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*No transactions conducted on the open market resulted in a consistently abundance of liquidity and low interbank interest rate for over 4 months. The USD/VND exchange rate's stability is expected to last beyond the end of the year. The State Treasury has successfully issued over VND 31.6tn of government bonds and completed the 2020 plan. G-bond yield after reducing significantly during the first half of October climbed back a little during the second half. Foreign investors net purchased VND 435bn of G-bond during the period.*

### Money Market

**SBV still has not made any transactions on the open market during the period so the liquidity remained in abundance. Interbank interest rates as a result has remained low for over 4 months.**

Even though OMO interest rates has been lowered from 3%/year to 2.5%/year since the beginning of October, SBV continued to conduct no transaction on the open market so the liquidity in the banking system is still abundant. The last transaction conducted on the open market occurred over 3 months ago.

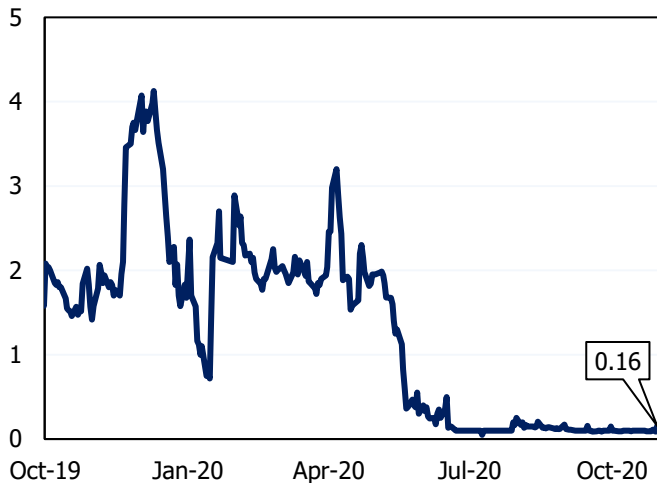
With prolonged excess liquidity, interbank interest rates continued to remain at a low level. The overnight interbank interest rate has been fluctuating around 0.1-0.2%/year for over four months and is now at 0.16%/year. The interbank interest rate for 1 week-1 month terms also decreased slightly by 5-10bps, currently at 0.18-0.35%/year. In general, interbank rates will increase slightly on the last end of the

### **The USD/VND exchange rate continued to maintain its position.**

USD/VND exchange rate remained stable. Central rate is at VND 23,201 per USD, down VND 14 per USD compared to the end of September. The interbank rate and the exchange rate in the free market moved in opposite directions. While interbank rates dropped about VND 10 per USD compared to the previous month, trading at VND 23,190 per USD, free market rate increased by VND 25 per USD, currently at VND 23,250 per USD.

Rising net export figure and now at nearly USD 19bn YTD creates favourable environment for SBV to purchase additional foreign currencies, improving foreign reserve. A sufficient foreign reserve level is an effective tool to manage exchange rate, control inflation, maintain stable macro economic environment.

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



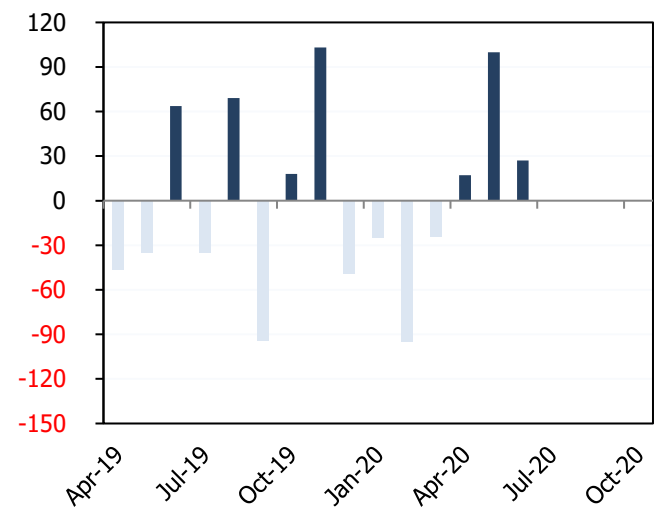
Source: Bloomberg.

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

	O/N	1 Week	2 Week	1 Month
31/07	0.25	0.31	0.38	0.48
31/08	0.17	0.25	0.30	0.42
30/09	0.15	0.19	0.27	0.39
30/10	0.16	0.18	0.25	0.35

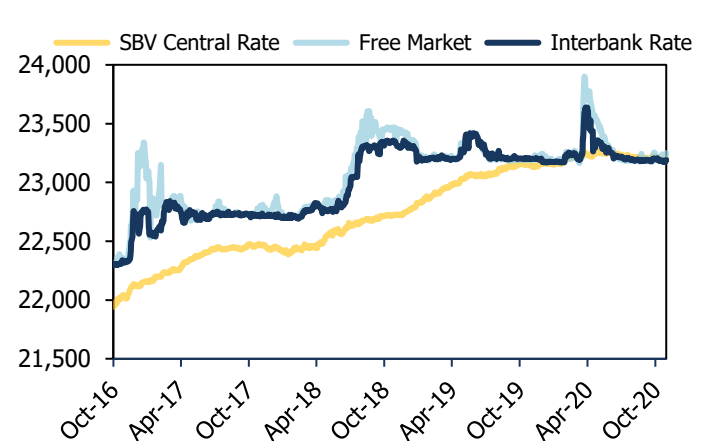
Source: Bloomberg.

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



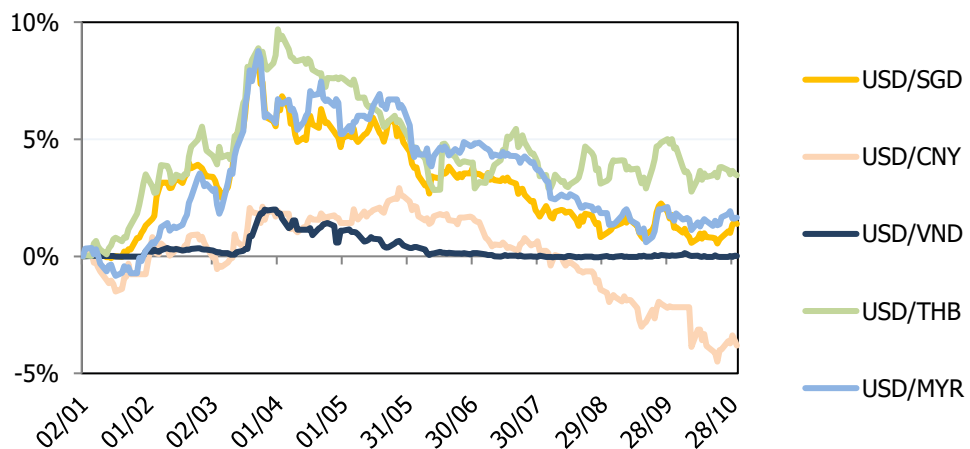
Source: SBV, MBS.

**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 successfully issued over VND 31,600bn of government bonds in October, completed this year plan.**

In October, the volume of successfully issued government bonds reached VND 31,643bn out of a total of VND 42,500bn offered, an issuance rate of 74%. Up to now, the State Treasury has issued VND 260.3tn of Government bonds, completing the plan for 2020 while there is still 2 months left. Due to the impact by Covid-19, budget revenue struggles to achieve the target so the additional government bonds issuance is reasonable. In addition, the low yield will reduce the pressure to pay interest in the future.

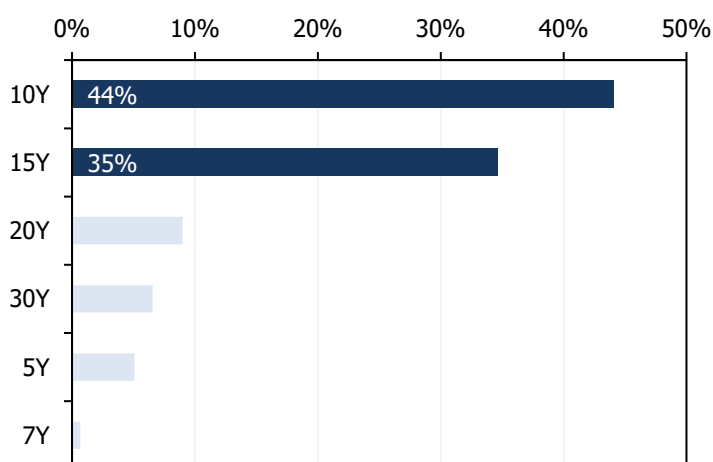
The latest winning yields all dropped significantly compared to the end of September. The winning yield of the 10Y and 15Y tenors are currently at 2.53%/year and 2.76%/year, a drop of 20-22bps. The winning yield of the 30Y term dropped 25bps from 3.5%/year to 3.25%/year.

**Figure 6. G-bond auction result in October 2020**

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	2,000	1,000	50%	1.22%
7Y	2,000	250	13%	1.55%
10Y	4,500	3,422	76%	2.53%
15Y	20,000	17,826	89%	2.66-2.76%
20Y	7,500	5,265	70%	3.02%
30Y	6,500	3,880	60%	3.25%
<b>Total</b>	<b>42,500</b>	<b>31,643</b>	<b>74%</b>	<b>Unit: VND bn</b>

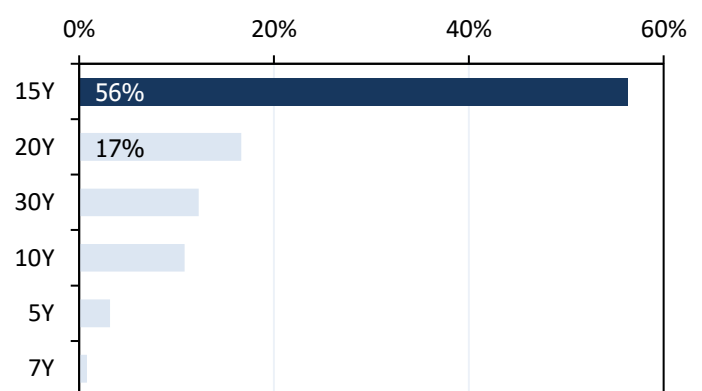
Source: HNX.

**Figure 8. G-bond successful issuance in 2020**



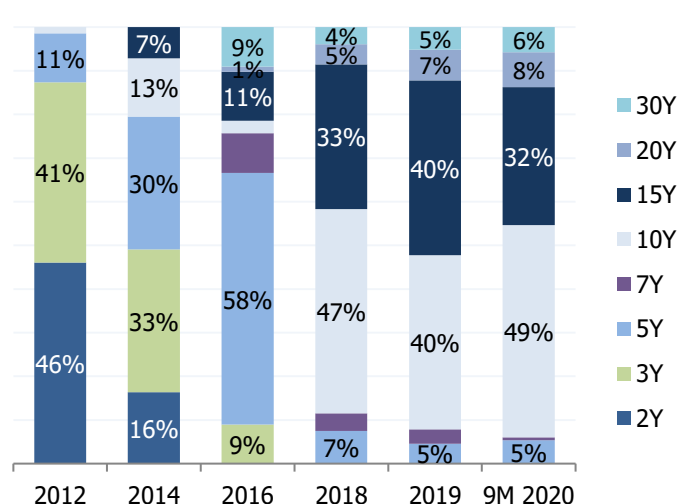
Source: HNX.

**Figure 7. G-bond successful issuance October 2020**



Source: HNX.

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



Source: HNX.

**Figure 10. Government bond issuance 2020**

Tenor	VST 2020 Plan	VST 2020 Issued	% VST 2020 Plan
5Y	20,000	13,230	66%
7Y	15,000	1,730	12%
10Y	90,000	114,697	127%
15Y	100,000	90,157	90%
20Y	20,000	23,415	117%
30Y	15,000	17,113	114%
<b>Total</b>	<b>260,000</b>	<b>260,342</b>	<b>100%</b>

Source: VST, HNX

**Figure 11. 10Y G-bond yields (%) in selected countries As at 31/10/2020**

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	1/1/2020*
U.S.	0.82	-2.31	17.2	-109.8
EU	-0.62	-4.80	-10.0	-43.6
Japan	0.04	0.10	2.6	5.3
China	3.19	-1.10	3.7	3.9
South Korea	1.52	2.50	9.3	-10.5
India	5.88	4.00	-12.8	-62.2
Malaysia	2.63	-0.60	-4.2	-67.2
Singapore	0.85	-2.10	-2.9	-91.9
Indonesia	6.61	-0.40	-35.7	-42.4
Philippines	2.09	-1.00	5.1	-58.8
Thailand	1.44	1.10	4.9	-8.7
<b>Vietnam</b>	<b>2.62</b>	<b>1.80</b>	<b>-20.4</b>	<b>-85.2</b>

Source: Bloomberg.

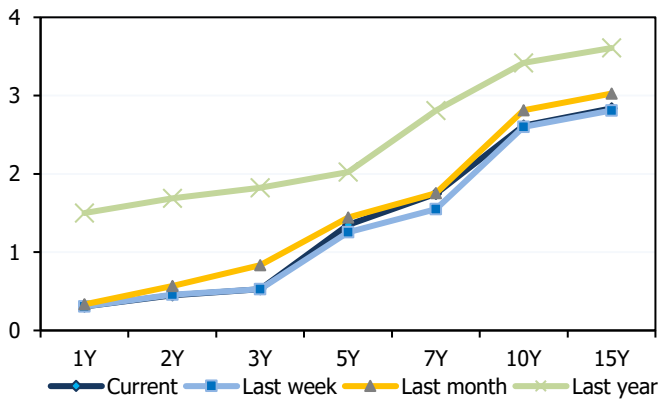
## Secondary Market

**G-bonds yields declined on all tenors during the month. Average daily transaction volume on the secondary government bond market increased by 16% compared to the previous month. Foreign investors continued to net purchase over VND 435bn of government bonds.**

G-bond yield on the secondary market increased slightly in the second half of October but still is considerably lower than the previous month. Compared to the end of September, the 2Y yield dropped by 12bps from 0.57%/year to 0.45%/year, the 10Y yield reduced by 20bps to 2.58%/year. Since the year beginning, 10Y yield has declined by 85bps whereas the 2Y yield dropped by 124bps.

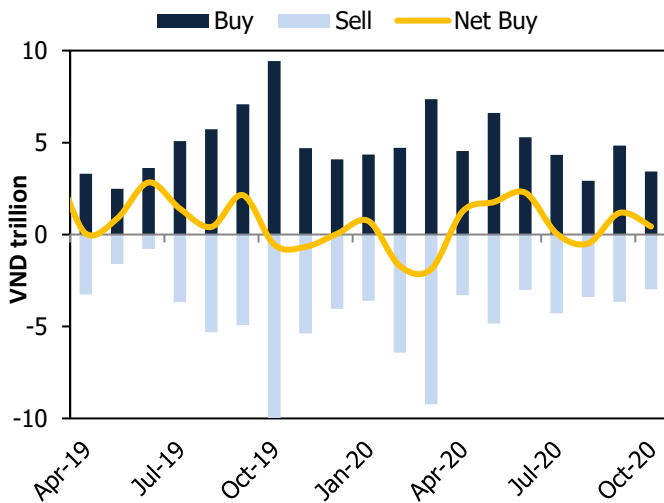
Government bond transactions in the secondary market in the first half of October reached VND 10.9tn daily average, 16% more than its September level. Of which, outright transactions accounted for 75% of volume in the period with VND 179tn. Average transaction volume was VND 9.3tn/day, up 19% compared to the previous month. Average daily repo trading volume also increased by 7% compared to September's level, reaching VND 2.8tn/day. Foreign investors continued to net purchase VND 435bn of government bonds. So far in 2020, foreign investors have net purchased VND 3,600bn of government bonds and VND 2,966bn in the past 12 months.

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



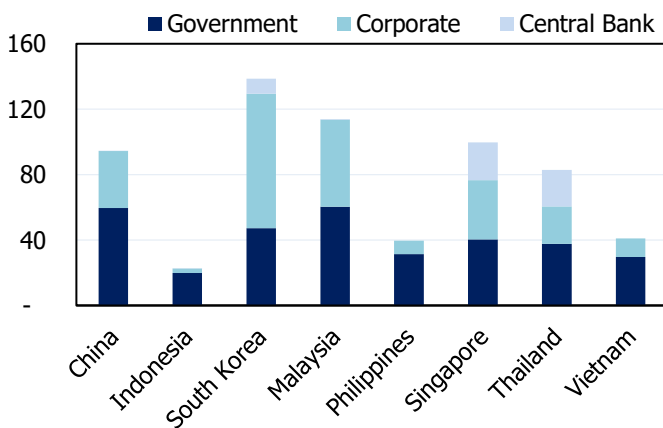
Source: Bloomberg.

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



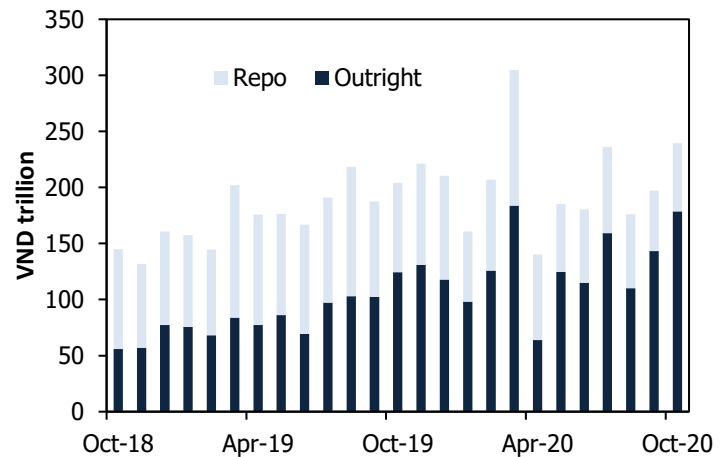
Source: HNX.

**Figure 16. Size of bond markets (%GDP Q2.2020)**



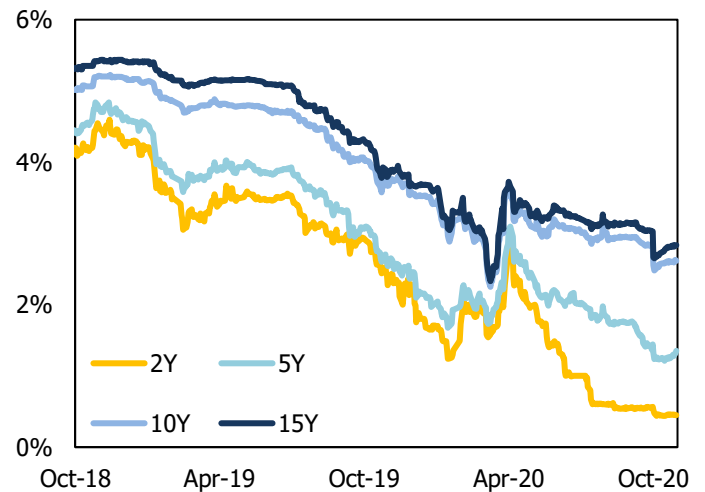
Source: ADB.

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



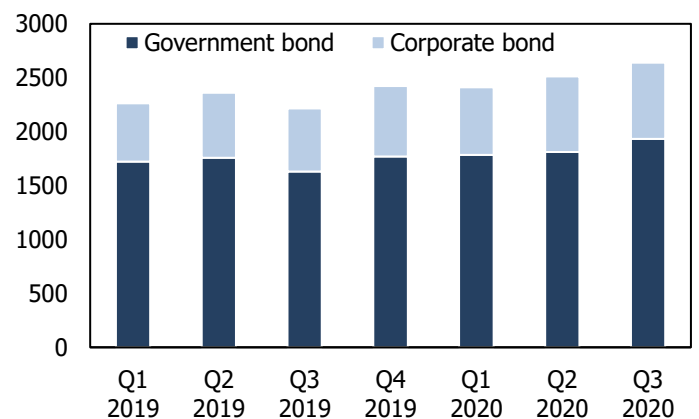
Source: HNX.

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



Source: Bloomberg.

**Figure 17. Vietnam bond market size (VND tn)**



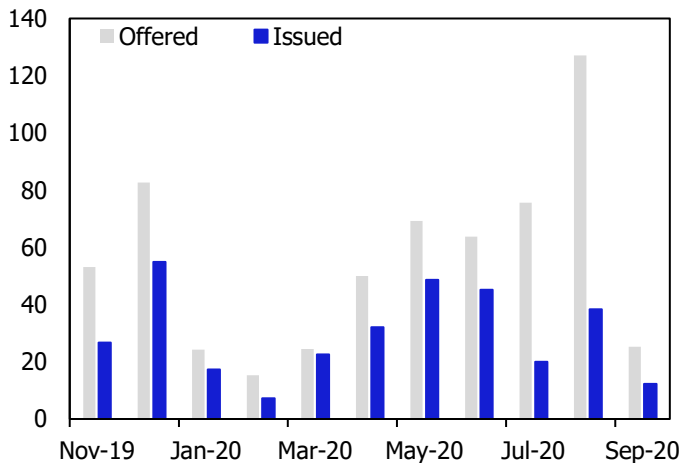
Source: ADB.

## Corporate Bond Market

In 3Q 2020, about 343tn of corporate bonds were issued, of which USD 75mn were issued internationally by Công ty TNHH Phát triển Phú Mỹ Hưng.

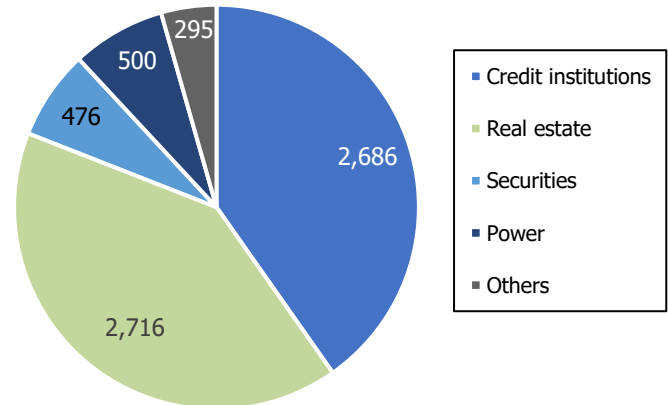
FiinPro data showed only VND 4,817bn of corporate bond issued domestically in October, less than half the September figure. In addition, Công ty TNHH Phát triển Phú Mỹ Hưng successfully issued another USD 80mn for the international market.

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



Source: HNX, FiinPro, MBS Research.

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



Source: HNX, FiinPro, MBS Research.

**Figure 20. Corporate bond issued during the month**

Issuer	Tenor	Amount	Notes
Phát triển Phú Mỹ Hưng	5Y	1,856	USD 80mn internationally
VIB	3Y	1,300	
BIDV	8-15Y	1,097	
Đầu tư Technical	4Y	800	
VDS	1Y	476	
SeaBank	7Y	289	
Năng lượng Thiên Nhiên Kỳ	6Y	250	
Điện mặt trời VKT - Hòa An	12Y	200	
Đầu tư Thương mại Sunshine Business	3Y	100	
Sản xuất và Công nghệ Nhựa Pha Lê	18M	100	Coupon rate 12%/year
Nghiên cứu và Sản xuất Vinsmart	3Y	95	
IDJ	3Y	60	Coupon rate 13%/year
Xây dựng Năng lượng MCD Việt Nam	2Y	50	

Source: HNX, FiinPro

## **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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