

**Anh Nguyen, CFA**

Analyst

[Anh2.nguyenduc@mbs.com.vn](mailto:Anh2.nguyenduc@mbs.com.vn)

**Tuan Hoang**

Head of Macro

[Tuan.hoangcong@mbs.com.vn](mailto:Tuan.hoangcong@mbs.com.vn)

*The open market did not have any transactions in March and the interbank interest rates remained low, showing that the liquidity of the banking system is still abundant. The USD/VND exchange rate continued its hike due to the increase in the value of the USD globally. The State Treasury only issued nearly VND 12,200bn of government bonds in the month and only fulfilled 39% of the Q1 plan. The yield of 10Y secondary government bonds continued to increase slightly compared to the previous month. Foreign investors net bought VND 2,047bn of government bonds during the period.*

### Money Market

**Banking system liquidity returned to the state of abundance in the first half of March when the State Bank did not conduct any transactions through the open market channel. Interbank interest rates are also maintained at low levels.**

The liquidity situation remained stable for the whole March. The State Bank did not conduct any new transactions through the open market channel, showing that banks still have excess liquidity. As credit growth this year is set cautiously by the State Bank of Vietnam at 8% in the case of a year-long Covid-19, the amount of money in the bank will continue to be abundant. Although some banks have raised deposit rates in recent weeks, the previous interest rates were lower than the industry average, so we think that the interest rate environment will not increase during the next quarter.

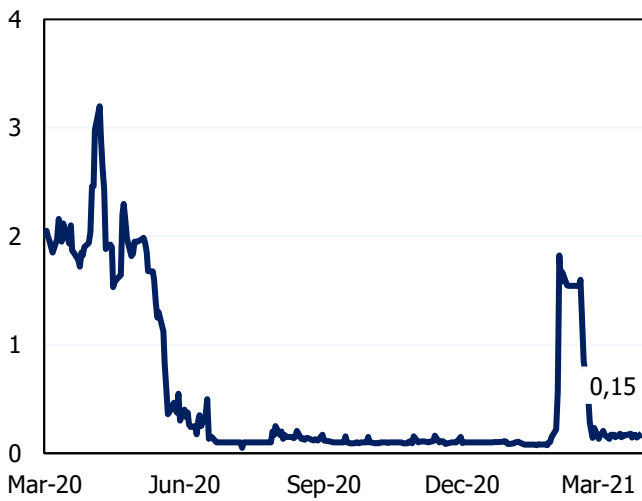
The liquidity returned to the excessive level, so the interbank interest rate remained low. SBV data showed that the average overnight interbank interest rate as of March 31 was 0.26%/year, while a Bloomberg survey showed that the overnight interbank interest rate was 0.15%/year, down 8 basis points from the end of last month. Interest rates for other terms were also around 0.24%-0.44%/year, a slight decrease compared to the end of February.

### USD/VND exchange rates continued to experience a slight increase.

In March, DXY index even rose from 90 to 93.3, reflecting investors' belief in a faster recovery than expected from the US economy so assets in USD are favoured. USD/VND on the free market climbed past VND 23,925/USD at times but ended the month at 23,925 VND/USD, a climb of 80 VND/USD in a month. The central and interbank rates also rose compared last month, respectively traded at VND 23,244/USD, an increase of VND 114/USD and VND 23,155/USD, increased by VND 79/USD. Compared to other regional currencies, VND value compared to USD still remain the most stable.

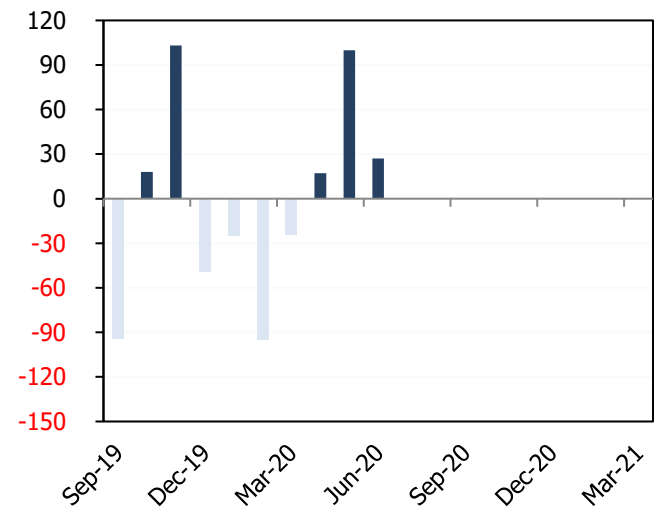
Even though in the short term, the USD value is rising but with the new stimulus worth USD 1.9tn, the infrastructure bill worth USD 2.3tn of the US government and the decision to maintain 0% target rate by Fed, the amount of cheap money is still abundant. We forecast the USD will return to depreciation in the medium term.

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



Source: Bloomberg.

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



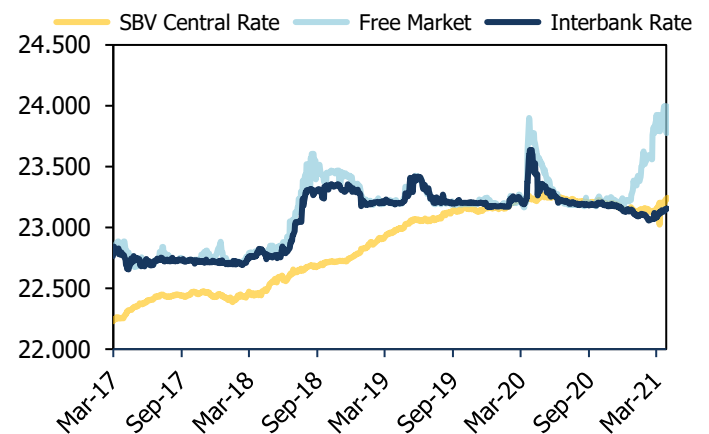
Source: SBV, MBS.

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

	O/N	1 Week	2 Week	1 Month
31/12	0.09	0.11	0.16	0.30
29/01	0.15	0.26	0.42	0.52
26/02	0.23	0.42	0.52	0.80
31/03	0.15	0.24	0.28	0.44

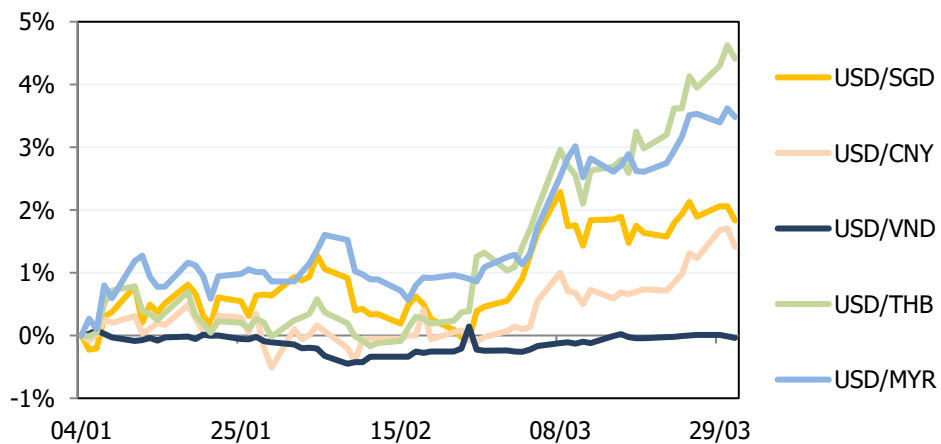
Source: Bloomberg.

**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 12,194bn of G-bonds in the same period.**

In March, despite improving compared to the previous month, the State Treasury still had difficulty issuing bonds. Out of the VND 29,750bn offered for sale, there were VND 12,194bn of government bonds successfully issued, a rate of 41%. Thus, the State Treasury have only issued VND 39,205bn of government bonds during the first quarter, reaching 39% of the quarterly plan and 11% of the annual plan.

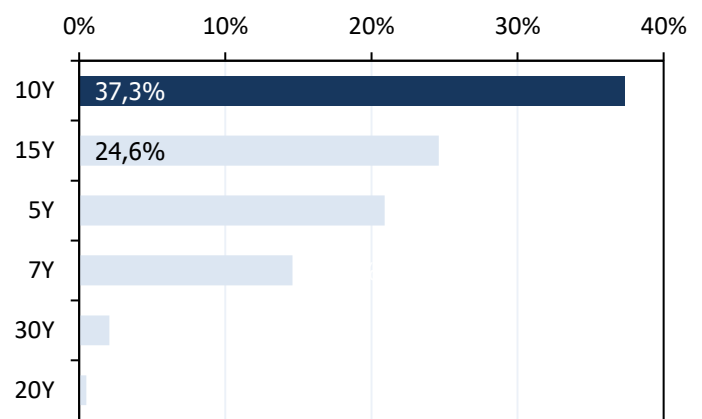
The yields of the bonds gradually increased compared to the end of February. The yields for 10Y and 15Y terms were 2.3%/year and 2.5%/year, up 10-13 basis points. The 5Y term yield increased 7 basis points to 1.1%/year. With the issuance situation still far from the issuance plan of this year of VND 350,000bn, the State Treasury will need to raise the winning yield even higher to attract investors in the next offering sessions.

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

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	4,000	2,550	64%	1.06-1.1%
7Y	2,750	1,781	65%	1.45-1.46%
10Y	10,500	4,550	43%	2.22-2.3%
15Y	10,500	3,000	29%	2.45-2.5%
20Y	1,000	60	6%	2.89%
30Y	1,000	253	25%	3.05%
<b>Total</b>	<b>29,750</b>	<b>12,194</b>	<b>41%</b>	<b>Unit: VND bn</b>

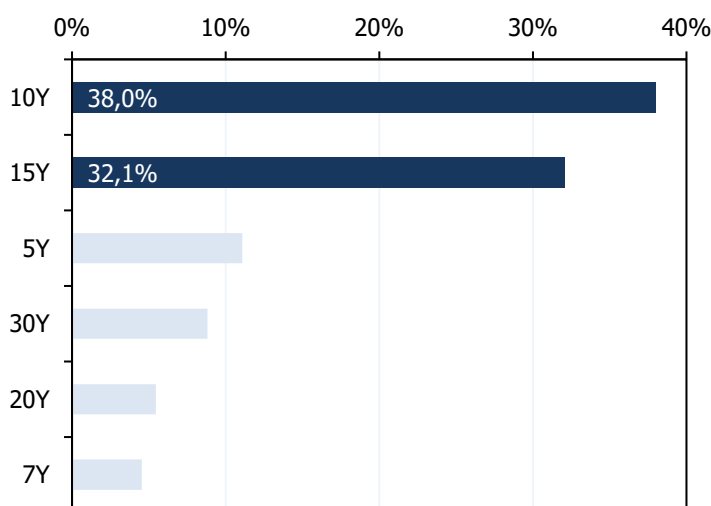
Source: HNX.

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



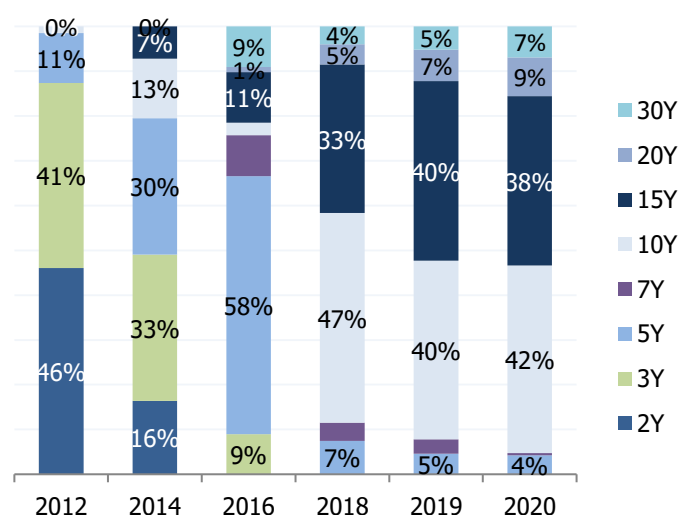
Source: HNX.

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



Source: HNX.

**Figure 9. G-bond successful issuance since 2012**










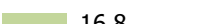




Source: HNX.

**Figure 10. Government bond issuance 2021**

Tenor	VST 2021 plan	VST 2021 issued	% VST 2021 plan
5Y	20,000	4,350	22%
7Y	15,000	1,781	12%
10Y	120,000	14,900	12%
15Y	135,000	12,581	9%
20Y	30,000	2,140	7%
30Y	30,000	3,453	12%
<b>Total</b>	<b>350,000</b>	<b>39,205</b>	<b>11%</b>

Source: VST, HNX

**Figure 11. 10Y G-bond yields (%) in selected countries As at 31/03/2021**

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2020*
U.S.	1.74	13.20	 26,9	82.7
EU	-0.29	6.10	 -3,5	27.7
Japan	0.10	2.20	 -6,7	7.4
China	3.19	-0.50	 -9,1	4.2
South Korea	2.08	4.00	 10,7	35.5
India	6.15	-3.30	 -8,6	28.2
Malaysia	3.32	-11.40	 23,5	67.0
Singapore	1.80	17.40	 40,6	92.8
Indonesia	6.78	8.80	 16,8	89.1
Philippines	2.60	4.00	 21,6	70.7
Thailand	1.98	9.00	 18,5	71.9
<b>Vietnam</b>	<b>2.45</b>	<b>3.80</b>	 6,2	<b>-12.5</b>

Source: Bloomberg.

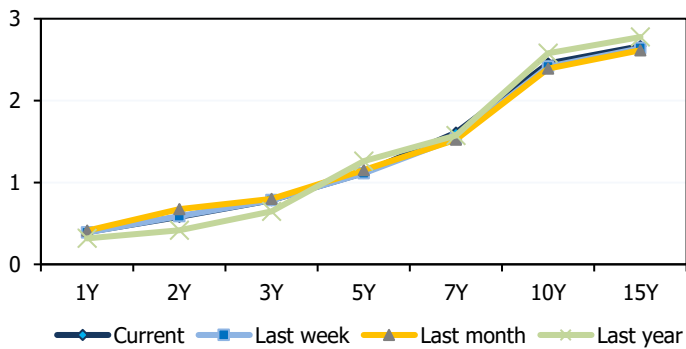
## Secondary Market

**G-bond yield rose slightly. Average daily transaction volume on the secondary government bond market decreased 10% compared to the previous month. Foreign investors net purchased over VND 2,047bn of government bonds.**

By the end of March, the 10Y term yield was at 2.45%/year, up 6bps compared to the previous month. However, this level is still 13bps lower than the beginning of the year, while in major markets around the world as well as in the region, yields have increased by tens of bps.

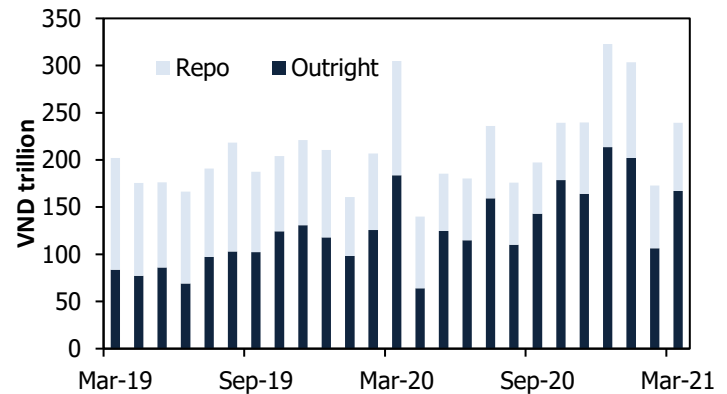
Transactions on the secondary government bond market were less active compared to the previous month when average daily trading volume reached VND 10.4tn, down 10% from February's average. Of which, outright transactions accounted for 70% of the volume during the period with VND 167tn. Average transaction was VND 7.3tn/day, up 2% from the previous month's average. Average repo trading volume decreased by 29% compared to February, reaching VND 3.2tn/day. Foreign investors continued to net purchase VND 2,047bn of government bonds during the period. Foreign investors have net bought a total of VND 6,199bn of government bonds in 2021 and VND 14,529bn of government bonds in the past 12 months.

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



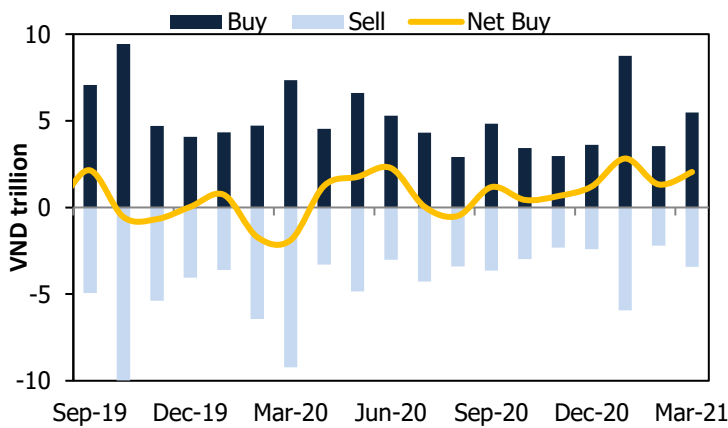
Source: Bloomberg.

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



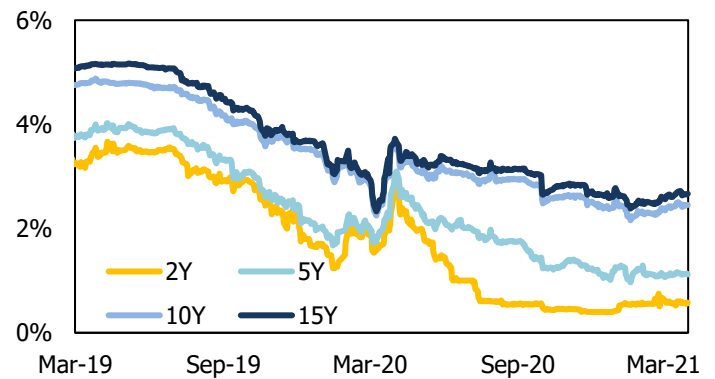
Source: HNX.

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



Source: HNX.

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

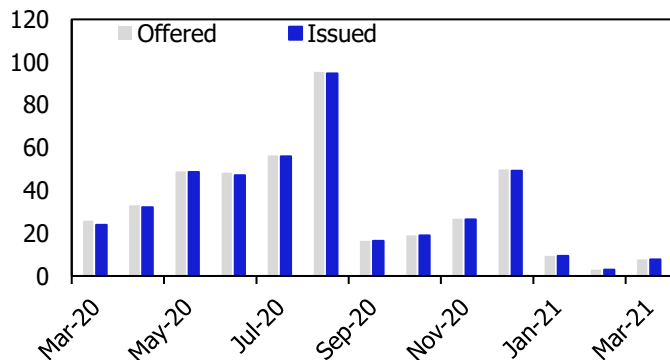


Source: Bloomberg.

## Corporate Bond Market

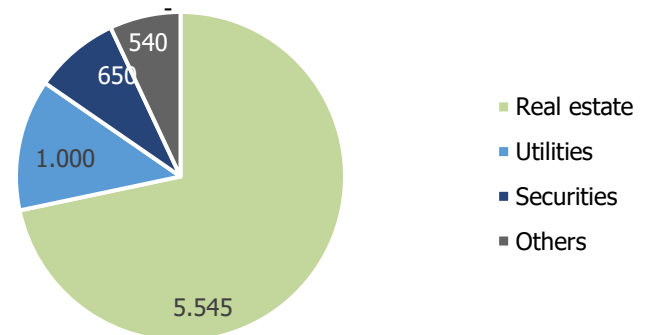
FiinPro data shows that in March, VND 7,735bn of corporate bonds were successfully issued, including VND 2,860bn issued publicly by Vingroup. The real estate group accounted for the largest proportion with VND 5,545bn, equivalent of 72%. Securities companies also issued VND 650bn to service operations when the stock market is having positive developments.

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



Source: HNX, FiinPro, MBS Research.

**Figure 19. Corporate bond issued by sectors in March 2021 (VND tn)**



Source: HNX, FiinPro, MBS Research.

## **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.

## **MBS RESEARCH CENTER**

We offer economic and equity research. The Economic Research Team offers periodic reports on macroeconomics, monetary policies and fixed income markets. The Equity Research Team offers reports on listed firms, private equities and sector reviews. MBS Research Center also offers regular market commentaries - The Investor Daily.

## **MB SECURITIES (MBS)**

Established since May 2000, MBS was one of the first 5 securities firms operating in Vietnam. After years of continuous development, MBS has become one of the leading securities companies in Vietnam, providing a full range of services including: brokerage, research and investment advisory, investment banking and capital markets underwriting. MBS's network of branches and transaction offices has been expanded and operated effectively in many major cities such as Hanoi, Ho Chi Minh City, Hai Phong and other strategic areas. MBS's clients include individual investors and institutions, financial institutions and enterprises. As a member of the MB Group, including MB Bank, MB Land, MB Asset Management, MB Capital and Viet R.E.M.A.X (Viet REM), MBS is able to leverage substantial human, financial and technological resources to provide its clients with tailored products and services that few securities firms in Vietnam can match.

MBS is proud to be recognized as:

- A leading brokerage firm – ranked No.1 in terms of brokerage market share since 2009;
- A renowned research firm with a team of experienced analysts that provides market-leading research products and commentaries on equity markets and the economy; and
- A trusted provider of investment banking services for corporate clients.

## **MBS HEAD OFFICE**

MB Building, 21 Cat Linh, Dong Da, Hanoi

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

Website:

## **DISCLAIMER**

Copyrights, ALL RIGHTS RESERVED. Authors have based this document on information from sources they believe to be reliable but which they have not independently verified. The views expressed in this report are those of the authors and not necessarily related, by any sense, to those of MBS. Neither any information nor comments were written for advertising purposes or recommendation to buy/sell any securities. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying recording, or otherwise, without the prior written permission of MBS.