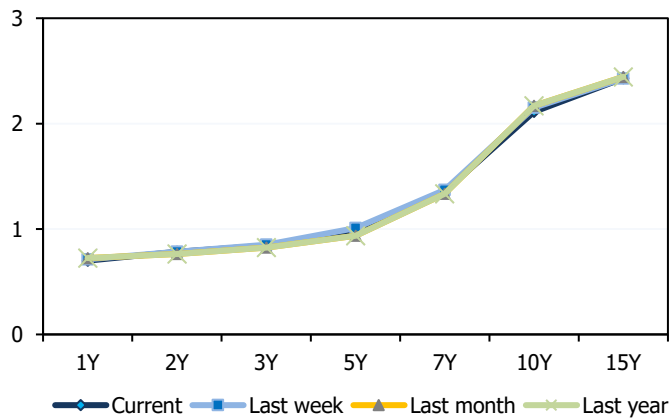
Secondary Market

G-bond yield curve is flattening. Average daily transaction volume on the secondary government bond market declined 1% compared to the previous month. Foreign investors net sold over VND 1,265bn of G-bonds.

While the 10Y G-bond yields on the secondary market are on the rise in other countries, Vietnam's fell slightly. Compared to the end of last month, the 2Y increased by 2bps to 0.78%/year whereas the 10Y yield was at 2.11%/year, down 6bps. The yield curve is gradually flattening.

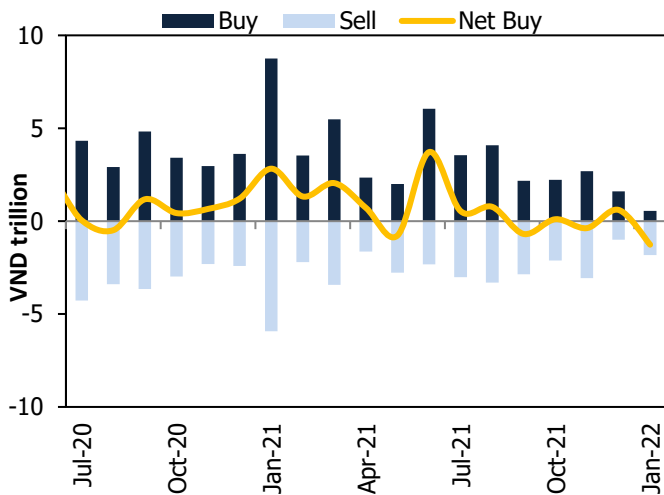
Transactions on the secondary government bond market were less active than the previous month with daily average volumes of VND 12.3tn, down by 1% from December's average. Of which, outright trading accounted for 65% of the volume this period and VND 72tn. The average transaction was VND 8tn/day, up by 12% from the previous month's average. Average repo trading volume fell by 19% compared to December, reaching VND 4.3tn/day. Foreign investors net sold VND 1.265bn of G-bonds in this period.

Figure 13. Vietnam T-bond Yield (%)



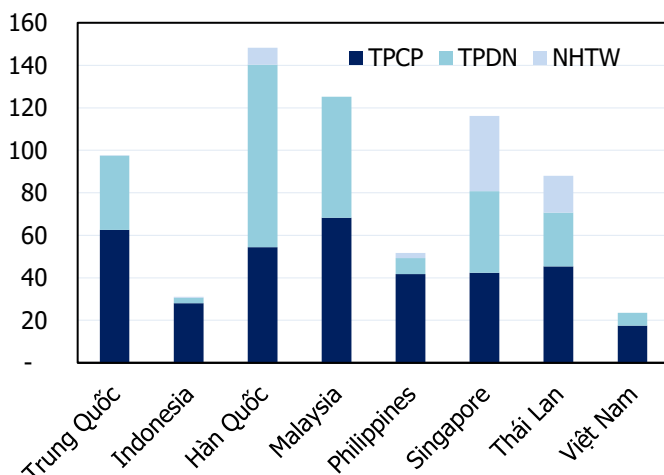
Source: Bloomberg.

Figure 15. Foreign investors' activity in secondary market



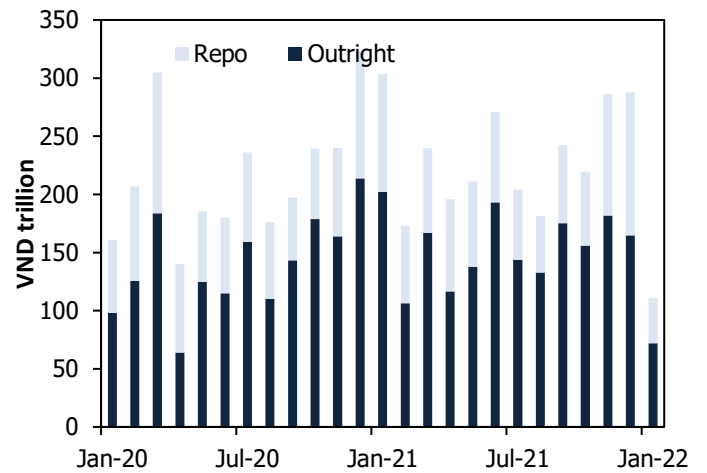
Source: HNX.

Figure 17. Size of bond markets (%GDP Q3 2021)



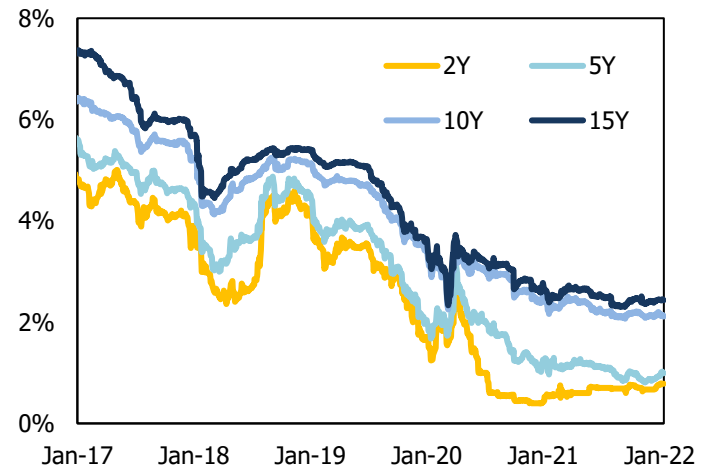
Source: ADB.

Figure 14. Outright and Repo transaction volume



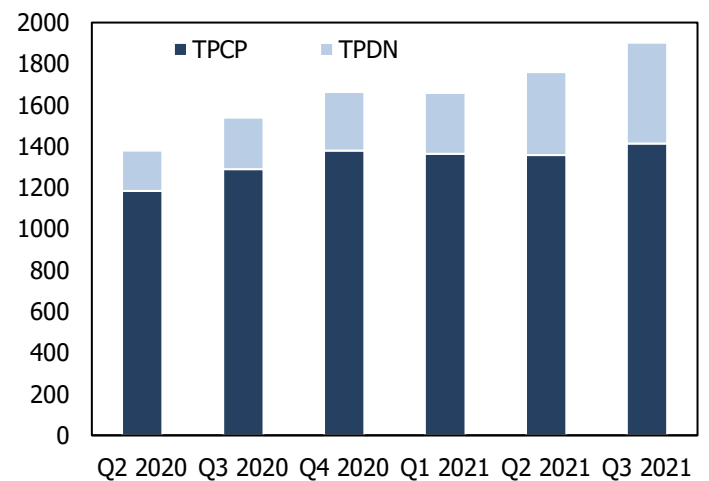
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 18. Vietnam bond market size (VND tn)

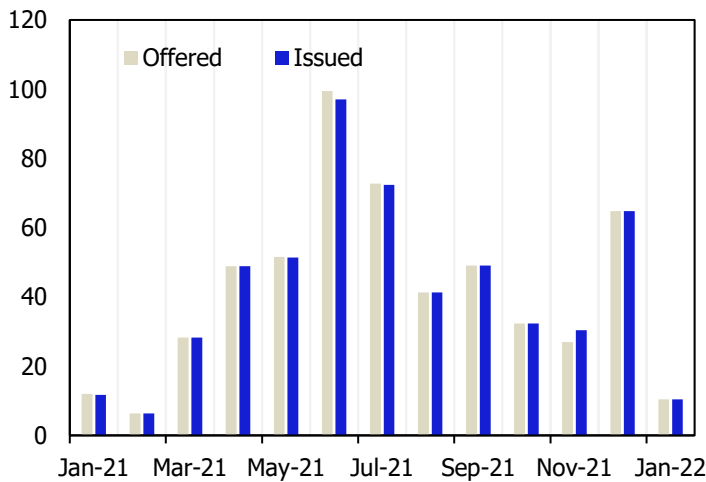


Source: ADB.

Corporate Bond Market

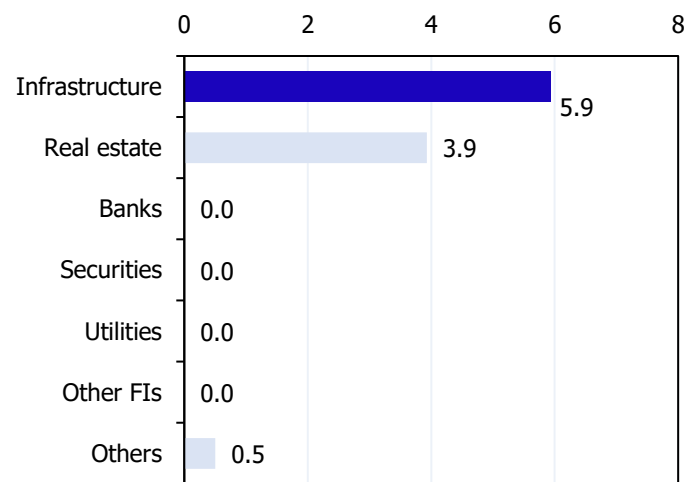
FiinPro data showed that in the first half of January, VND 10,370bn of corporate bonds were issued in the domestic market. Of which, Eagle Side development and investment corporation issued the most significant bond volume of VND 1,500bn with coupon rate of 3.2%/year. In addition, Apec group joint stock company issued bonds with the highest coupon rate of 9.5%/year with the volume of VND 500bn.

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



Source: HNX. FiinPro. MBS Research.

Figure 20. Corporate bond issued by sectors in January 2022(VND tn)



Source: HNX. FiinPro. MBS Research.

Figure 21. Top issuers in January 2022

Ticker	Issuer	Tenor (year)	Amount (VND bn)	Coupon rate (%/year)
	Công ty Cổ phần Đầu tư và Phát triển Eagle Side	1	3,930	N/A
	Công ty Cổ phần Đầu tư Xây dựng Tường Khải	1	2,990	N/A
	Công ty Cổ phần Xây dựng Minh Trường Phú	1	2,950	N/A
VNG	Công ty Cổ phần Du Lịch Thành Thành Công	3	500	9.5%

Source: HNX, FiinPro, MBS Research.

PRODUCT

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MBS HEAD OFFICE

MB Building, 21 Cat Linh, Dong Da, Hanoi

Tel: + 8424 7304 5688 - Fax: +8424 3726 2601

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