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*Liquidity demand after holiday cooled down, making the banking system liquidity improve. The OMO channel only traded with a small volume in the second half of February. Interbank interest rates also cooled down but remained high. USD/VND exchange rate continued to rise due to fluctuations in international markets. STV issued VND 9,380bn of G-bonds during the month with slightly increase yields. The yield of secondary G-bonds increased slightly compared to the previous month. Foreign investors net bought VND 1,224 of government bonds during the month.*

### Money Market

**After Tet, the liquidity of the banking system improved. In the second half of February, SBV injected nearly VND 379bn through the open market channel and all this money was returned to the in the first half of March.**

After the Tet holiday, the liquidity situation has gradually stabilized. In the second half of February, SBV injected VND 378.88bn in just over a week via the OMO channel, with a rate of 2.5%/year, tenor of 2 weeks.

As we have stated, due to seasonal nature at the end of the year, the demand for liquidity and credit growth to increase in early 2022, interbank interest rates climbed quite sharply but there were signs of cooling down. A Bloomberg survey showed that the overnight interbank rates are trading at 2.33%/year, up by 43 bps compared to the end of last month. Interest rates for other terms are also around 2.27%-2.38%/year, an increase of about 25-50 bps compared to the end of January.

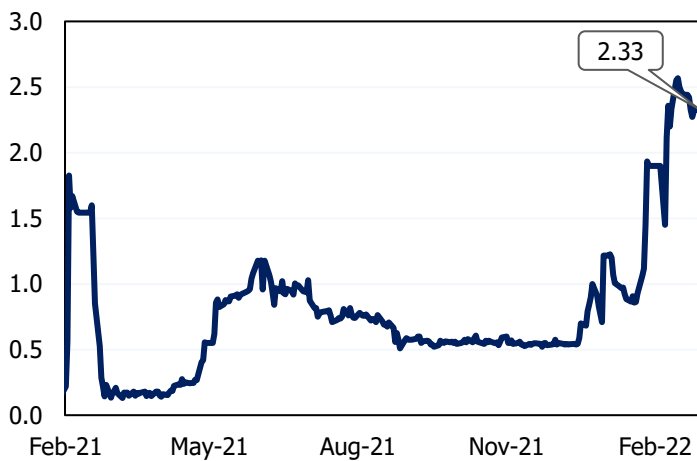
In the context of credit growth much faster than mobilization and putting pressure on system liquidity, many banks began to raise deposit rates after New Year holiday. With inflation forecast to rise this year, we expect deposit rates to rise slightly between now and the end of 2022 by a small margin.

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

At the end of February, the USD/VND exchange rate continued to increase slightly due to fluctuations in the international market. Compared to the end of January, the USD/VND exchange rate on the free market went up by VND 80 per USD and is currently trading at 23,475 VND/USD. The central and interbank rates were respectively traded at VND 23,140 per USD, up VND 41 per USD and VND 22,980 per USD, up VND 99 per USD. USD is appreciating against VND following the trend along with other currencies in the region.

In February, the DXY index recoreded at 96.5. The USD is trending upwards while the Russian ruble has fallen to a record low as investors focused on the conflict between Ukraine and Russia. In addition, the medium-term trend of the exchange rate will depend on the upcoming important US economic data. As tensions in Ukraine have increased and fueled speculation the Fed may be less aggressive in tightening policy at its March meeting and put pressure on the greenback. Investors sought safety from G-bonds, causing US G-bonds yields to drop to low levels.

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



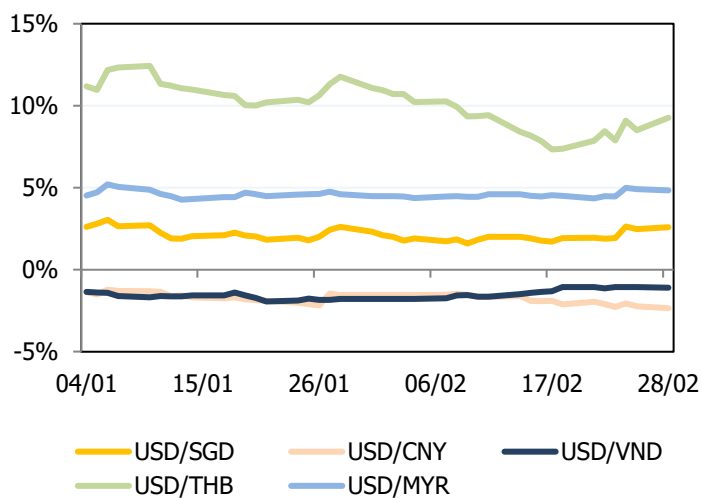
Source: Bloomberg.

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

	O/N	1 Week	2 Week	1 Month
30/11	0.54	0.63	0.72	0.96
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

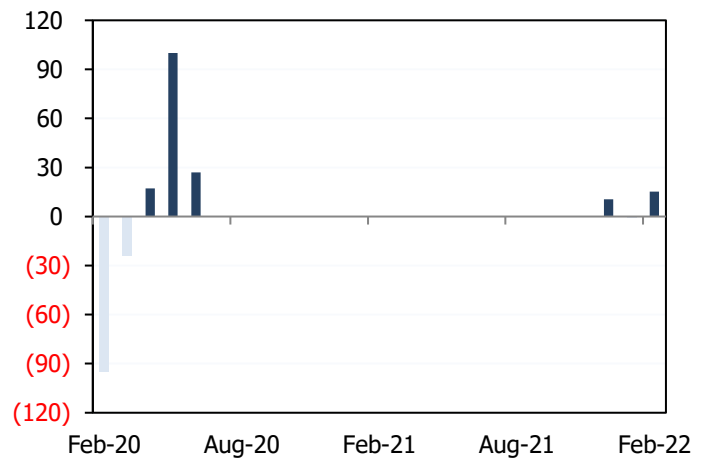
Source: Bloomberg.

**Figure 5. Regional currencies performance in 2022**



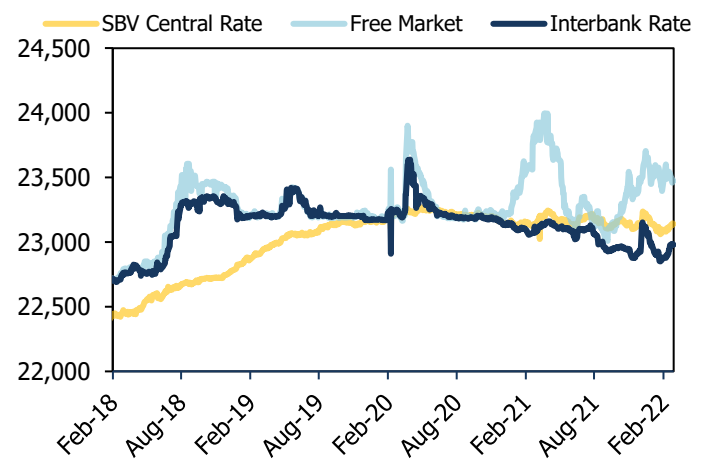
Source: Bloomberg.

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



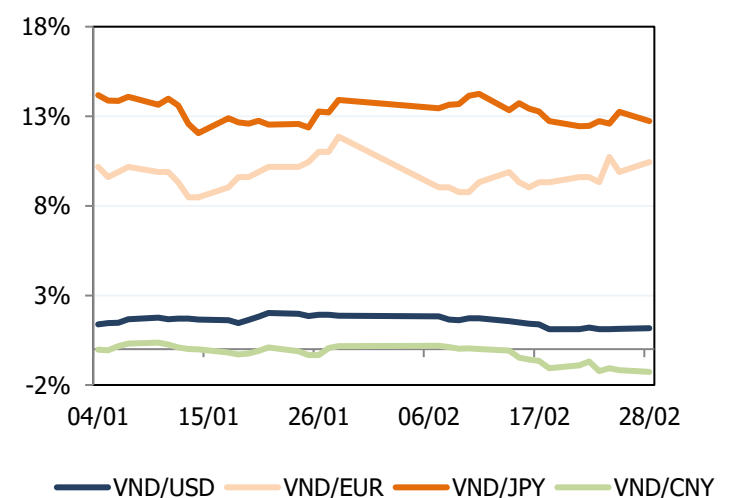
Source: SBV, MBS.

**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 9,380bn of G-bonds this month with the winning yield grew slightly compared to the end of January.**

Even though in the second half of February, the volume of successfully issued government bonds has improved but remains modest. In the whole month, VND 9,380bn of G-bonds were issued out of VND 20bn offered, an issuance rate of 47%. Of which, the 10Y and 15Y tenors raised VND 3,515bn and VND 3,000bn respectively. The rate of issuance in Q1 is quite slow, only completed 31% of quarterly plan even though 2/3 of the time has passed.

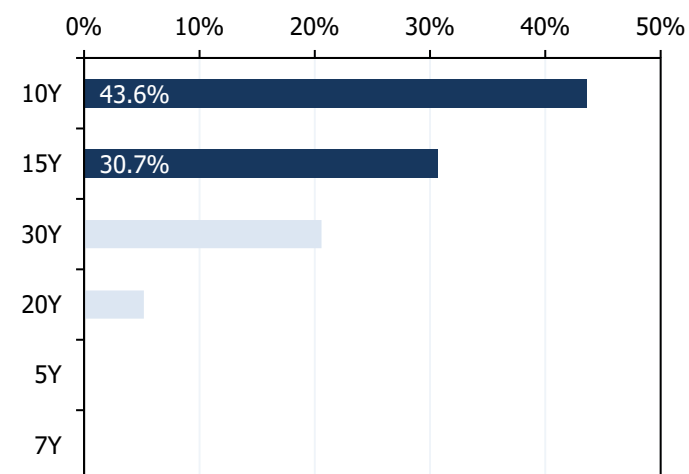
The winning yield of the bonds grew slightly compared to the end of January. The yield for the 10Y term was 2.12%/year, up 4bps while the yield for the 15Y term was 2.42%/year, up 5bps compared to the end of December. With this year issuance plan of VND 400tn, STV will need to raise yield to attract investors.

**Figure 7. G-bond auction result in February 2022**

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y				
7Y	1,000	0	0%	0.00%
10Y	8,000	3,515	44%	2.09%-2.12%
15Y	6,000	3,000	50%	2.39%-2.42%
20Y	2,000	600	30%	2.75%
30Y	3,000	2,265	76%	2.98%-2.99%
<b>Total</b>	<b>20,000</b>	<b>9,380</b>	<b>47%</b>	<b>Unit: VND bn</b>

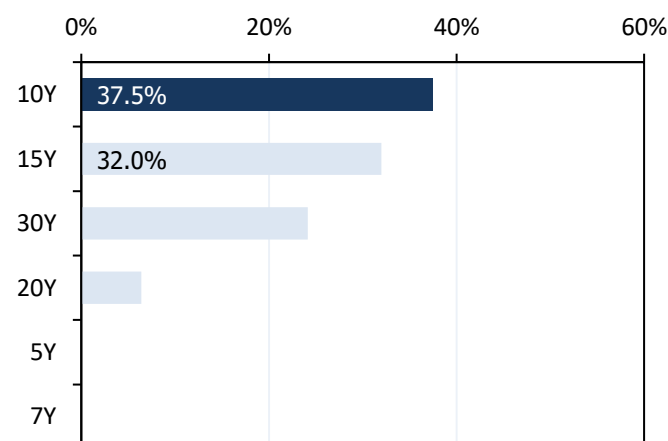
Source: HNX.

**Figure 9. G-bond successful issuance in 2022**



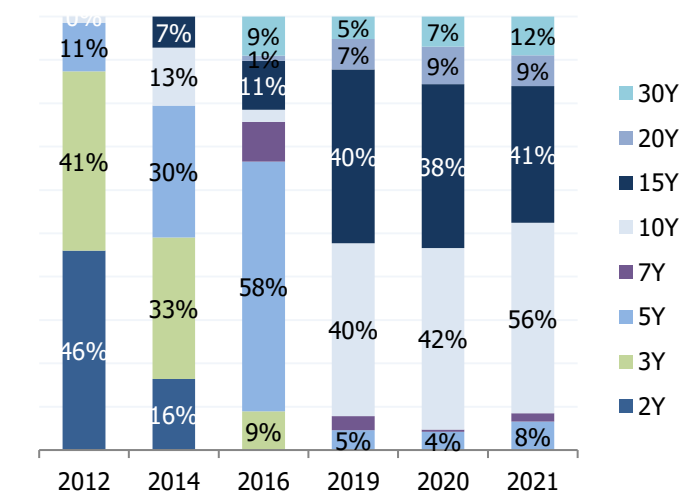
Source: HNX.

**Figure 8. G-bond successful issuance February 2022**



Source: HNX.

**Figure 10. G-bond successful issuance since 2012**



Source: HNX.

**Figure 11. Government bond issuance 2022 (bn VND)**

Tenor	VST Q1 2022 plan	VST Q1 2022 issued	% VST 2022 plan
5Y	30,000	0	0%
7Y	15,000	0	0%
10Y	140,000	14,142	10%
15Y	150,000	9,950	7%
20Y	30,000	1,685	6%
30Y	35,000	6,685	19%
<b>Total</b>	<b>400,000</b>	<b>32,462</b>	<b>8%</b>

Source: VST, HNX

**Figure 12. 10Y G-bond yields (%) in selected countries As at 28/02/2022**

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2021*
U.S.	1.83	-10.36	4.8	31.5
EU	0.14	-7.10	12.4	31.2
Japan	0.19	-21.30	1.4	12.1
China	2.79	-5.90	7.9	1.1
South Korea	2.69	-8.00	9.5	43.0
India	6.77	7.20	8.4	31.1
Malaysia	3.67	-0.40	-0.7	10.7
Singapore	1.94	-7.01	12.4	21.9
Indonesia	6.52	1.50	7.6	13.3
Philippines	3.27	11.15	42.5	92.3
Thailand	2.22	0.64	3.0	25.9
<b>Vietnam</b>	<b>2.34</b>	<b>5.50</b>	<b>20.4</b>	<b>16.8</b>

Source: Bloomberg.

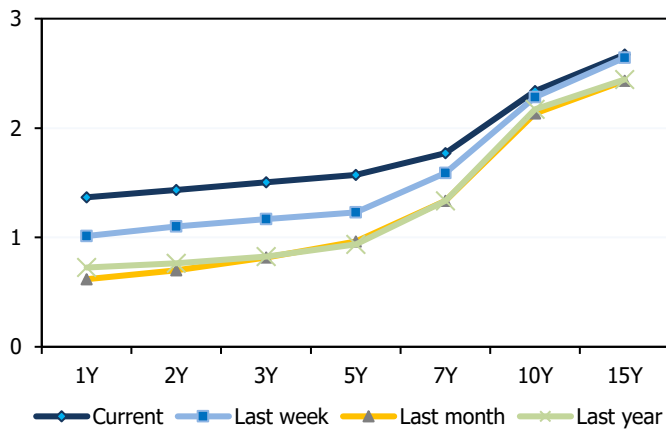
## Secondary Market

**G-bond yield surged during the month. Average transaction volume on the secondary G-bond market went up by 5% MoM with the proportion of outright transactions increasing compared to previous month. Foreign investors net purchased VND 1.224bn of G-bonds this month.**

Following the global trend, 10Y treasury yield in Vietnam has been climbing in recent weeks. At the end of February, the 10Y yield was at 2.34%/year, up 20bps compared to the previous month whereas the 2Y yield jumped to 1.43%/year, up 73bps. The yield curve is gradually flattening.

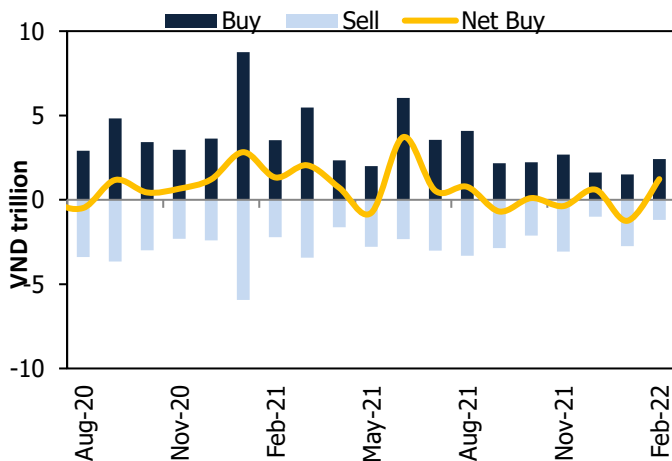
Transactions on the secondary government bond market were more active than the previous month with daily average volumes of VND 14tn, up 5%. Of which, outright trading accounted for 61% of the volume this period and VND 136tn. Average transaction was VND 8.5tn/day, up by 5.9% from the previous month's average. Average repo trading volume dropped by 4% compared to January, reaching VND 5.5tn/day. In February, foreign investors back to net bought G-bonds with an amount of VND 1.224bn. They have sold VND 20bn in 2022 and purchased VND 6,634bn in the past 12 months.

**Figure 13. Vietnam T-bond Yield (%)**



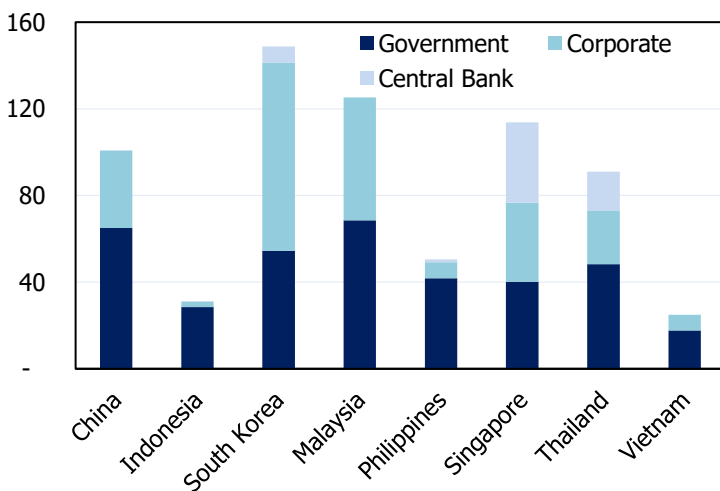
Source: Bloomberg.

**Figure 15. Foreign investors' activity in secondary market**



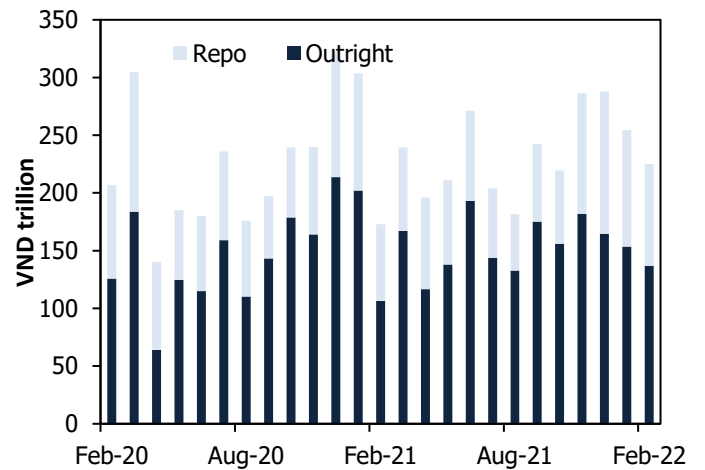
Source: HNX.

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



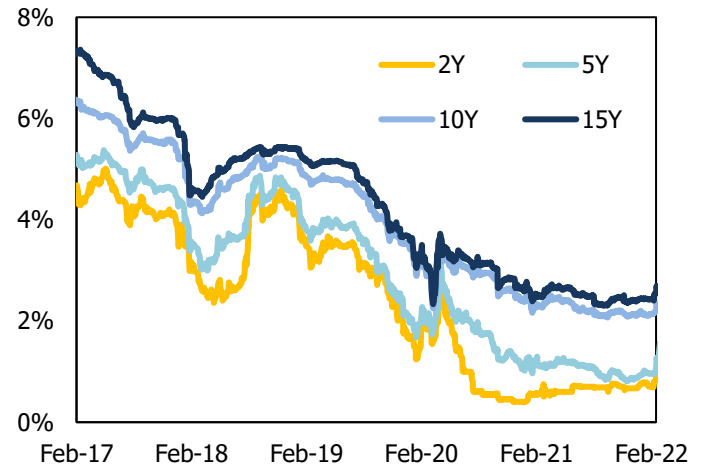
Source: ADB.

**Figure 14. Outright and Repo transaction volume**



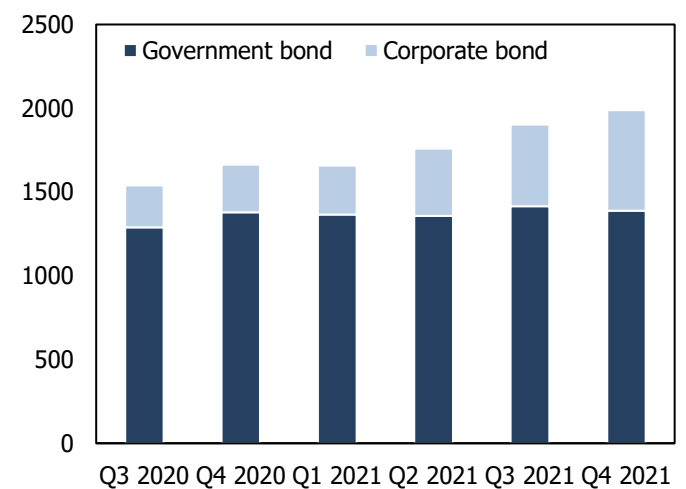
Source: HNX.

**Figure 16. G-bond yield curve – Secondary Market**



Source: Bloomberg.

**Figure 18. Vietnam bond market size (VND tn)**

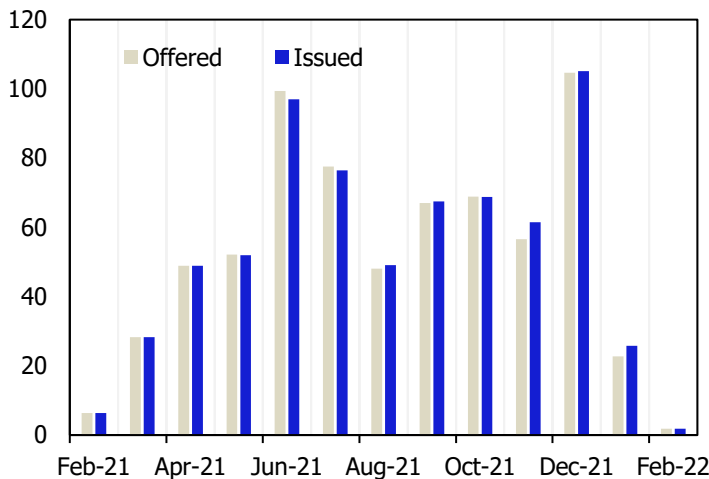


Source: ADB.

## Corporate Bond Market

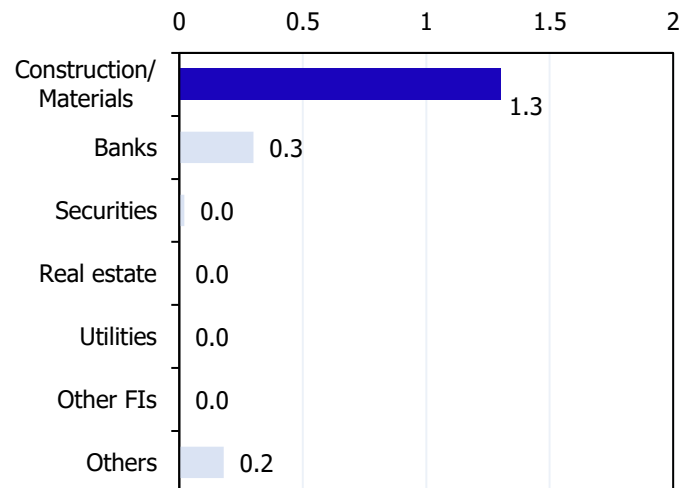
FiinPro data showed that, only VND 1,800bn of corporate bonds were issued in the domestic market in February. In total, in the first 2 months of the year, about VND 25,894.53 billion of corporate bonds were issued, the volume doubled compared to the same period last year. Of which, Sunshine E&C Construction., Js issued the most significant bond volume of VND 800bn. In addition, CMC Joint Stock Company issued bonds with the highest coupon rate of 10.6%/year. The construction and material sector is the top issuer, accounting for the most monthly volume, reaching more than 70% 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 February 2022(VND tn)**



Source: HNX, FiinPro, MBS Research.

**Figure 21. Top issuers in February 2022**

Tick er	Issuer	Tenor (years)	Amount (VND tn)	Coupon rate (%/year)
	Công ty Cổ phần Xây lắp Sunshine E&C	2	800	N/A
CVT	Công ty Cổ phần CMC	2-5	500	10.0%-10.6%
VBB	Ngân hàng Thương mại Cổ phần Việt Nam Thương Tín	7	300	8.23%
HAX	Công ty Cổ phần Dịch vụ Ô tô Hàng Xanh	1.5	180	3
	Công ty Cổ phần Kinh doanh F88	1	20	N/A
	Công ty Cổ phần Xây lắp Sunshine E&C	2	800	N/A

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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