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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 decreasing in price against other currencies in the region. STV issued VND 44.183bn of G-bonds during the period. The yield of secondary G-bonds decreased slightly compared to the previous month. Foreign investors net sold VND 775bn of G-bonds for the first time after 9 months.

Money Market

Interbank interest rates rose slightly in the second half of May. However, the interest rate is still lower than the OMO rate, so there are no new transactions in the open market.

From mid-April to the first half of May, interbank interest rates continued to grow sharply, then slowed down in the second half of May. The growth in interbank interest rates was due only to a lack of local liquidity in some small banks, while the liquidity of the whole system is still quite abundant. A Bloomberg survey showed that the overnight interbank rates are trading at 1.18%/year, grow by 48 bps compared to the end of last month. Interest rates for other terms are also around 1.33%-1.45%/year, an increase of about 33-42 bps compared to the end of April. 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.

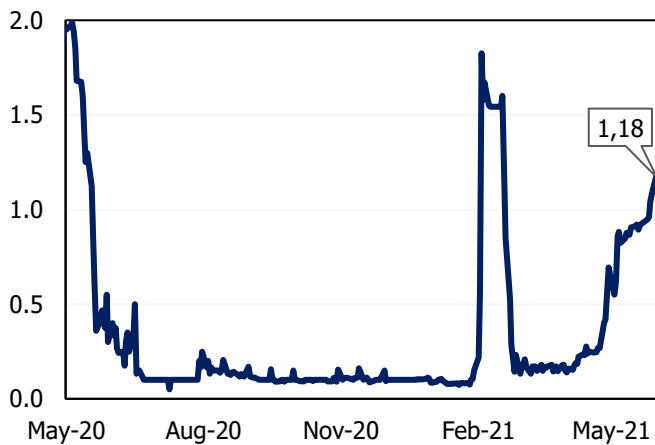
Like in recent months, interbank interest rates are rising but still lower than the SBV's OMO rate of 2.5%/year, so commercial banks can borrow from each other in the market without the SBV's support.

USD/VND exchange rate remains stable.

While the value of USD compared to some regional currencies tends to fall slightly in the second half of May, the USD/VND exchange rate is forecast to keep the trend sideways in the short term. The demand for USD in the market has decreased when the USD/VND exchange rate fell by VND 465 per USD compared to April and is currently trading at 23,175 VND/USD. The central and interbank rates were respectively traded at VND 23,135 per USD, down VND 23 per USD and VND 23,092 per USD, down VND 14 per USD.

Last May, the DXY index returned to around 89, the dollar was still in a downtrend. The drop came after relatively weak U.S. Non-Farm Employment Change data released in early May. Investors were expecting a significant improvement in these reports following disappointing figures for April. Additionally, US President Joe Biden will propose a USD 6 trillion spending package that would take the United States to its highest sustained levels of federal spending since World War II. Thus, the USD is under great pressure to devalue and the USD/VND exchange rate will decline this year.

Figure 1. Interbank overnight lending rate (%)



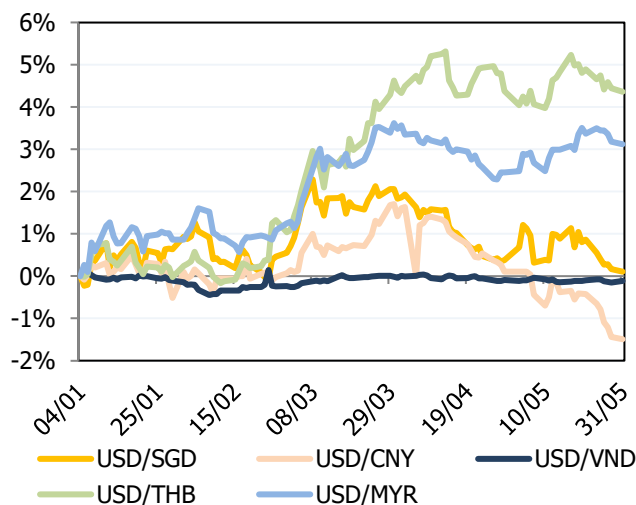
Source: Bloomberg.

Figure 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
31/05	1,18	1,33	1,39	1,45

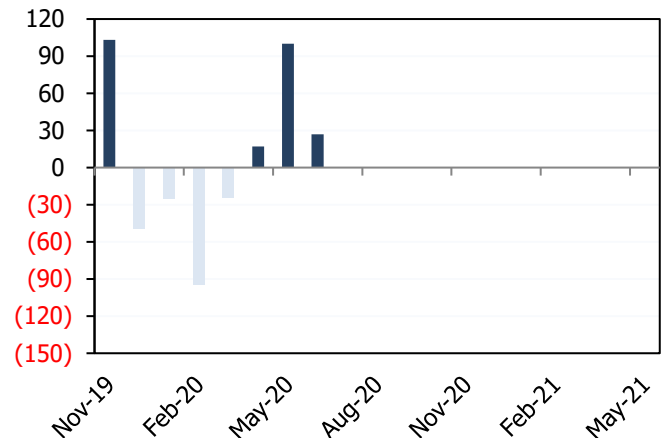
Source: Bloomberg.

Figure 5. Regional currencies performance in 2021



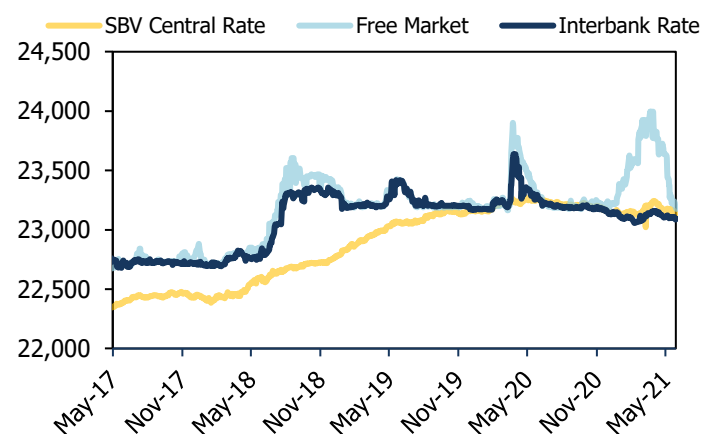
Source: Bloomberg.

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



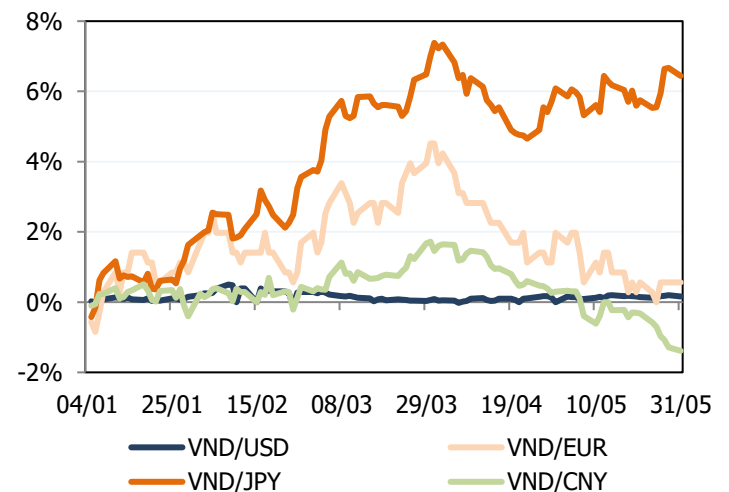
Source: SBV, MBS.

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 44,183bn of G-bonds this period with winning yield declined slightly compared to the end of April.

In May, STV issued the largest volume of TPCP since the beginning of the year. In the VND 48,000bn proposed, there were VND 44,183bn of G-bonds successfully mobilized, at the rate of 92%. The number of successful issuance was 68% higher VND 26,300bn in April. Nevertheless, STV has only issued a total of VND 109,690bn of G-bonds since the beginning of the year, reaching 31% of the year plan. To complete this year's mobilization plan, STV needs to continue to speed up bond issuance. However, 5Y and 10Y terms are being issued faster than planned when reaching 64% and 45% of the year plan, respectively.

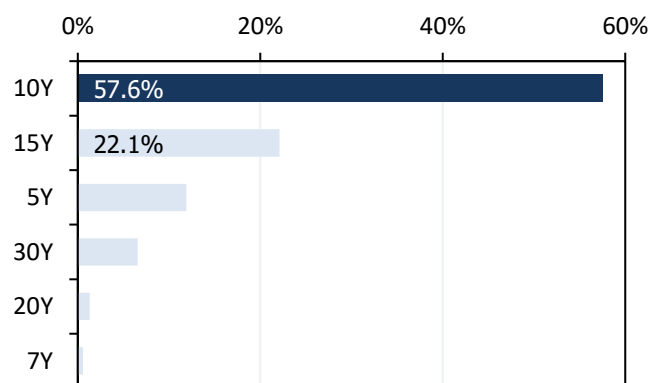
The winning yields of bonds declined slightly compared to the end of April. The 15Y yield was 2.54%/year, down by 1bps and the 5Y yield drop by 3bps to 1.13%/year. Especially, the yield for 10Y term was at 2.27%/year, down 9bps compared to the end of last month. The issuance rate is at its highest level since the beginning of the year, allowing the SBV to reduce the winning yield at the next auctions.

Figure 7. G-bond auction result in May 2021

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	5,250	5,250	100%	1.16%
7Y	500	250	50%	1.45%
10Y	26,500	25,436	96%	2.35-2.37%
15Y	11,000	9,767	89%	2.58-2.59%
20Y	1,000	580	58%	2.90%
30Y	3,750	2,900	77%	3.05%
Total	48,000	44,183	92%	Unit: VND bn

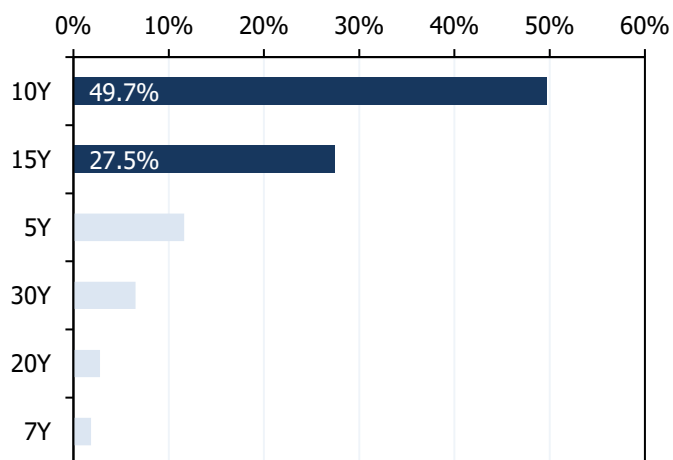
Source: HNX.

Figure 8. G-bond successful issuance May 2021



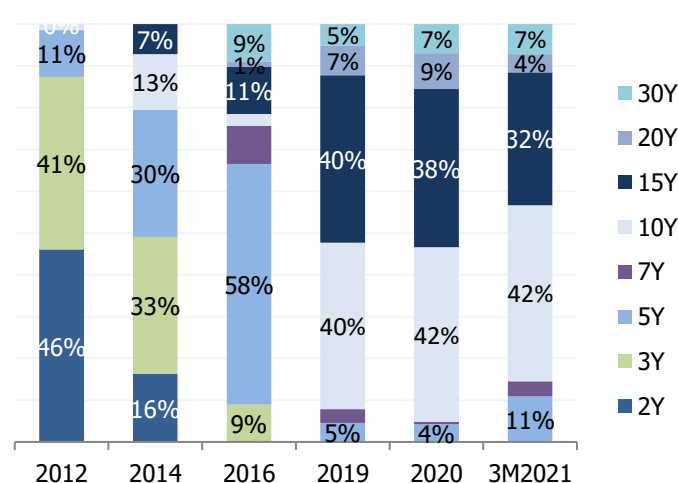
Source: HNX.

Figure 9. G-bond successful issuance in 2021



Source: HNX.

Figure 10. G-bond successful issuance since 2021










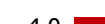




Source: HNX.

Figure 11. Government bond issuance 2021

Tenor	VST2021 plan	VST 2021 issued	% VST 2021 plan
5Y	20,000	12,769	64%
7Y	15,000	2,031	14%
10Y	120,000	54,486	45%
15Y	135,000	30,171	22%
20Y	30,000	3,070	10%
30Y	30,000	7,163	24%
Total	350,000	109,690	31%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 31/05/2021

Market	Last closing	Last week*	*Bps changed compared to last closing		31/12/2020*
			Last month		
U.S.	1.59	-0.69	-3.2		68.1
EU	-0.16	-2.20	4.0		40.7
Japan	0.09	0.70	-1.0		6.6
China	3.08	-0.40	-8.0		-7.0
South Korea	2.14	2.00	0.7		41.5
India	6.02	5.00	-0.8		15.7
Malaysia	3.20	1.00	9.2		55.4
Singapore	1.57	-3.20	-12.3		69.0
Indonesia	6.42	-3.30	-4.0		53.5
Philippines	2.39	4.70	-3.1		50.0
Thailand	1.87	-0.10	3.8		60.7
Vietnam	2.30	-4.20	-11.5		-27.8

Source: Bloomberg.

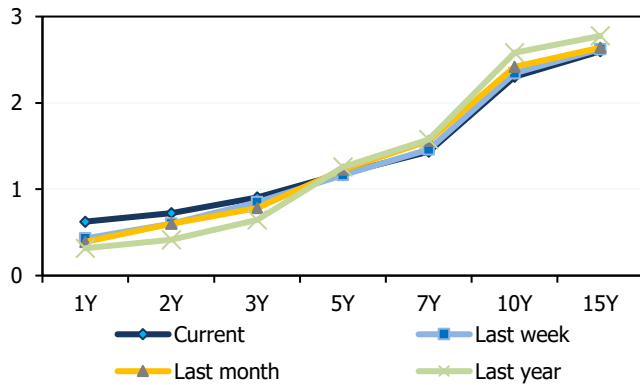
Secondary Market

G-bond yield decreased slightly during the month. Average transaction volume on the secondary G-bond market increased by 3% MoM. Foreign investors net sold VND 775bn of G-bonds this period.

At the end of May, the 10Y yield was at 2.3%/year, down 12 bps compared to the previous month whereas the 2Y yield rose to 0.73%/year, causing the yield curve to flatten gradually. Since the beginning of the year, the 2Y yield has increased by 31 bps while the 10Y term yield has decreased by 28 bps.

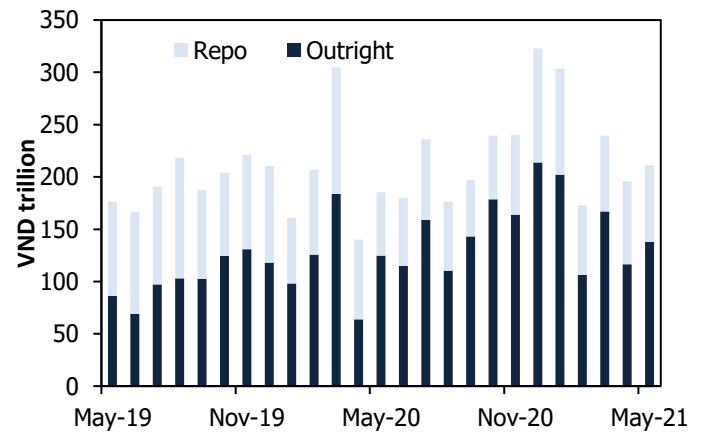
Transactions on the secondary government bond market were more active than previous month with daily average volumes of VND 10tn, up by 3%. Of which, outright trading accounted for 65% of the volume this period and VND 137.9tn. Average transaction was VND 6.5tn/day, up by 13% from the previous month's average. Average repo trading volume declined by 12% compared to April, reaching VND 3.5tn/day. Foreign investors net sold G-bonds for the first time after 9 months with an amount of VND 775bn. Overall, foreign investors net purchased a total of VND 6,138bn of G-bonds in 2021 and VND 11,446bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



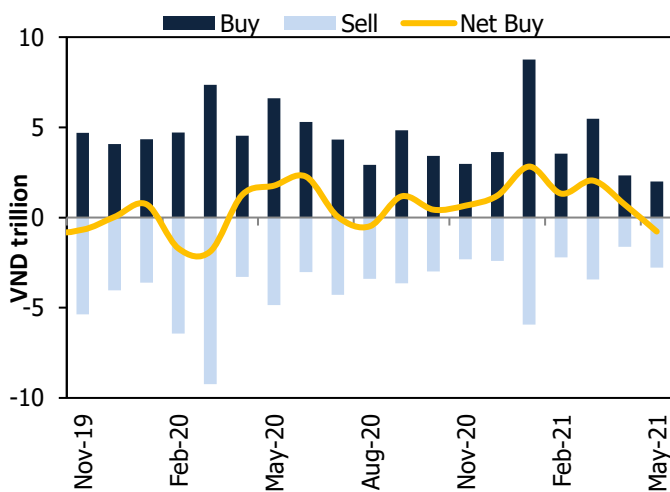
Source: Bloomberg.

Figure 14. Outright and Repo transaction volume



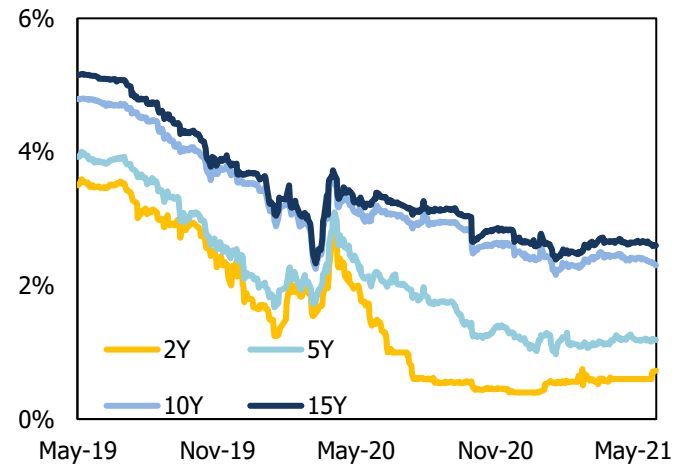
Source: HNX.

Figure 15. Foreign investors' activity in secondary market



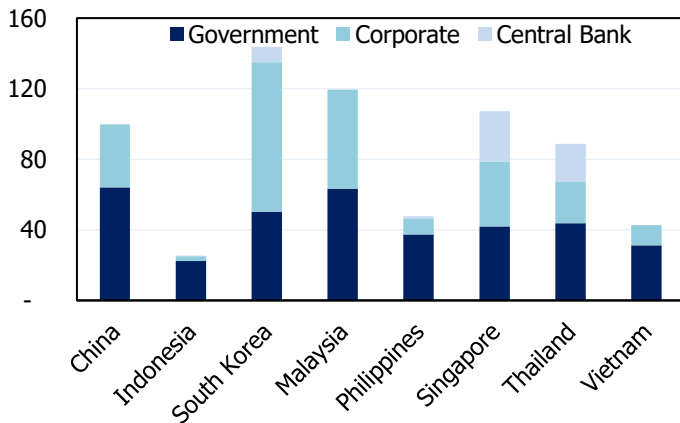
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



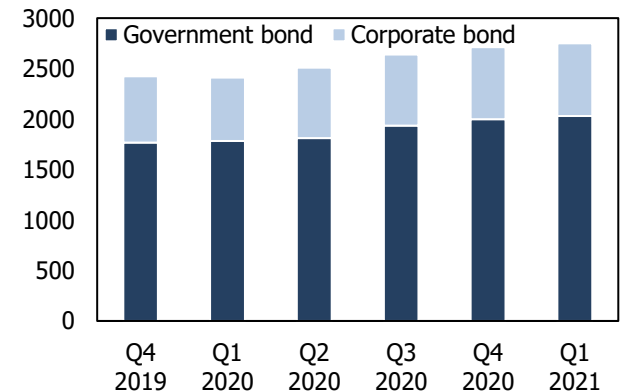
Source: Bloomberg.

Figure 17. Size of bond markets (%GDP 2020)



Source: ADB.

Figure 18. Vietnam bond market size (VND tn)

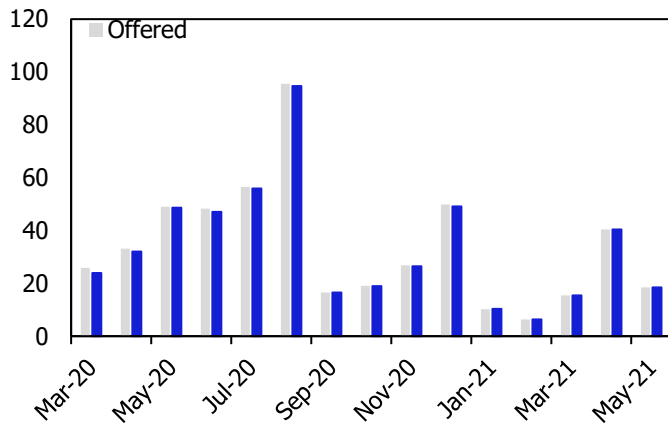


Source: ADB.

Corporate Bond Market

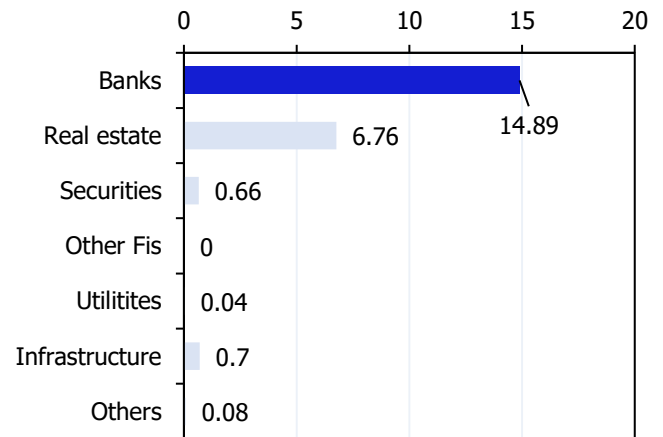
FiinPro data showed that in May, VND 18,480bn of corporate bonds were issued in the domestic market, and USD 20mn was issued to the international market of BIM Real Estate Joint Stock Company. The weighted average interest rate is about 5.8%.

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



Source: HNX, FiinPro, MBS Research.

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



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in May 2021

Ticker	Issuer	Average tenor (years)	Amount (VND tn)	Coupon rate (%/year)
	Công ty Cổ phần Bất động sản BIM	5	4.640 (USD 20mn)	7,0%
MSB	Ngân hàng Thương mại Cổ phần Hàng Hải Việt Nam	3	2.700	4,0%
TPB	Ngân hàng Thương mại Cổ phần Tiên Phong	3	2.600	3%-4,1%
ACB	Ngân hàng Thương mại Cổ phần Á Châu	3	2.000	4,0%
CTG	Ngân hàng Thương mại Cổ phần Công thương Việt Nam	8-15	1.150	6,48%-6,7%
OCB	Ngân hàng Thương mại Cổ phần Phương Đông	3	1.500	4,0%
VPB	Ngân hàng Thương mại Cổ phần Việt Nam Thịnh Vượng	3	1.500	3,9%-4,2%
	Công ty Cổ phần Kinh doanh nhà Sunshine	3	1.000	11,0%
	Công ty Tài chính TNHH MTV Ngân hàng Việt Nam Thịnh Vượng	2	1.000	7,24-7,5%
VIB	Ngân hàng Thương mại Cổ phần Quốc tế Việt Nam	3	1.000	4,0%
SHB	Ngân hàng Thương mại Cổ phần Sài Gòn – Hà Nội	2	1.000	4,0%
HPX	Công ty Cổ phần Đầu tư Hải Phát	3	650	10,0%
VCI	Công ty Cổ phần Chứng khoán Bản Việt	2	500	8,0%
	Công ty Cổ phần Đầu tư và Phát triển Residence	1	500	10,0%
NVT	Công ty Cổ phần Bất động sản Du lịch Ninh Vân Bay	10	240	10,0%
	Công ty Cổ phần Xây dựng và Phát triển Hạ tầng Đô thị - BID Việt Nam	3	200	11,0%
	Công ty Cổ phần Chứng khoán Kỹ Thương	2	155	7,0%
PDR	Công ty Cổ phần Phát triển Bất động sản Phát Đạt	2	130	13,0%
	Công ty Cổ phần Đầu tư Văn Phú số 1	1.5	100	11,0%
HNF	Công ty Cổ phần Thực phẩm Hữu Nghị	4	80	10,0%
	Công ty Cổ phần Thủy điện Đakdrinh	3	40	10,0%

Source: HNX, FiinPro, MBS Research

PRODUCT

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