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*Interbank interest rates continue to increase due to less liquidity in the system. However, the interbank interest rate is still lower than the OMO rate, SBV has not made new transactions on the open market. 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 over VND 18,000bn of G-bonds during the period. The yield of secondary G-bonds was flat compared to the previous month. Foreign investors net sold VND 875bn of G-bonds during the month.*

## Money Market

**Interbank interest rates continue to rise sharply in the first half of May. However, the interest rate is still lower than the OMO rate, so there are no new transactions in the open market.**

As interest rates are low, capital mobilization growth is lower than credit growth, so the liquidity of the system is decreasing. As a result, the interbank interest rate surged in April. A Bloomberg survey showed that the overnight interbank rates are trading at 1.03%/year, grow by 34 bps compared to the end of last month. Interest rates for other terms are also around 1.1%-1.25%/year, increasing about 20 bps compared to the end of March. We forecast the interbank rates will continue to increase gradually until the end of June, when a large amount of liquidity will be poured into the system by the SBV from the delivery of 6 months forward purchase of foreign currency.

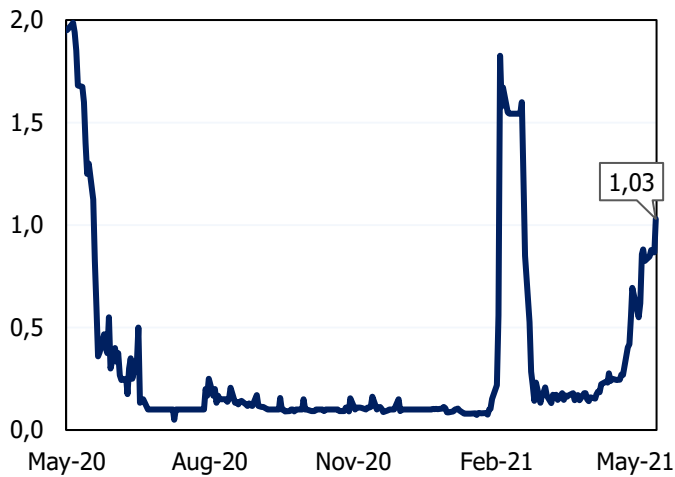
Like in recent months, interbank interest rates are rising but still lower than the SBV's OMO rate of 2.5%/year, so commercial banks can borrow from each other in the market without the SBV's support.

### **USD/VND exchange rate remains stable.**

While the value of USD compared to some regional currencies increased in the first half of May, the USD/VND exchange rate continues to trade steadily due to the fact that SBV's foreign currency purchase contracts will be delivered in June, so the USD supply in the system is still quite abundant. Compared to the end of April, the USD/VND exchange rate on the free market decreased by VND 340 per USD and is currently trading at VND 23,300 per USD. The central and interbank rates were respectively traded at VND 23,176 per USD, up VND 18 per USD and VND 23,114 per USD, up VND 8 per USD.

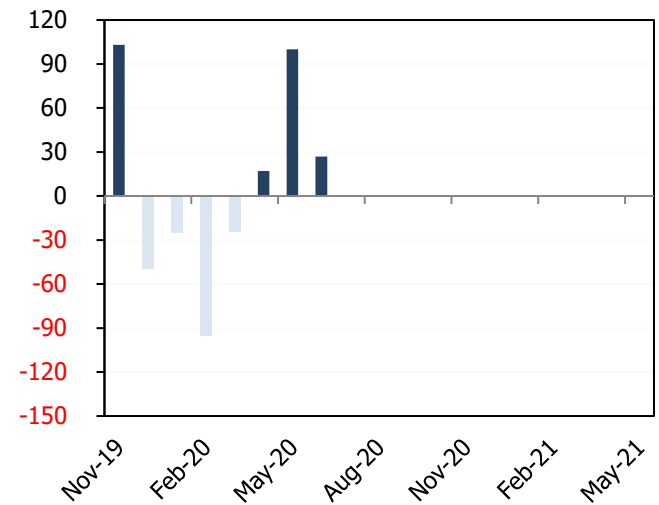
The inflationary pressure in the US is heating up as the consumer price index rose by 4.2% YoY. Despite this, the Fed remains committed to maintaining an easing monetary policy until the economy really achieves solid growth and targets an inflation average at 2%. Combined with president Joe Biden's unprecedentedly large fiscal stimulus packages, the USD is under great pressure to devalue and the USD/VND exchange rate will decline this year.

**Figure 1. Interbank overnight lending rate (%)**



Source: Bloomberg.

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



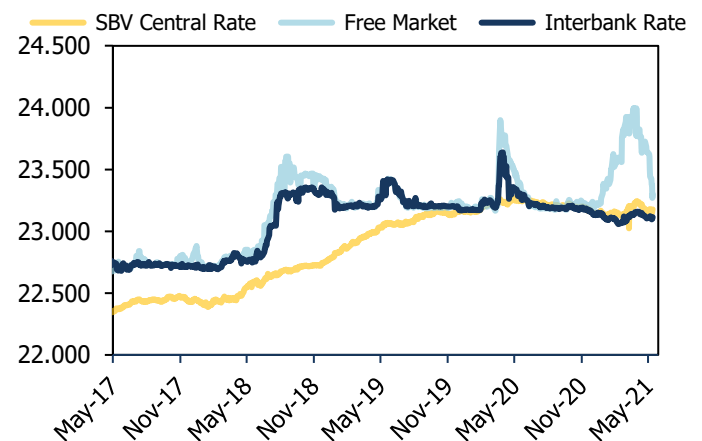
Source: SBV, MBS.

**Figure 3. Interbank interest rate (%)**

	O/N	1 Week	2 Week	1 Month
26/02	0.23	0.42	0.52	0.80
31/03	0.15	0.24	0.28	0.44
29/04	0.69	0.91	1.06	1.06
14/05	1.03	1.10	1.16	1.25

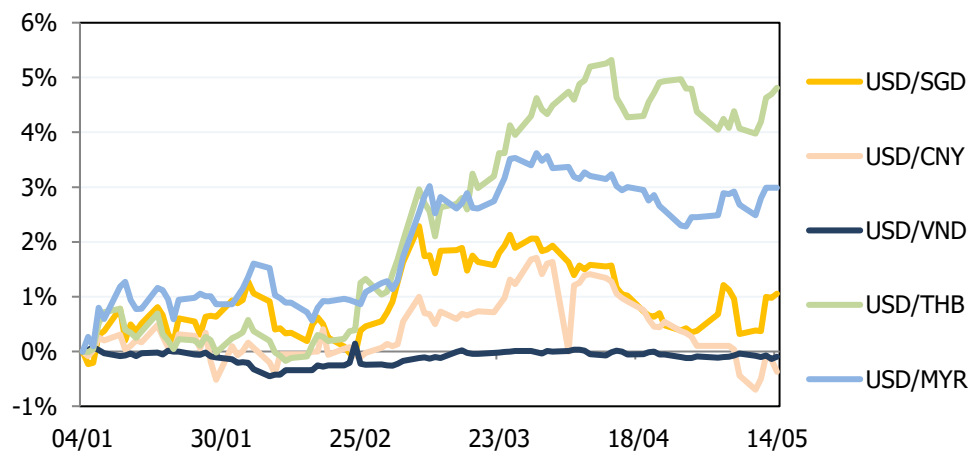
Source: Bloomberg.

**Figure 4. USD/VND exchange rate**



Source: SBV, Bloomberg, MBS Research.

**Figure 5. Regional currencies performance in 2021**



Source: Bloomberg.

**Government Bond Market**

**Primary market**

**STV successfully issued VND 18.036bn of G-bonds this period with winning yield remains consistent.**

In the first half of May, STV was more active in the issuance of G-bond. In the VND 20,500bn proposed, VND 18,036bn of G-bonds successfully mobilized, at the rate of 88%. The number of successful issuances is nearly double that of the same period last month. Nevertheless, in order to complete this year's mobilization plan, STV needs to continue to speed up the bond issuance because currently the mobilization volume is only reached 24% of the year plan.

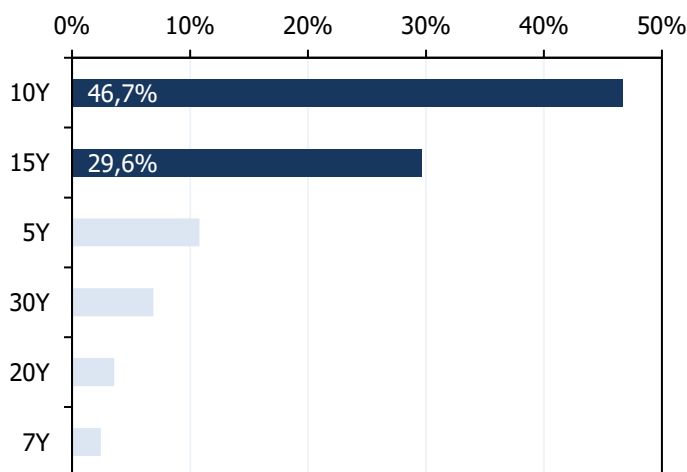
The winning yields of bonds have remained consistent since the end of April. The yield for 10Y and 15Y terms were 2.35-2.37%/year and 2.58-2.59%/year, respectively, a difference of 1-3bps compared to the end of the previous month. The 5Y yield remains the same at 1.16%/year. The current yield level has been in line with market expectations when the issuance rate is quite high.

**Figure 6. G-bond auction result in May 2021**

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	1,500	1,500	100%	1.16%
7Y	500	250	50%	1.45%
10Y	11,000	9,936	90%	2.35-2.37%
15Y	5,500	4,350	79%	2.58-2.59%
20Y	500	500	100%	2.90%
30Y	1,500	1,500	100%	3.05%
<b>Total</b>	<b>20,500</b>	<b>18,036</b>	<b>88%</b>	<b>Unit: VND bn</b>

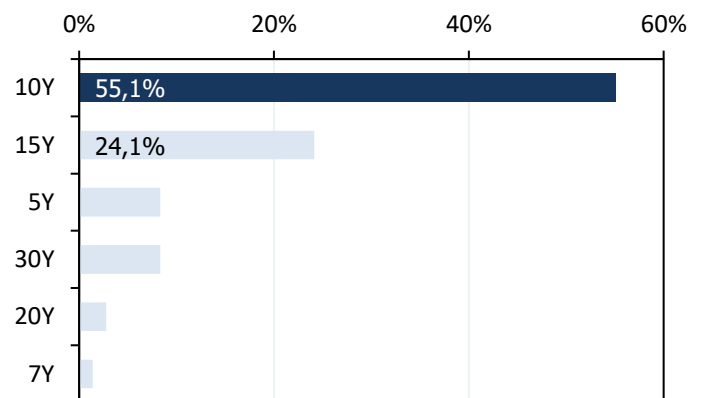
Source: HNX.

**Figure 8. G-bond successful issuance in 2021**



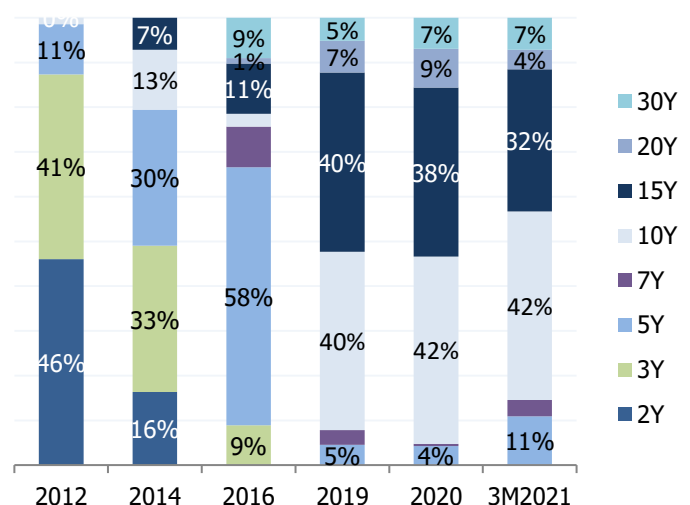
Source: HNX.

**Figure 7. G-bond successful issuance May 2021**



Source: HNX.

**Figure 9. G-bond successful issuance since 2021**



Source: HNX.

**Figure 10. Government bond issuance 2021**

Tenor	VST2021 plan	VST 2021 issued	% VST 2021 plan
5Y	20,000	9,019	45%
7Y	15,000	2,031	14%
10Y	120,000	38,986	32%
15Y	135,000	24,754	18%
20Y	30,000	2,990	10%
30Y	30,000	5,763	19%
<b>Total</b>	<b>350,000</b>	<b>83,543</b>	<b>24%</b>

Source: VST, HNX

**Figure 11. 10Y G-bond yields (%) in selected countries** **As at 14/05/2021**

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2020*
U.S.	1.64	5.98	1,1	72.4
EU	-0.13	8.50	7,2	43.9
Japan	0.09	0.10	-0,8	6.8
China	3.14	-1.60	-2,0	-1.0
South Korea	2.16	3.50	2,5	43.3
India	6.02	0.90	-0,6	15.9
Malaysia	3.14	6.00	3,2	49.4
Singapore	1.64	6.50	-5,3	76.0
Indonesia	6.43	2.00	-3,0	54.5
Philippines	2.42	7.00	-0,4	52.7
Thailand	1.80	3.60	-3,1	53.8
<b>Vietnam</b>	<b>2.40</b>	<b>-1.70</b>	<b>-1,7</b>	<b>-18.0</b>

Source: Bloomberg.

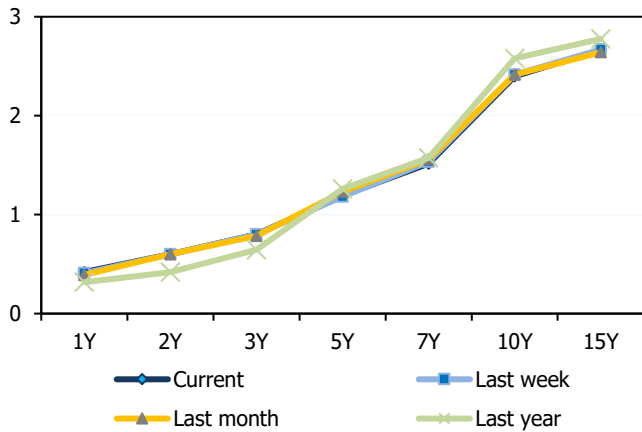
## Secondary Market

**G-bond yield remains unchanged during the period. Average transaction volume on the secondary G-bond market decreased by 13% compared to the previous month with the proportion of repo transactions increasing gradually. Foreign investors net sold VND 875bn of G-bonds this period.**

In the middle of May, the 10Y yield was at 2.4%/year, down 2 bps compared to the previous month whereas the 2Y yield was remained at 0.6%/year. Since the beginning of the year, the 2Y yield has increased by 18 bps while the 10N term yield has decreased by 18 bps, causing the yield curve to flatten gradually. However, with banks interest rate on the rise, we forecast an increase in bond yields in the next couple of months.

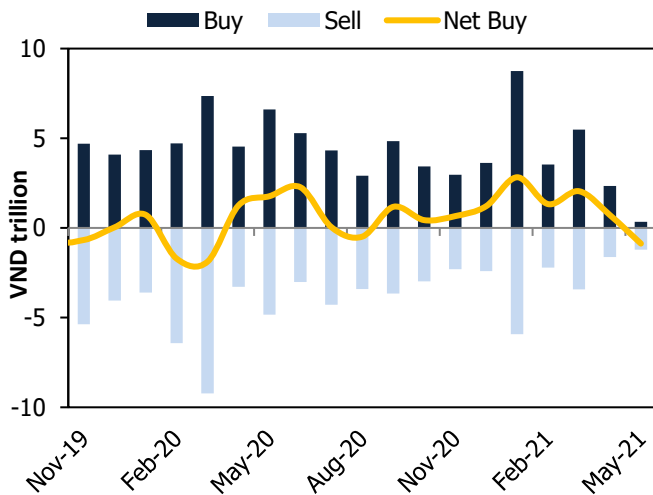
Transactions on the secondary government bond market continued being inactive with daily average volumes of VND 8.6tn, down by 13% from April's average. Of which, outright trading accounted for 58% of the volume this period and VND 44.2tn. The average transaction was VND 4.9tn/day, down by 16% from the previous month's average. Average repo trading volume declined by 8% compared to April, reaching VND 3.6tn/day. Foreign investors net sold VND 875bn of G-bonds in this period and the total trading volume was also quite low, down by 35% compared to the same period last month. In overall, foreign investors net purchased a total of VND 6,038bn of G-bonds in 2021 and VND 11,346bn of G-bonds in the last 12 months.

**Figure 12. Vietnam T-bond Yield (%)**



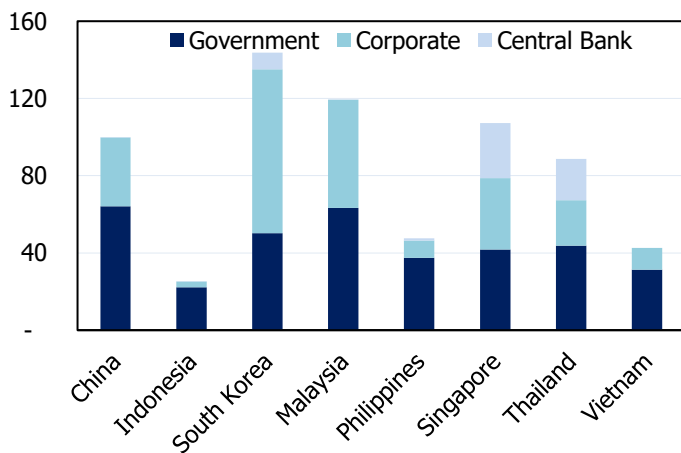
Source: Bloomberg.

**Figure 14. Foreign investors' activity in secondary market**



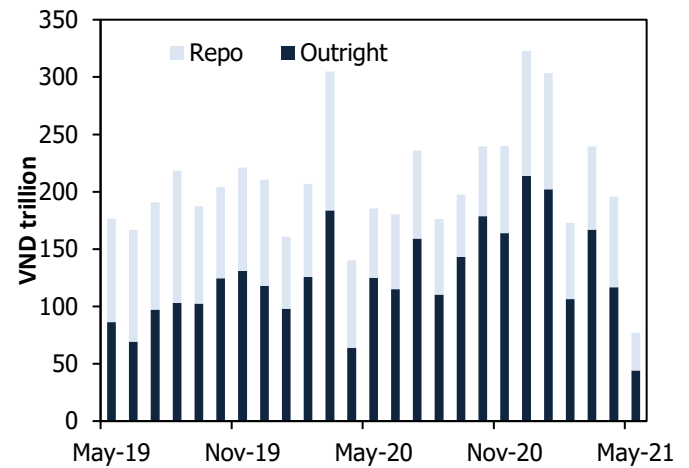
Source: HNX.

**Figure 15. Size of bond markets (%GDP 2020)**



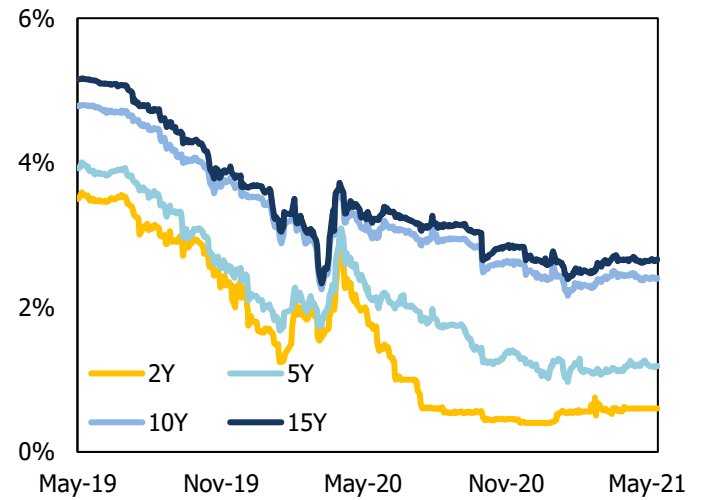
Source: ADB.

**Figure 13. Outright and Repo transaction volume**



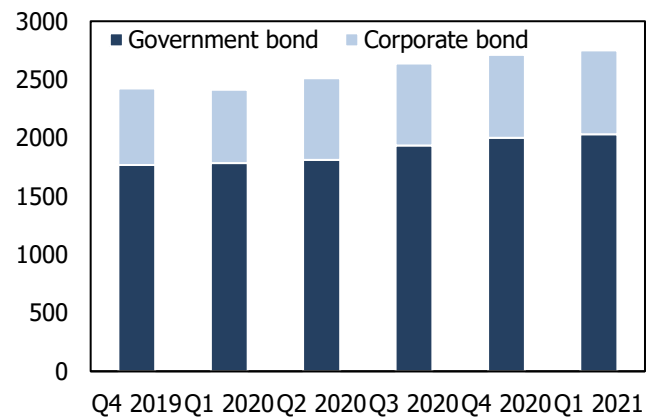
Source: HNX.

**Figure 15. G-bond yield curve – Secondary Market**



Source: Bloomberg.

**Figure 16. Vietnam bond market size (VND tn)**

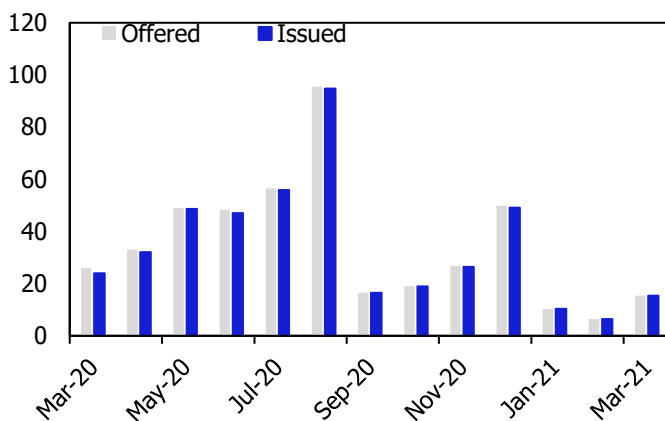


Source: ADB.

## Corporate Bond Market

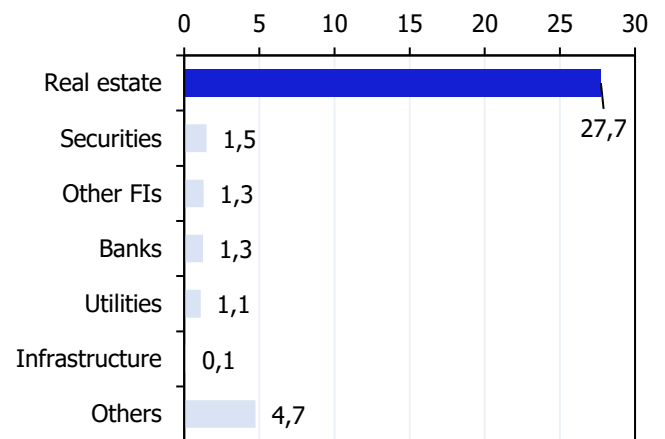
In the first quarter of 2021, VND 38,235bn of corporate bonds were issued through individual channels and the public, down about 30% compared to the same period in 2020. Of which, up to VND 6,235bn was issued to the public, accounting for roughly 16% of the total amount of corporate bonds issued. This rate is far higher than the level below 5% in recent years, indicating that the quality of corporate bonds market is improving since the public issuance channel becomes more transparent and public. The weighted average maturities of the bonds is 3.5 years, which is 0.8 years shorter than the 2020 average. The average interest rate was 9.9%, 0.6 percentage points higher than the average in 2020.

**Figure 18. Corporate bond offering and issuance (VND tn)**



Source: HNX, FiinPro, MBS Research.

**Figure 19. Corporate bond issued by sectors in Q12021(VND tn)**



Source: HNX, FiinPro, MBS Research.

**Figure 20. Top issuers in Q1.2021**

Issuer	Average tenor (years)	Amount (VND tn)	Coupon rate (%/year)
Tập đoàn Vingroup - Công ty Cổ phần	3	4.375	9,7%
Công ty Cổ phần BCG Land	3	2.500	11%
Công ty Cổ phần Phát triển Bất động sản Nhật Quang	3	2.150	N/A
Công ty Cổ phần Tập đoàn Sovico	3	2.000	10,5%
Công ty Cổ phần Địa Ốc Phú Long	3	2.000	N/A
Công ty Cổ phần Đầu tư Smart Dragon	3	1.900	N/A
Công ty Cổ phần Đầu tư Thương mại Dịch vụ Gia Khang	3	1.500	11%
Công ty Cổ phần Hưng Thịnh Land	2	1.500	10,5-11%
Công ty Cổ phần Tập đoàn Masan	3	1.400	9,8-10%
Công ty TNHH Mặt Trời Hạ Long	3	1.192,49	8,1%

## **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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