

Anh Nguyen, CFA

Analyst

Anh2.nguyenduc@mbs.com.vn

Tuan Hoang

Head of Macro

Tuan.hoangcong@mbs.com.vn

Liquidity demand surge caused a dramatic rise in interbank rates. Commercial banks took advantage of the low OMO rate and managed to raise over VND 35tn from SBV via this channel. VND is appreciating against the USD. STV only managed to raise VND 80bn of government bonds at same yield level. 10Y G-bond yield fell slightly. Foreign investors net purchased VND 1,138bn of G-bond during the month.

Money Market

Interbank rates hiked significantly due to rising liquidity demand at the end of the lunar year caused commercial banks to turn to SBV for liquidity help. During the period, SBV net injected VND 35,158bn via the OMO channel.

During the last week of Canh Ty, the rising liquidity demand caused the banking system to be in need of additional cash. Thus, SBV injected VND 35,158bn in just over a week via the OMO channel, with a rate of 2.5%/year, tenor of 1-2 weeks. The whole amount will return to SBV before the end of February.

With rising demand for liquidity, interbank interest rates also climbed quite a lot. According to SBV's data, 1-week interbank rate on 09/02 averaged 3.66%/year, much higher than the OMO's rate so commercial banks chose SBV for their liquidity needs. We anticipated this is a temporary rise, because deposit rates of several banks are still dropping before Tet. If credit growth does not improve, the liquidity goes to back to be in excess, interbank rate and open market activity will return to its latter half of 2020 state.

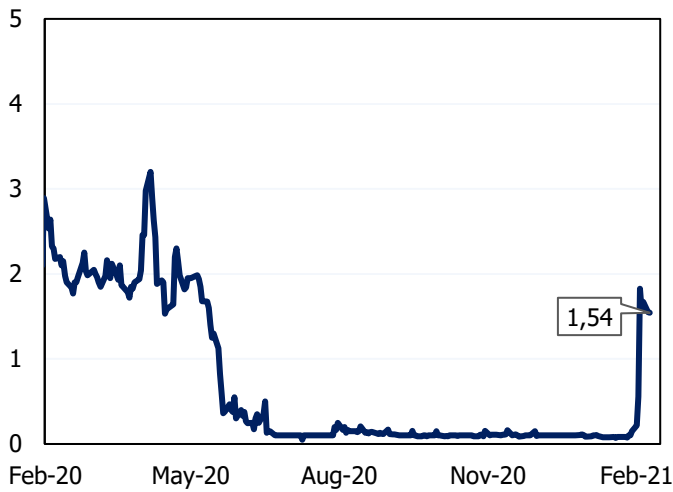
Bloomberg data showed overnight interbank rate on 09/02 was at 1.54%/year, a 10-fold increase compared to the end of January. Other tenors' rates also hovered around 1.6%/year, a significant increase during the period.

USD/VND exchange rate continues its stability.

Similar to regional currencies' performance, VND appreciated against the USD during the period. The central exchange rate is at VND 23,137 per USD, down VND 23 per USD compared to the end of January. The interbank rate dropped about VND 48 per USD to VND 23,057 per USD. Meanwhile, rising demand for foreign currencies in public at the end of the lunar new year led to an increase of VND 75 per USD to VND 23,595 per USD.

Compared to other regional currencies, VND has appreciated the most against the USD this year. We anticipated that under the positive conditions like healthy net exports, high foreign reserves, inflation under control, VND will continue its appreciation in 2021.

Figure 1. Interbank overnight lending rate (%)



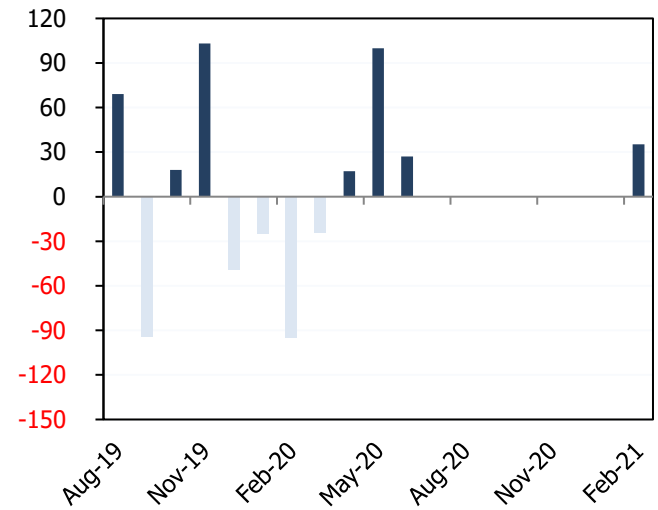
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
30/11	0.15	0.20	0.27	0.36
31/12	0.09	0.11	0.16	0.30
29/01	0.15	0.26	0.42	0.52
09/02	1.54	1.62	1.58	1.59

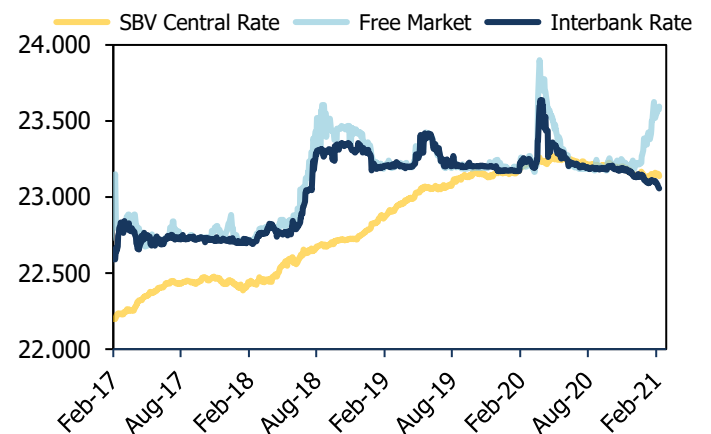
Source: Bloomberg.

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



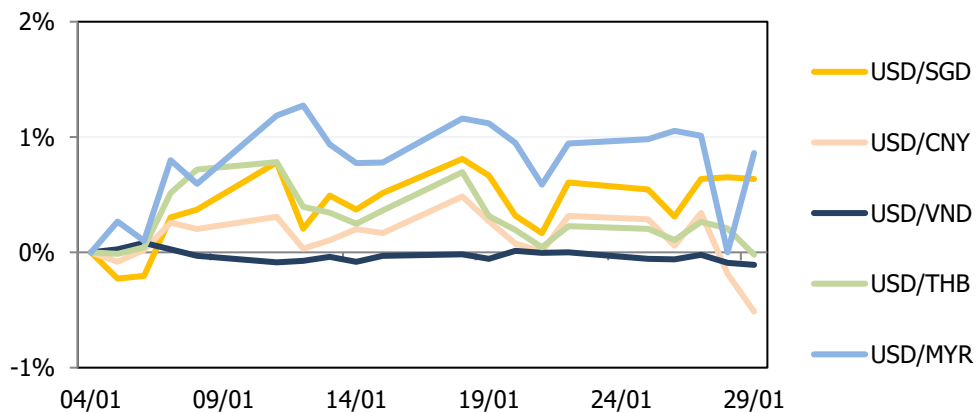
Source: SBV, MBS.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 5. Regional currencies performance in 2020



Source: Bloomberg.

Government Bond Market

Primary market

STV only managed to raise VND 80bn of G-bonds.

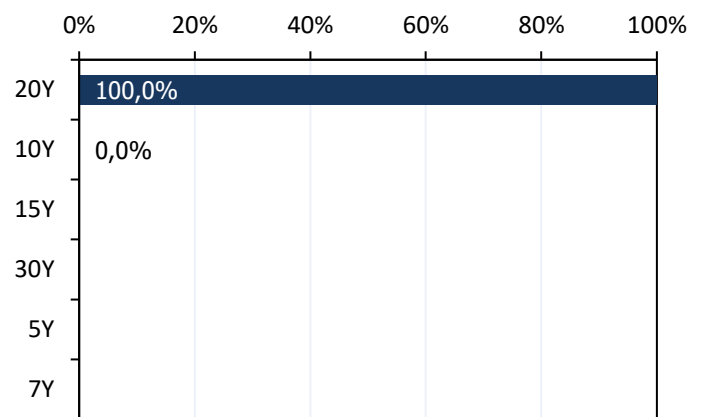
In the only auction in the first half of February, the volume of successfully issued government bonds reached VND 80bn out of a total of VND 6tn offered, an issuance rate of 1%. Even though the bidden amount was still larger than the auctioned and the bidden yield dropped slightly compared to the previous auction, it was not low enough so few bonds raised.

Of the three tenors up for auction, only the 20Y tenor was issued. The yield remained the same at 2.89%/year.

Figure 6. G-bond auction result in February 2021

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y				
7Y				
10Y	3.000	0	0%	
15Y	2.000	0	0%	
20Y	1.000	80	8%	2.89%
30Y				
Total	6.000	80	1%	Unit: VND bn

Figure 7. G-bond successful issuance February 2021



Source: HNX.

Source: HNX.

Figure 8. G-bond successful issuance in 2021

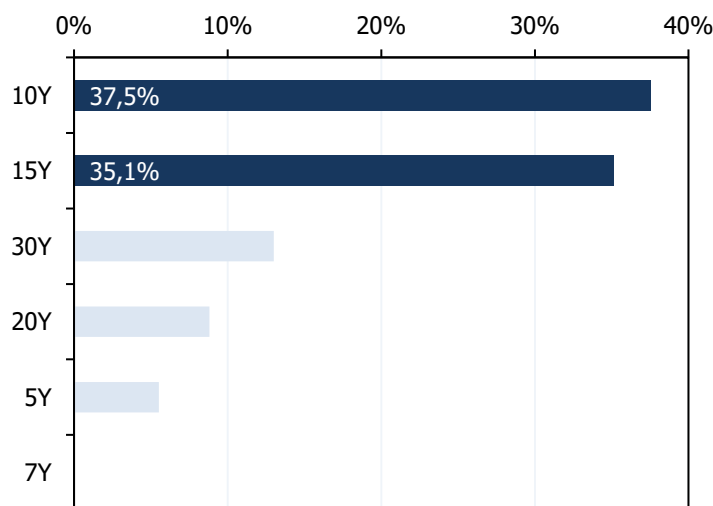
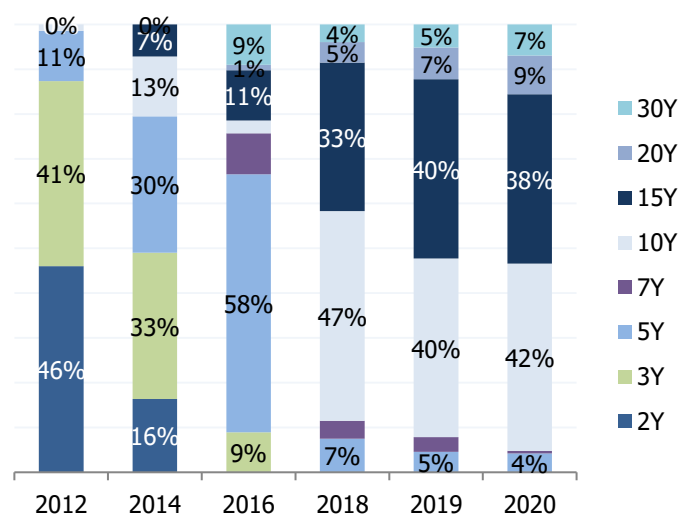


Figure 9. G-bond successful issuance from 2021



Source: HNX.

Source: HNX.

Figure 10. Government bond issuance 2021

Tenor	VST Q1 2021 Plan	VST Q1 2021 Issued	% VST Q1 2021 Plan
5Y	5.000	1.300	26%
7Y	5.000	0	0%
10Y	35.000	8.850	25%
15Y	35.000	8.281	24%
20Y	10.000	2.080	21%
30Y	10.000	3.065	31%
Total	100.000	23.576	24%

Source: VST, HNX

Figure 11. 10Y G-bond yields (%) in selected countries **As at 15/02/2021**

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2020*
U.S.	1.21	3.77	14,3	29.5
EU	-0.38	6.40	13,7	18.8
Japan	0.08	1.00	2,7	6.0
China	3.24	-0.50	5,0	8.9
South Korea	1.87	3.80	10,0	14.3
India	6.02	-1.80	13,1	15.7
Malaysia	2.78	2.40	8,2	13.8
Singapore	1.15	1.40	11,9	27.6
Indonesia	6.24	3.20	3,5	35.6
Philippines	1.98	-3.10	1,7	9.0
Thailand	1.48	8.40	17,6	21.4
Vietnam	2.31	0.90	-1,3	-26.6

Source: Bloomberg.

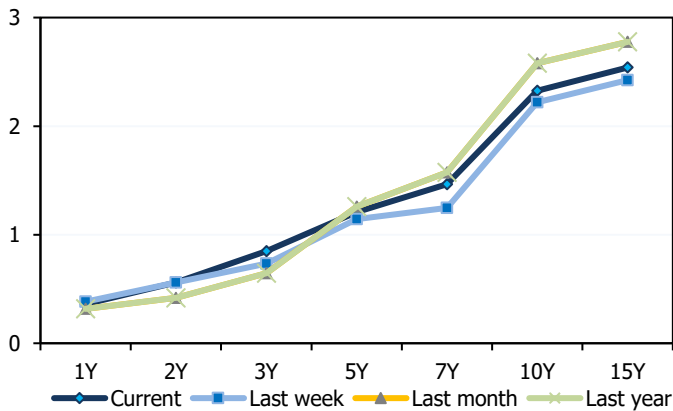
Secondary Market

G-bond yield curve is flattening. Average daily transaction volume on the secondary government bond market decreased 22% compared to the previous month. Foreign investors net purchased over VND 1,138bn of government bonds.

While the 10Y G-bond yields on the secondary market are on the rise in other countries, Vietnam's continued to drop. Compared to the end of last month, the 2Y yield remained at 0.56%/year but the 10Y yield dropped by 2bps to 2.31%/year. The yield curve has flattened since the beginning of the year.

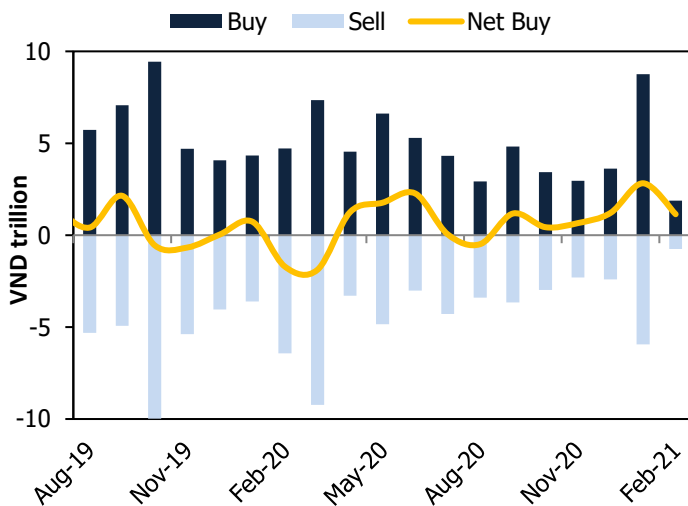
Government bond transactions in the secondary market in the period reached VND 11.8tn daily average, 22% lower than its January level. Of which, outright transactions accounted for 56% of volume in the period with VND 46.3tn. Average transaction volume was VND 6.6tn/day, down 22% compared to the previous month. Average daily repo trading volume increased by 3% compared to January's level, reaching VND 5.2tn/day. Foreign investors continued to net purchase VND 1,138bn of government bonds. They have purchased VND 3,963bn in 2021 and VND 10,412bn in the past 12 months.

Figure 12. Vietnam T-bond Yield (%)



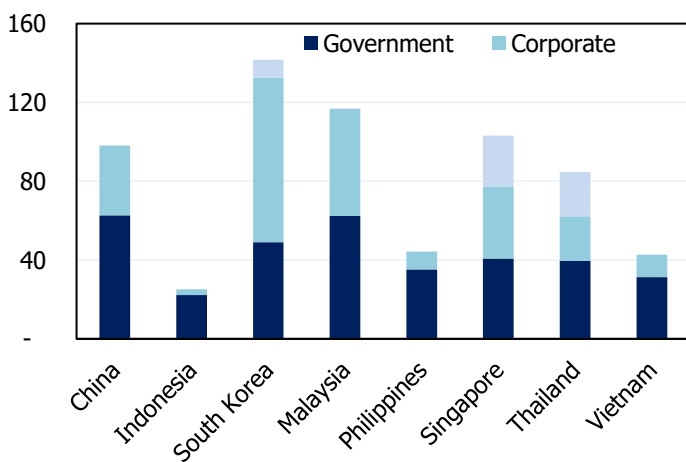
Source: Bloomberg.

Figure 14. Foreign investors' activity in secondary market



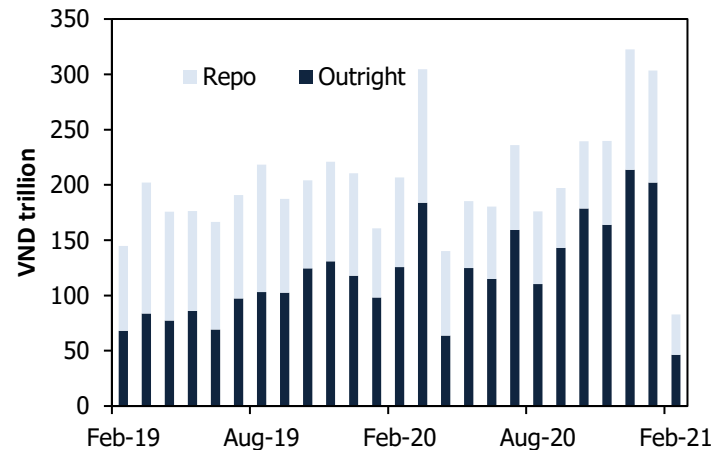
Source: HNX.

Figure 16. Size of bond markets (%GDP Q3.2020)



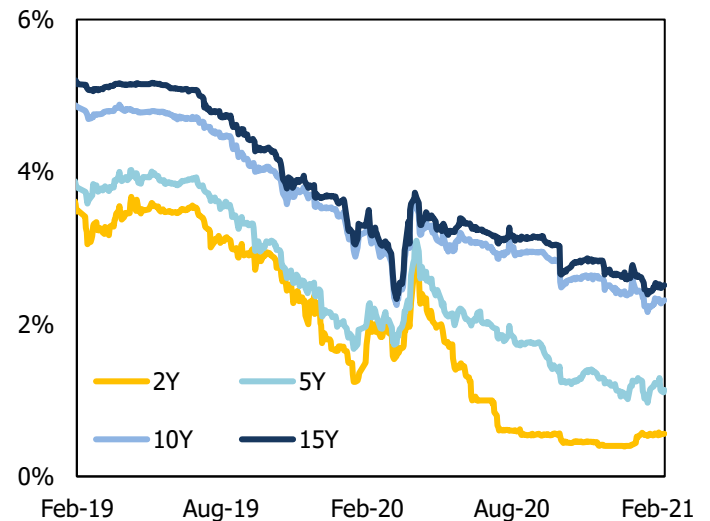
Source: ADB.

Figure 13. Outright and Repo transaction volume



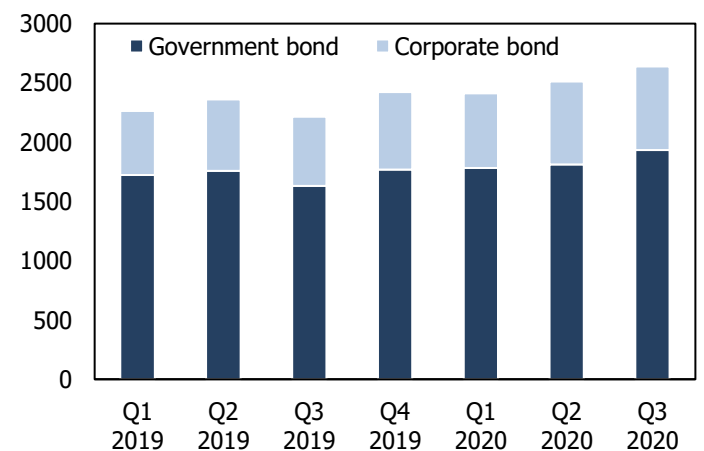
Source: HNX.

Figure 15. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 17. Vietnam bond market size (VND tn)

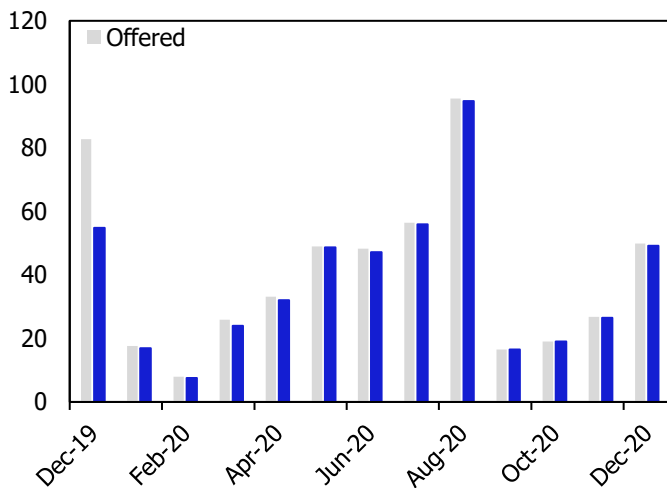


Source: ADB.

Corporate Bond Market

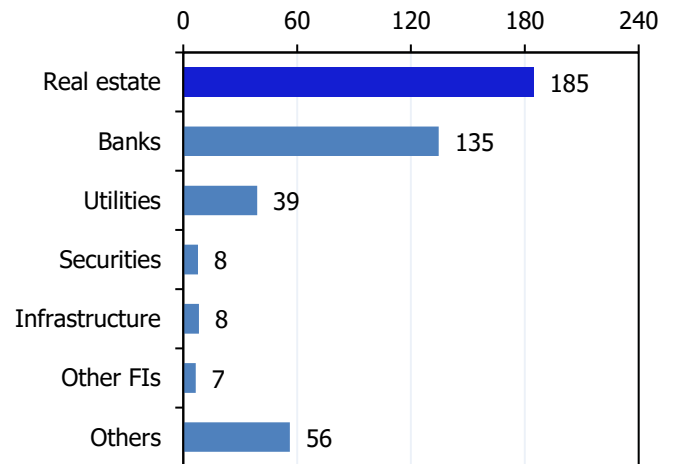
In 2020, corporate bond market continued to grow at a rapid pace, with about VND 446tn raised via private, public and international placements, a growth rate of 30% yoy. The average tenor was 4.27 years, average rate of 9.3%/year. Real estate companies are the top issuers with 42% of the bonds issued, about VND 184.6tn, followed by Bnks with VND 134.6tn, accounting for 31%.

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



Source: HNX, FiinPro, MBS Research.

Figure 19. Corporate bond issued by sectors in 2020 (VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 20. Corporate bond issuers with over VND 10tn raised in 2020

Issuer	Average tenor	Value (VND bn)	Coupon rate (%/year)
Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	8.5	21,124	6.7-8%
Công ty Cổ phần Tập đoàn Sovico	3	18,000	10-11%
Ngân hàng TMCP Phát Triển Thành phố Hồ Chí Minh	3	17,606	4.5-8.5%
Công ty Cổ phần Tập đoàn Masan	3	15,685	9.3-10%
Ngân hàng Thương mại Cổ phần Quốc tế Việt Nam	2.5	15,580	5.1-6.3%
Công ty Cổ phần Vinhomes	3.2	12,000	9-10%
Ngân hàng Thương mại Cổ phần Tiên Phong	11.1	11,828.10	5.7-9.5%
Ngân hàng Thương mại Cổ phần Bưu Điện Liên Việt	3	11,548.87	5.8-8.4%
Ngân hàng Thương mại Cổ phần Công thương Việt Nam	3.3	10,609.22	6-7.92%
Ngân hàng Thương mại Cổ phần Việt Nam Thịnh Vượng	2.5	10,500	6-6.4%
Công ty TNHH Saigon Glory	4.2	10,000	11%

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

Website:

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