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Liquidity in the banking system was stable in the second half of March when the SBV net injected just under VND 5tn. At the same time, interbank interest rates also fell sharply. USD/VND exchange rate is gradually cooling down and the trend can be stable in the medium term. STV issued VND 8,820bn of G-bonds during the month and the ratio of winning primary bonds was low, because the winning yield did not meet investors' expectations. The yield of secondary G-bonds dropped drastically compared to the previous month. Foreign investors net sold VND 86.7bn of G-bonds during the month.

Money Market

Interbank interest rates decreased in March. In the second half of March, SBV injected VND 4,702.65bn through the open market channel and all this money was returned to the in the first half of April.

Credit growth in the first quarter of the year was estimated at 5.04%, much higher than 2.16% in the same period last year. Although capital mobilization growth was only 2.15%, lower than credit growth, the liquidity of the banking system was still quite abundant, reflected by the sharp drop in interbank interest rates in March. A Bloomberg survey showed that the overnight interbank rates are trading at 1.88%/year, down by 45 bps compared to the end of last month. Interest rates for other terms are also around 2.03%- 2.26%/year, a decrease of about 8-34 bps compared to the end of February. With positive credit growth, the target of 14% for the whole year is achievable. However, we believe that interbank interest rates are difficult to return to the low level as before.

Liquidity remained stable throughout March. In the second half of March, SBV reduced the amount of money injected into the system with VND 4702.65bn in just over a week via the OMO channel, with a rate of 2.5%/year, tenor of 2 weeks.

USD/VND exchange rate gradually cooled down.

While the value of USD compared to some regional currencies as well as VND tends to fall slightly in the second half of March. The demand for USD in the market has decreased as shown by the USD/VND exchange rate on the free market went down by VND 130 per USD compared to the end of February and is currently trading at 23,345 VND/USD. The central and interbank rates were respectively traded at VND 23,100 per USD, down VND 40 per USD and VND 22,969 per USD, down VND 12 per USD. USD is depreciating against VND following the trend along with other currencies in the region.

In March, the DXY index recoreded at 98.5. The dollar rose slightly as peace talks between Russia and Ukraine failed to make progress, prompting investors to turn to safe-haven assets. Strong US jobs growth data in March, reinforced market expectations that the Fed will accelerate rate hikes to control inflation. The possibility that the Fed will make two or more large-scale rate hikes in the coming months should add further impetus to the greenback.

Figure 1. Interbank overnight lending rate (%)



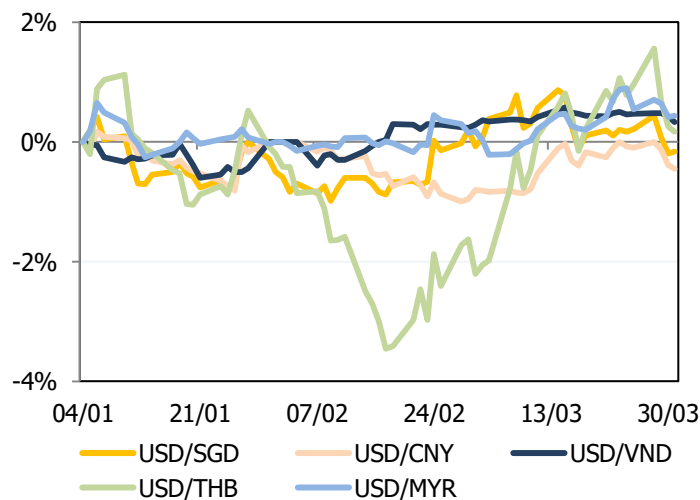
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/12	1.22	1.42	1.55	1.83
31/01	1.90	1.88	2.02	2.02
28/02	2.33	2.38	2.27	2.33
31/03	1.88	2.03	2.16	2.26

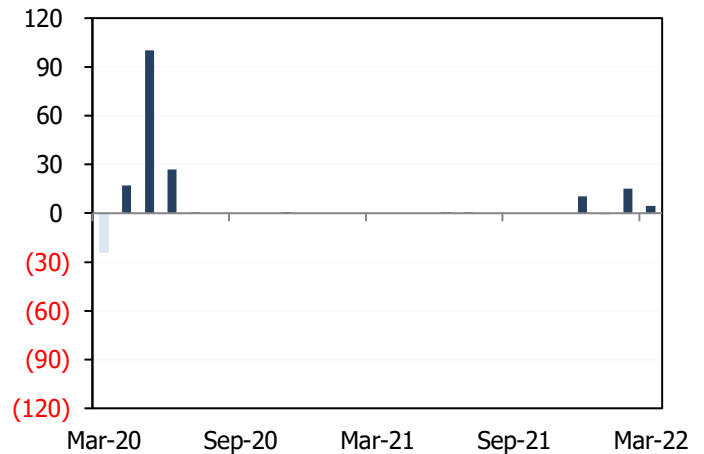
Source: Bloomberg.

Figure 5. Regional currencies performance in 2022



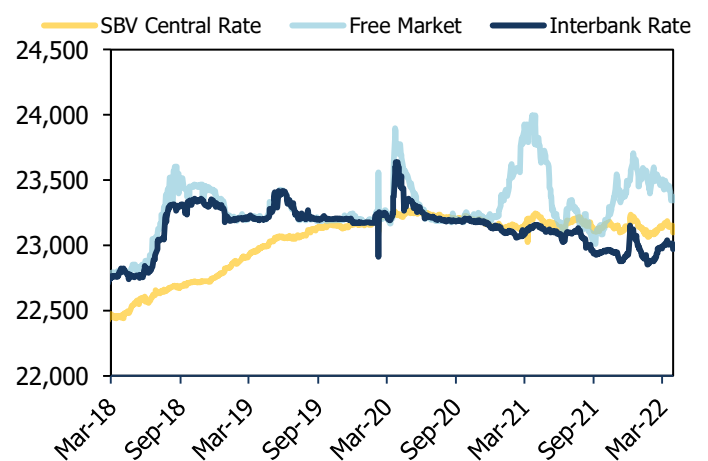
Source: Bloomberg.

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



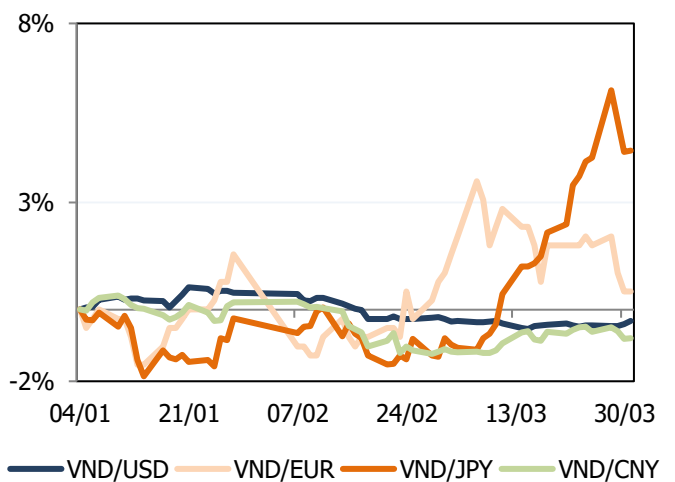
Source: SBV, MBS.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 6. VND compared to major currencies in 2022



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued VND 8,820bn of G-bonds this month with the winning yield grew slightly compared to the end of February.

In March, STV continued to face difficulties in issuing bonds. In the VND 28,500bn proposed, there were VND 8,820bn of G-bonds successfully mobilized, at the rate of 31%. In March, there was no winning volume in the terms of 5Y, 7Y and 20Y. Thus, STV only issued a total of 41,282 billion VND of government bonds in the first quarter, achieving 39% of the quarterly plan and 10% of the year plan.

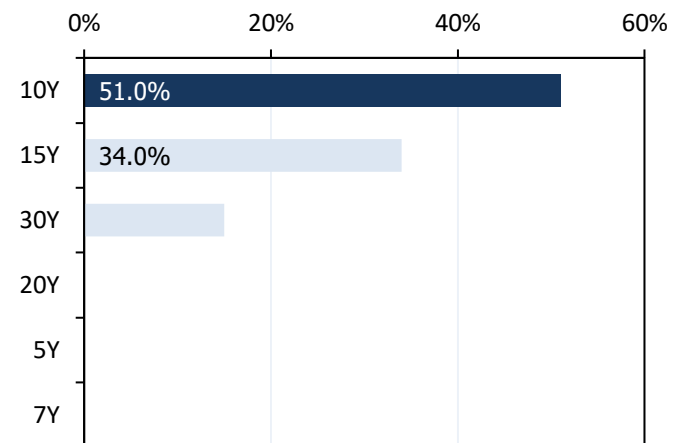
The winning yield of the bonds grew slightly compared to the end of January. The yield for the 10Y term was 2.2%/year, up 8bps while the yield for the 15Y term was 2.5%/year, up 8bps compared to the end of February. With the issuance situation still far from this year's issuance plan of VND 400,000bn, STV will need to raise the bond winning yield even higher to attract investors in the next offering sessions.

Figure 7. G-bond auction result in March 2022

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	1,000	0	0%	0.00%
7Y	500	0	0%	0.00%
10Y	10,000	4,500	45%	2.15%-2.2%
15Y	10,500	3,000	29%	2.45%-2.22%
20Y	2,000	0	0%	0.00%
30Y	4,500	1,320	29%	3.00%
Total	28,500	8,820	31%	Unit: VND bn

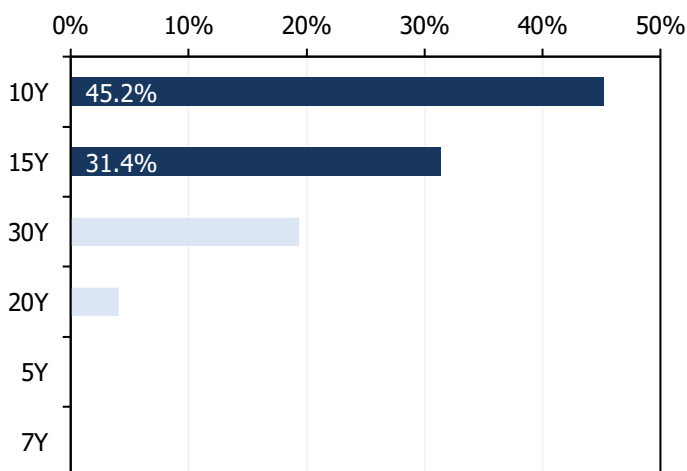
Source: HNX.

Figure 8. G-bond successful issuance March 2022



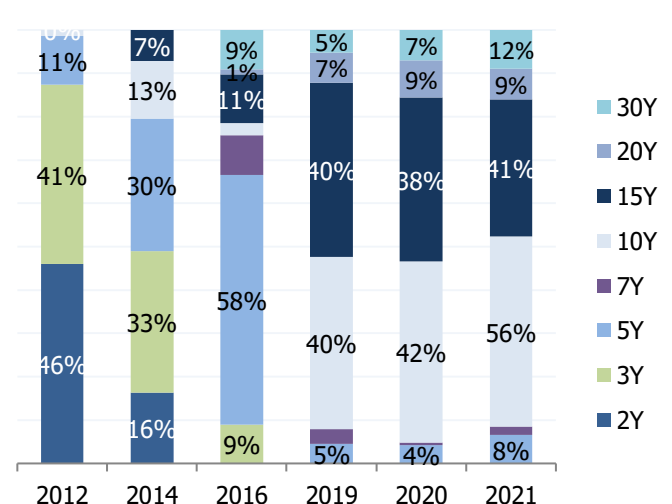
Source: HNX.

Figure 9. G-bond successful issuance in 2022



Source: HNX.

Figure 10. G-bond successful issuance since 2012



Source: HNX.

Figure 11. Government bond issuance 2022 (bn VND)

Tenor	VST 2022 plan	VST 2022 issued	% VST 2022 plan
5Y	30,000	0	0%
7Y	15,000	0	0%
10Y	140,000	18,642	13%
15Y	150,000	12,950	9%
20Y	30,000	1,685	6%
30Y	35,000	8,005	23%
Total	400,000	41,282	10%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 31/03/2022

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2021*
U.S.	2.34	-3.38	51.3	82.8
EU	0.55	1.60	41.3	72.5
Japan	0.22	-1.00	2.8	14.9
China	2.79	-2.00	-0.3	0.8
South Korea	2.97	10.50	28.0	71.0
India	6.84	0.20	7.1	38.2
Malaysia	3.85	3.10	17.9	28.6
Singapore	2.38	4.37	43.3	65.3
Indonesia	6.74	4.00	22.3	35.6
Philippines	3.40	-14.24	12.9	105.2
Thailand	2.46	2.51	23.9	49.8
Vietnam	2.47	-3.20	12.7	29.5

Source: Bloomberg.

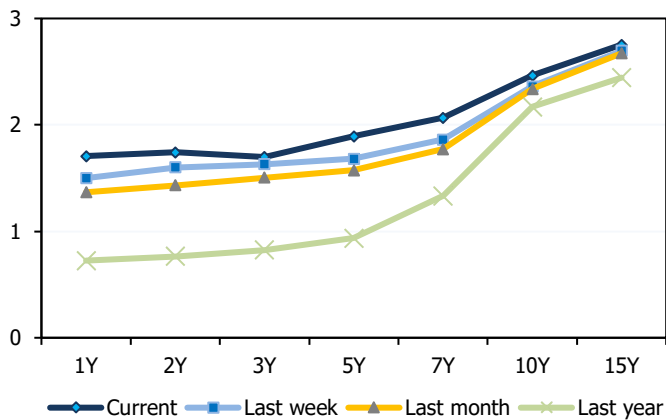
Secondary Market

G-bond yield surged during the month. Average transaction volume on the secondary G-bond market went down by 14% MoM with the proportion of outright transactions increasing compared to previous month. Foreign investors net sold VND 86.7bn of G-bonds this month.

Following the global trend, 10Y treasury yield in Vietnam has been climbing in recent weeks. At the end of March, the 10Y yield was at 2.46%/year, up 29bps compared to the previous month whereas the 2Y yield jumped to 1.74%/year, up 31bps. The yield curve is continuing its upward trend since the beginning of the year.

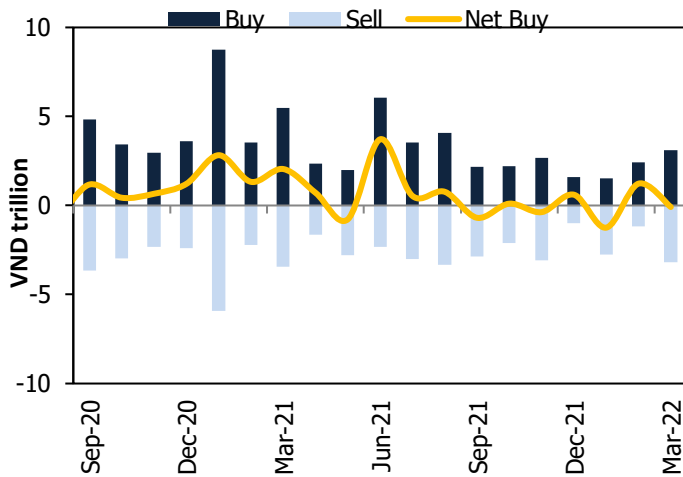
Transactions on the secondary government bond market were less active than the previous month with daily average volumes of VND 12tn, down 14%. Of which, outright trading accounted for 65% of the volume this period and VND 180tn. Average transaction was VND 7.8tn/day, down by 8.6% from the previous month's average. Average repo trading volume dropped by 23% compared to February, reaching VND 4.7tn/day. In March, foreign investors back to net sell G-bonds with an amount of VND 86.7bn. Overall, foreign investors have sold VND 107bn in 2022 and purchased VND 4,499bn in the past 12 months.

Figure 13. Vietnam T-bond Yield (%)



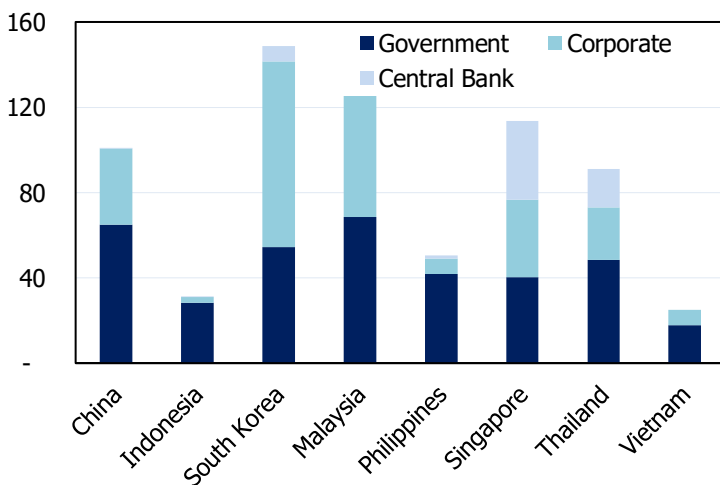
Source: Bloomberg.

Figure 15. Foreign investors' activity in secondary market



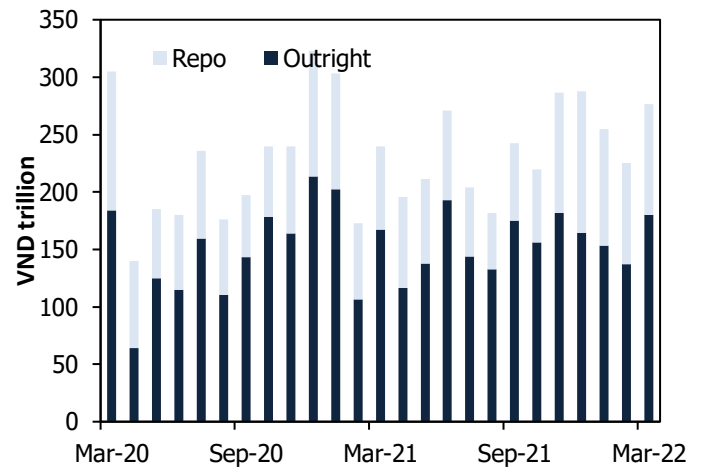
Source: HNX.

Figure 17. Size of bond markets (%GDP Q4 2021)



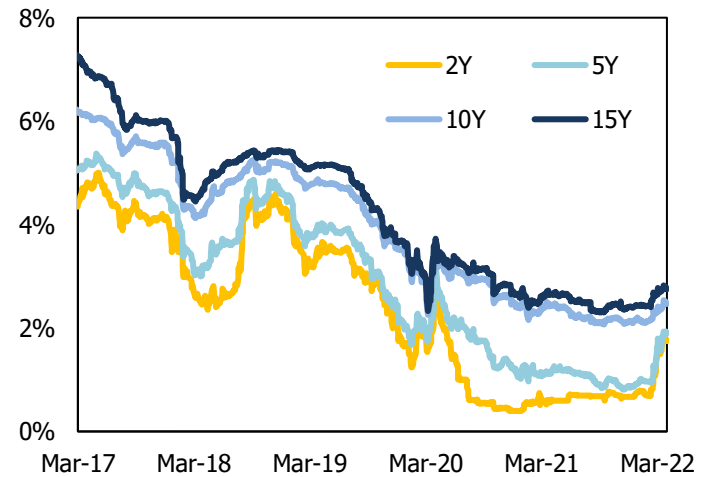
Source: ADB.

Figure 14. Outright and Repo transaction volume



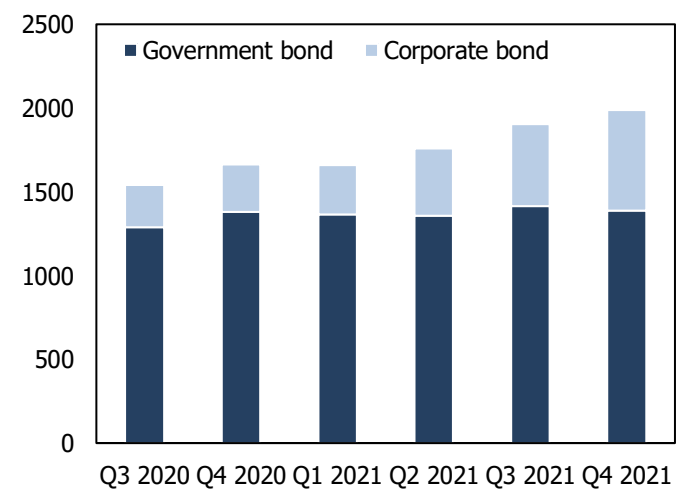
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 18. Vietnam bond market size (VND tn)

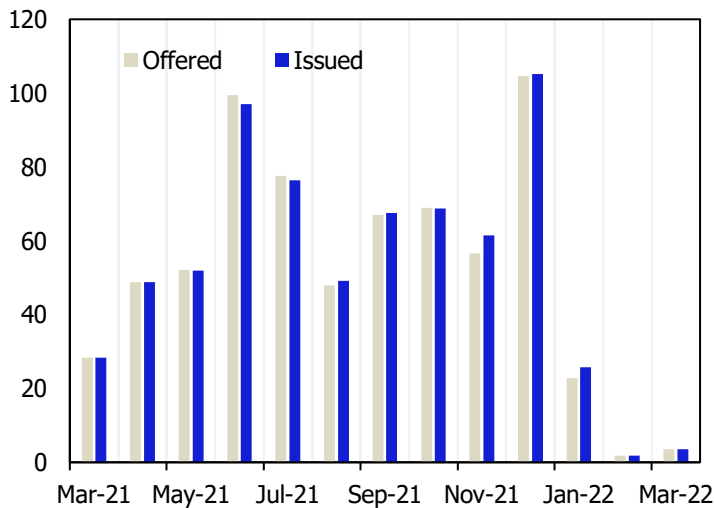


Source: ADB.

Corporate Bond Market

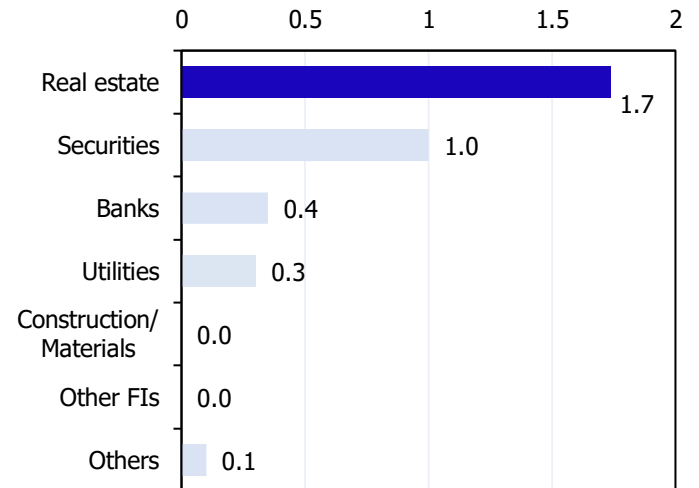
FiinPro data showed that, only VND 3,490.8bn of corporate bonds were issued in the domestic market in March. Of which, VNDIRECT Securities Joint Stock Company issued the most significant bond volume of VND 1,000bn. In addition, TNS Holdings Trading Service JSC issued bonds with the highest coupon rate of 10%/year. The real estate sector is the top issuer, accounting for the most monthly volume, reaching nearly 50% of the issuance volume in the month.

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



Source: HNX, FiinPro, MBS Research.

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



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in March 2022

Tick er	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
VND	Công ty Cổ phần Chứng khoán VNDIRECT	1-3	1,000	8.0%-8.4%
	Công ty Cổ phần Bất động sản Hano-Vid	7	1,000	N/A
TN1	Công ty Cổ phần Thương mại Dịch vụ TNS Holdings	3	490.8	10.00%
BVB	Ngân hàng Thương mại Cổ phần Bản Việt	7	350	8.60%
	Công ty Cổ phần Đầu tư Năng lượng Nam Phương	7	300	N/A
AGG	Công ty Cổ phần Đầu tư và Phát triển Bất động sản An Gia	1	200	N/A
ADS	Công ty Cổ phần DAMSAN	2	100	4.00%
	Công ty TNHH Thế Vượng	1	50	N/A

Source: HNX, FiinPro, MBS Research.

PRODUCT

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