

Tuan Hoang

Chief Economist

Tuan.hoangcong@mbs.com.vn

Anh Le

Research Analyst

Anh.LeMinh@mbs.com.vn

Despite improving credit growth in recent months, the open market did not conduct any new transactions together with consistently low interbank interest rates showed a continuing state of liquidity abundance. VND is depreciating against the USD. STV issued VND 31,450bn of G-bonds during the period. The yield of secondary G-bonds declined slightly compared to the previous month. Foreign investors net purchased VND 21bn of G-bonds this period.

Money Market

Even though credit growth has been improving, SBV did not conduct any new transactions on the open market in the first half of December so the liquidity remained in abundance. Interbank interest rates as a result have remained low for over 3 months.

Credit growth in Q4 has been impressive. Up until September, the growth rate was merely 7.17% but by the end of November, the total credit size of the economy has increased by 10.7% compared to the end of 2019. Although credit is growing well, liquidity in the banking system is still in excess thanks to the purchase of foreign currencies by the SBV. We forecast credit growth rate for the whole year at 12-13%.

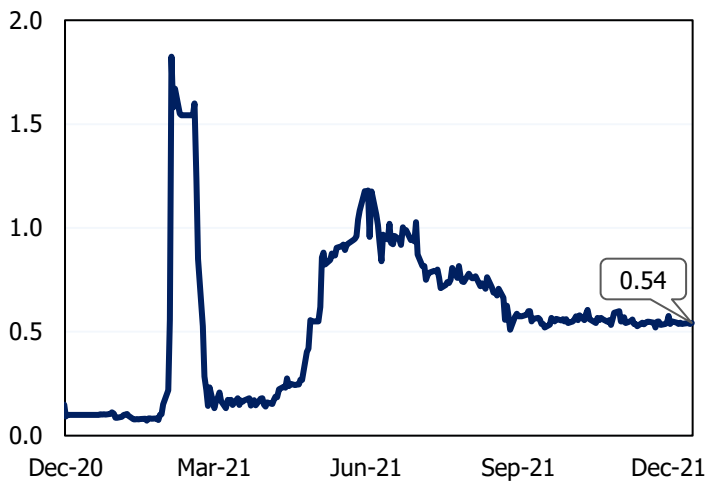
With prolonged excess liquidity, interbank interest rates continued to remain at a low level. A Bloomberg survey showed that the overnight interbank rates are trading at 0.54%/year, going sideways compared to the end of last month. Interest rates for other terms are also around 0.66%-1.06%/year, an increase of about 8-11 bps compared to the end of November. This situation is expected to continue in 2021.

VND depreciated slightly against USD.

The domestic USD price increased strongly again in the first half of December. Compare to the end of October, the USD/VND exchange rate on the free market went up by VND 200 per USD and is currently trading at 23,675 VND/USD. The central and interbank rates were respectively traded at VND 23,195 per USD, up VND 56 per USD and VND 23,121 per USD, up VND 185 per USD. STV has just announced the need to buy foreign currency from commercial banks in the offer of 09/DTNT-2021. The volume is expected to reach 350 million USD, this is one of the factors that stimulated the uptrend of the exchange rate in recent sessions.

In the first half of December, the DXY Index went up to about 96.6 points. The dollar is on the rise after a series of major central banks announced plans to cut stimulus measures enacted earlier. Fed said it would accelerate the reduction of its monthly bond purchases. Specifically, the Fed will be buying \$60 billion of bonds each month starting in January, half the level prior to the November taper and \$30 billion less than it had been buying in December. The Fed was tapering by \$15 billion a month in November, doubled that in December, then will accelerate the reduction further come 2022. After that wraps up, in late winter or early spring, the central bank expects to start raising interest rates. Projections released Wednesday indicate that Fed officials see as many as three rate hikes coming in 2022, with two in the following year and two more in 2024.

Figure 1. Interbank overnight lending rate (%)



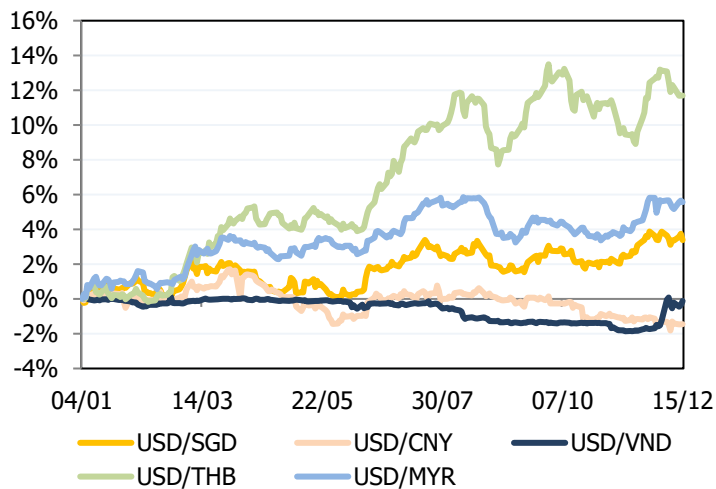
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
30/09	0.56	0.68	0.79	1.02
31/10	0.59	0.71	0.79	1.06
30/11	0.54	0.63	0.72	0.96
15/12	0.54	0.66	0.75	1.06

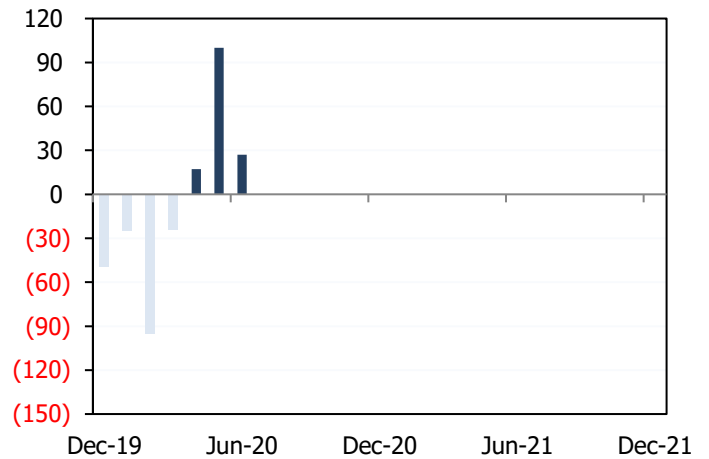
Source: Bloomberg.

Figure 5. Regional currencies performance in 2021



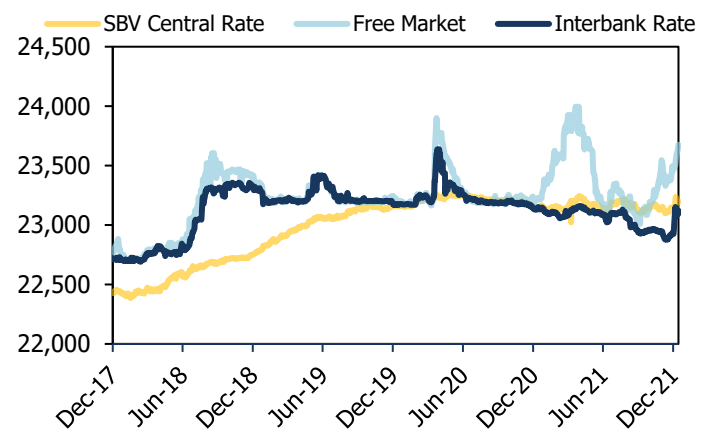
Source: Bloomberg.

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



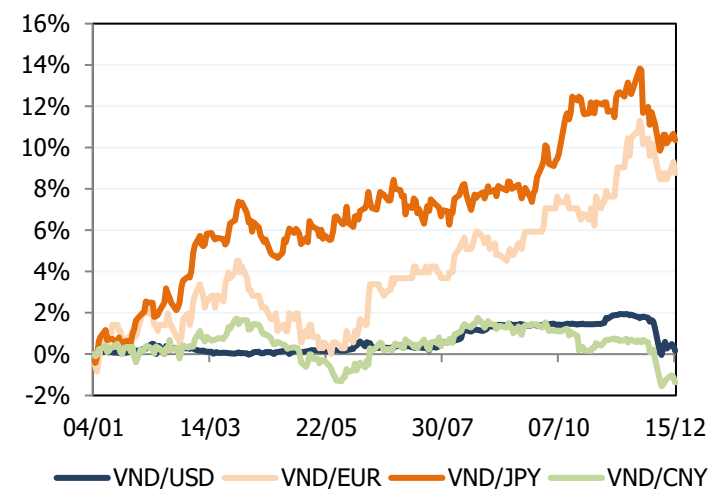
Source: SBV, MBS.

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 31,450bn of G-bonds this period with the winning yield rose slightly compared to the end of November.

In the first half of December, STV was more active in issuing of G-bond. In the VND 35,750bn proposed, there were VND 31,450bn of G-bonds successfully mobilized, at the rate of 88%. The number of successful issuances improved compared to the same period last month, in which G-bonds with term 10Y and 20Y have completed the year's issuance plan. Currently, the mobilization volume has reached VND 332,467bn of G-bonds since the beginning of the year, reaching 89% of the year plan.

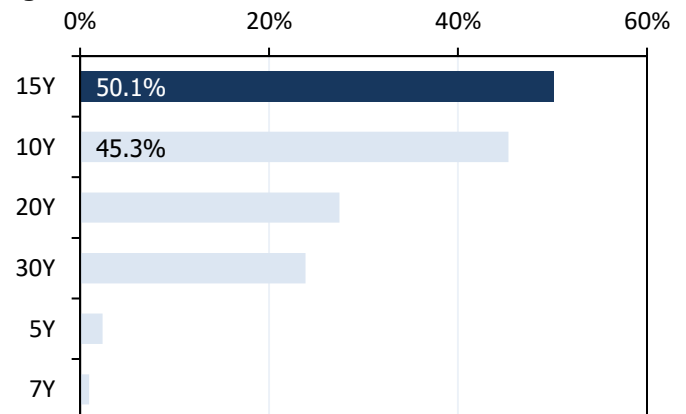
The winning yields of bonds went up significantly compared to the end of November. The yield for 10Y was 2.35%/year, up 28bps compared to the end of the previous month while the yield for 15Y terms remained the same at 2.34%/năm. The yields for 5Y term surged by 36bps to 1.12%/year. As we forecasted, STV had raised its yield level while boosting the volume of issuance in the last month of the year to attract investors in the context of the state needing to mobilize capital when the progress of disbursement of public investment capital in the ealier months of the year was slow and concentrated at the end of the year.

Figure 7. G-bond auction result in December 2021

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	3,000	500	17%	1.12%
7Y	2,000	200	10%	1.50%
10Y	9,500	9,500	100%	2.08-2.35%
15Y	10,500	10,500	100%	2.34-2.36%
20Y	5,750	5,750	100%	2.77-2.78%
30Y	5,000	5,000	100%	2.98%
Total	35,750	31,450	88%	Unit: VND bn

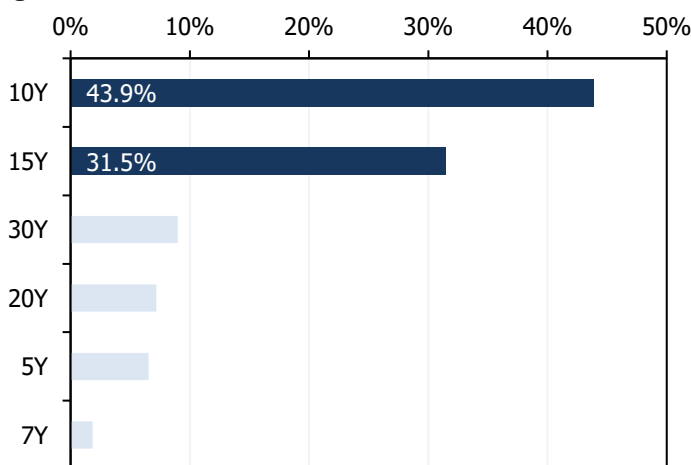
Source: HNX.

Figure 8. G-bond successful issuance December 2021



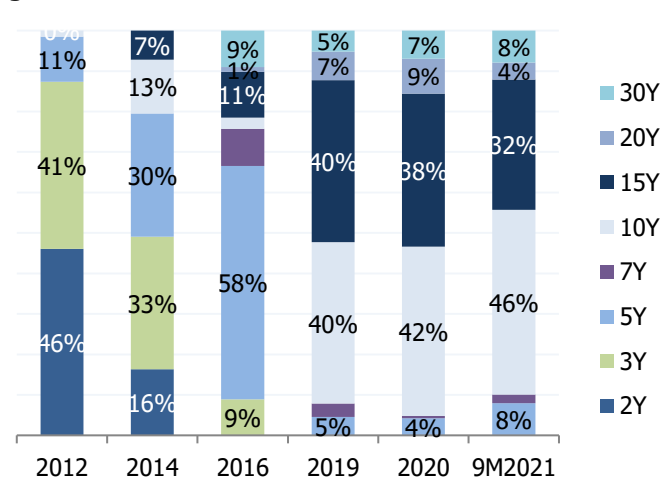
Source: HNX.

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	35,000	21,768	62%
7Y	10,000	6,181	62%
10Y	145,000	146,027	101%
15Y	125,000	104,764	84%
20Y	23,000	23,878	104%
30Y	35,000	29,849	85%
Total	373,000	332,467	89%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 15/12/2021

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2020*
U.S.	1.46	-6.47	1.2	54.3
EU	-0.36	-4.70	-1.1	20.9
Japan	0.05	-5.00	-0.4	3.2
China	2.88	-0.60	2.1	-26.3
South Korea	2.17	-1.50	-3.9	44.3
India	6.36	0.90	3.0	49.1
Malaysia	3.58	4.40	6.9	93.2
Singapore	1.69	-6.96	-6.5	81.5
Indonesia	6.40	14.50	29.6	51.3
Philippines	2.33	-9.10	-16.1	43.4
Thailand	2.01	4.60	7.2	74.4
Vietnam	2.11	-2.80	-8.4	-47.3

Source: Bloomberg.

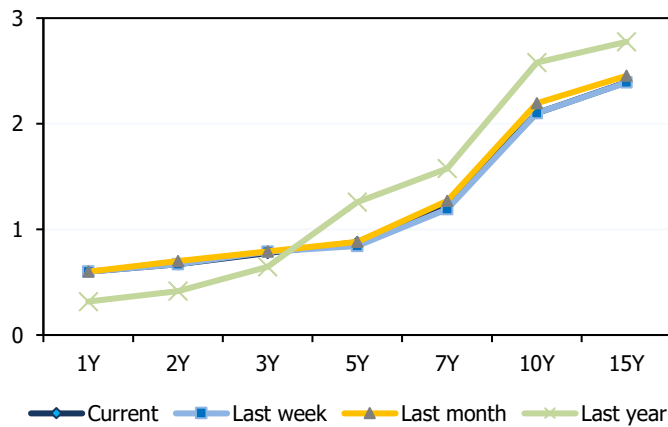
Secondary Market

G-bond yield decreased slightly during the period. Average transaction volume on the secondary G-bond market rose by 5% MoM with the proportion of outright transactions falling. Foreign investors net purchased VND 21bn of G-bonds this period.

In the middle of December, the 10Y yield was at 2.1%/year, down 10bps compared to the previous month whereas the 2Y yield was at 0.67%/year, remain the same as last month. Since the beginning of the year, the 2Y yield has increased by 25bps while the 10Y term yield has decreased by 48bps. The yield curve has flattened since the beginning of the year.

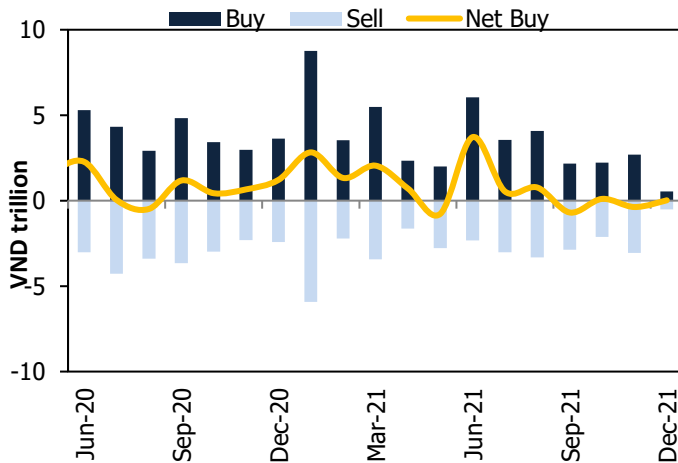
Government bond transactions in the secondary market in the first half of December reached VND 13.6tn daily average, 5% more than its November level. Of which, outright trading accounted for 58% of the volume this period and VND 87.2tn. The average transaction was VND 7.9tn/day, down by 4% from the previous month's average. Average repo trading volume grew by 21% compared to November, reaching VND 5.7tn/day. Foreign investors net sold VND 21bn of G-bonds in this period. Overall, foreign investors net purchased a total of VND 10,222bn of G-bonds in 2021 and VND 11,443bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



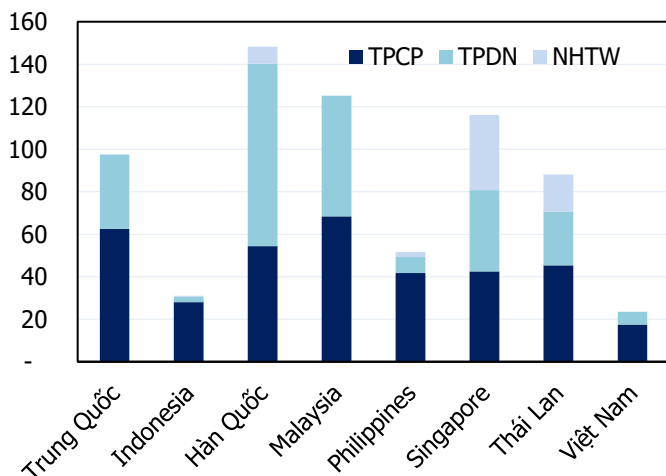
Source: Bloomberg.

Figure 15. Foreign investors' activity in secondary market



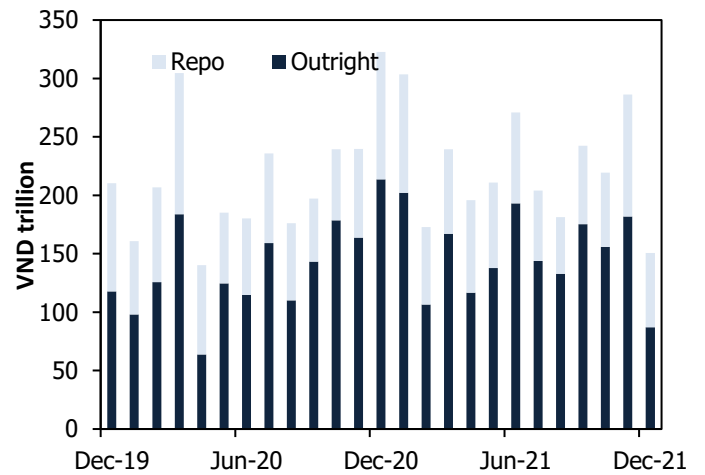
Source: HNX.

Figure 17. Size of bond markets (%GDP Q3 2021)



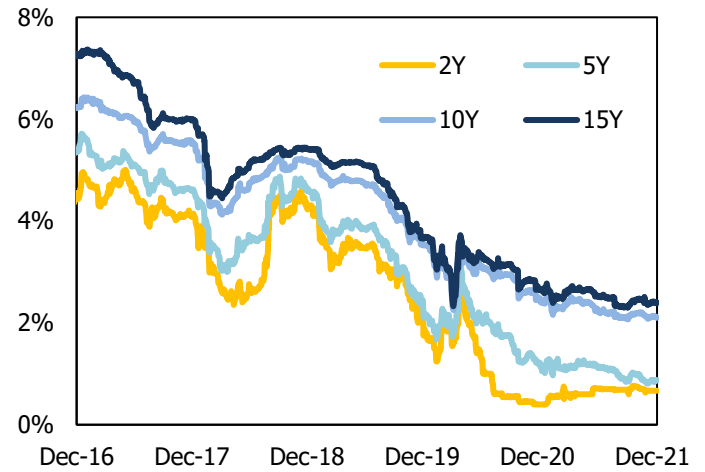
Source: ADB.

Figure 14. Outright and Repo transaction volume



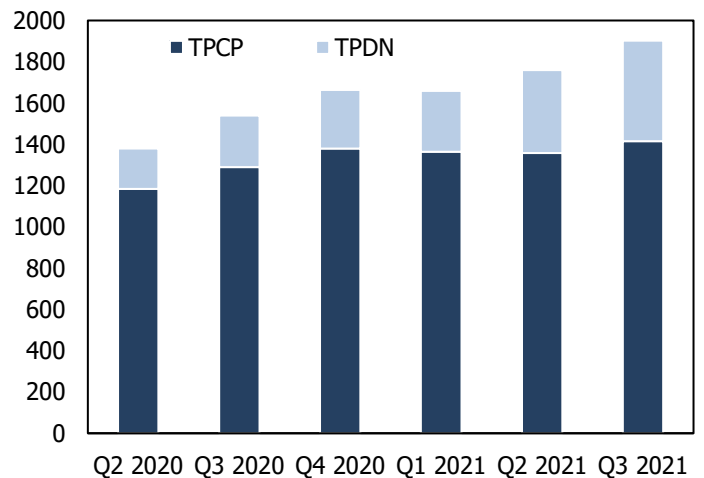
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 18. Vietnam bond market size (VND tn)

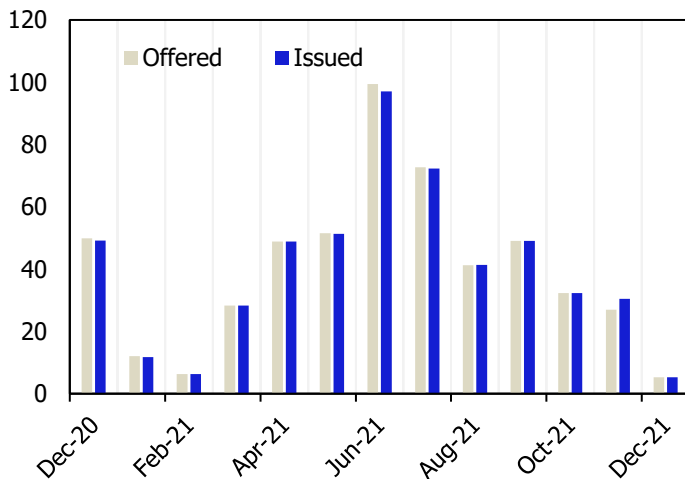


Source: ADB.

Corporate Bond Market

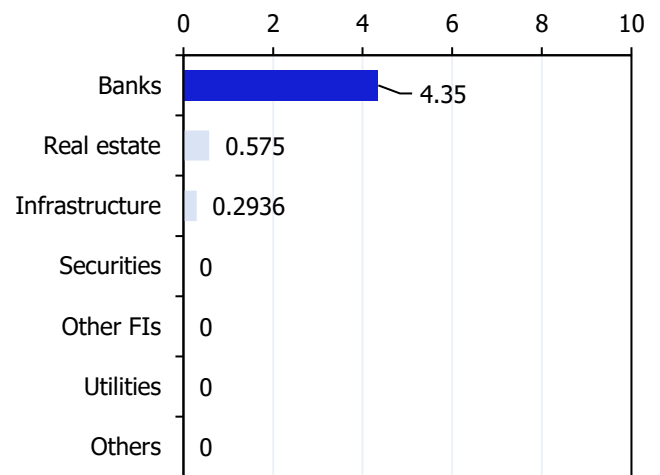
FiinPro data showed that in the first half of December, VND 5,218bn of corporate bonds were issued in the domestic market. Of which, Orient Commercial Joint Stock Bank issued the most significant bond volume of VND 1,500bn with coupon rate of 3.2%/year. In addition, Apec group joint stock company issued bonds with the highest coupon rate of 13%/year with the volume of VND 43.6bn.

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



Source: HNX. FiinPro. MBS Research.

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



Source: HNX. FiinPro. MBS Research.

Figure 21. Top issuers in December 2021

Ticker	Issuer	Tenor (year)	Amount (VND bn)	Coupon rate (%/year)
OCB	Ngân hàng Thương mại Cổ phần Phương Đông	3	1,500	3.2%
ABB	Ngân hàng Thương mại Cổ phần An Bình	2	1,000	2.8%
VCB	Ngân hàng Thương mại Cổ phần Ngoại thương Việt Nam	7-10	950	N/A
VIB	Ngân hàng Thương mại Cổ phần Quốc tế Việt Nam	7	500	N/A
PDR	Công ty Cổ phần Phát triển Bất động sản Phát Đạt	2	475	12.0%
HDB	Ngân hàng Thương mại Cổ phần Phát Triển Thành phố Hồ Chí Minh	4	400	3.8%
C4G	Công ty Cổ phần Tập Đoàn Cienco4	3	250	9.5%
	Công ty Cổ phần Khu công nghiệp Thành Thành Công	N/A	100	9.5%
	Công ty Cổ phần Tập đoàn Apec Group	5	43,6	13.0%

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.

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MBS HEAD OFFICE

MB Building, 21 Cat Linh, Dong Da, Hanoi

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

Website: www.mbs.com.vn

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