

Fixed income report

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Although the open market did not conduct any new transactions, the purchase of foreign currencies by SBV helped inject a large amount of money into the banking system, keeping liquidity in abundance. Interbank interest rate remained low. VND is appreciating against the USD but there are contrasting movements on the free market. The State Treasury has successfully issued nearly VND 6tn of government bonds in the period. G-bond yield fell substantially. Foreign investors net purchased VND 1,390bn of G-bond during the month.

Money Market

SBV did not conduct any new transactions on the open market in December but the money injected via foreign currencies purchase helped keep liquidity in abundance. Interbank interest rates as a result have remained low for over 7 months.

The liquidity in the banking system remained in abundance despite no new transactions on the open market in the first half of January. Since July, SBV has not net withdrawn or injected any significant amount of cash but the foreign currencies purchase and weak credit growth, liquidity has been in a state of abundance.

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 six months and ends the period at 0.08%/year. The interbank interest rate for 1 week-1 month terms moved sideways, currently at 0.14-0.28%/year. This situation is expected to continue in 2021.

USD/VND exchange rate continues its stability.

The central USD/VND exchange rate ends 2020 at VND 23,136 per USD, slightly up VND 5 per USD compared to the end of November. The interbank rate dropped about VND 12 per USD to VND 23,102 per USD. Meanwhile, rising demand for foreign currencies in public at the end of the lunar new year led to an increase of VND 20 per USD to VND 23,360 per USD.

DXY index, the measure of value of the USD compared to a basket of currencies, is recovering. However, the new Joe Biden administration is expected to release new stimulus packages, which is likely to weaken the value of the USD for the next few years. Compared to other regional currencies, VND remained the most stable currency against the USD and the positive conditions like healthy net exports, high foreign reserves, inflation under control will continue in 2021.

Figure 1. Interbank overnight lending rate (%)



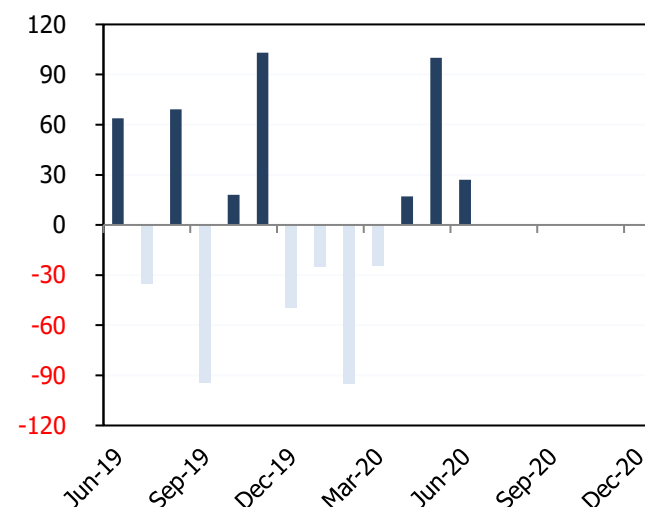
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
30/10	0.16	0.18	0.25	0.35
30/11	0.15	0.20	0.27	0.36
31/12	0.09	0.11	0.16	0.30
15/01	0,08	0,14	0,19	0,28

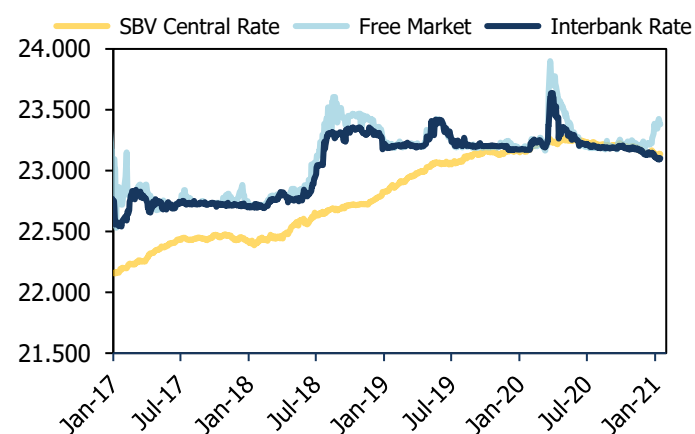
Source: Bloomberg.

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



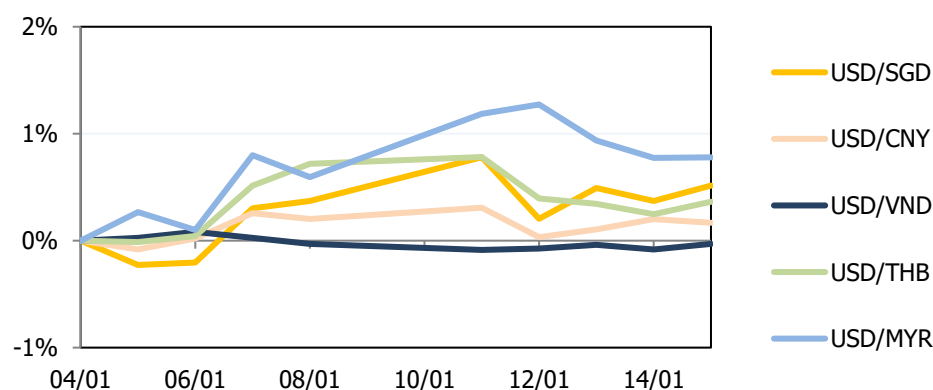
Source: SBV, MBS.

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 VND 6tn of government bonds during the period with a lower yield than December's.

In the first half of January, the volume of successfully issued government bonds reached VND 6tn out of a total of VND 6tn offered, an issuance rate of 100%. Of which, 10Y and 15Y tenors are issued VND 2tn each, and the 20Y and 30Y tenors are issued VND 1tn each.

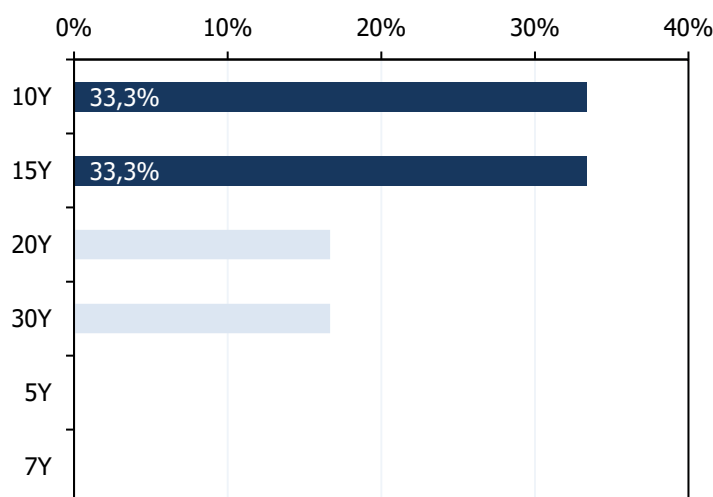
The latest winning yields continue to drop slightly from the December level. The winning yield of the 10Y and 15Y tenors are currently at 2.25%/year and 2.48%/year, a decline of 2-3bps. The winning yields of 20Y and 30Y tenors are at respectively at 2.89%/year and 3.10%/year.

Figure 6. G-bond auction result in December 2020

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y				
7Y				
10Y	2,000	2,000	100%	2.25%
15Y	2,000	2,000	100%	2.48%
20Y	1,000	1,000	100%	2.89%
30Y	1,000	1,000	100%	3.10%
Total	6,000	6,000	100%	Unit: VND bn

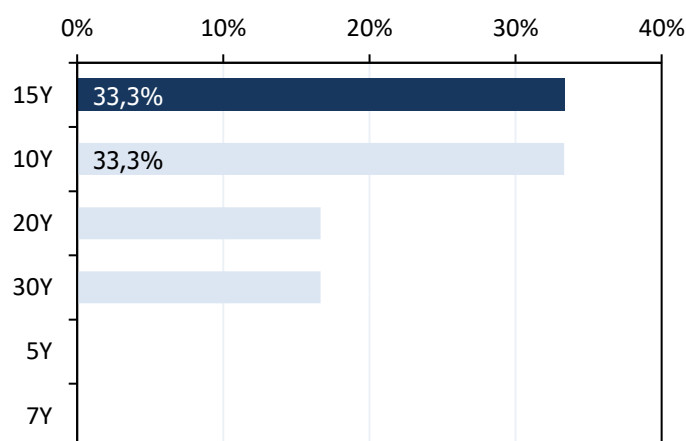
Source: HNX.

Figure 8. G-bond successful issuance in 2021



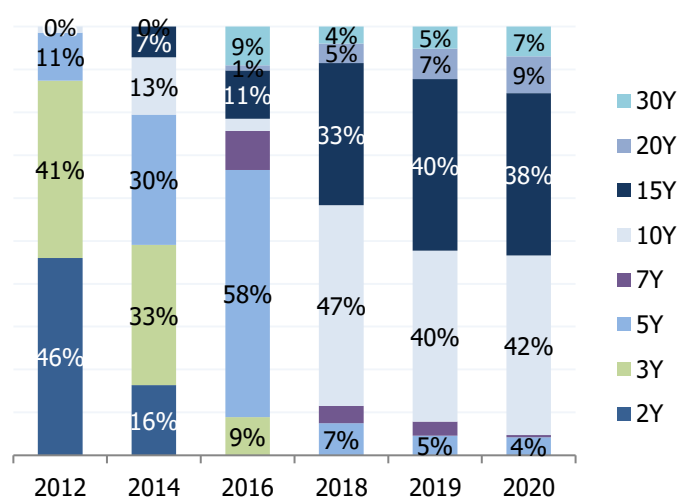
Source: HNX.

Figure 7. G-bond successful issuance January 2021



Source: HNX.

Figure 9. G-bond successful issuance from 2021



Source: HNX.

Figure 10. 10Y G-bond yields (%) in selected countries
As at 15/01/2021

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2020*
U.S.	1.08	-3.18	17,0	17.0
EU	-0.54	-2.40	2,6	2.6
Japan	0.04	0.80	2,2	2.2
China	3.15	-0.10	0,2	0.2
South Korea	1.73	1.00	0,8	0.8
India	5.95	7.50	8,5	8.5
Malaysia	2.63	-3.90	-2,0	-2.0
Singapore	0.99	-1.30	11,2	11.2
Indonesia	6.18	3.10	29,4	29.4
Philippines	2.02	0.40	13,0	13.0
Thailand	1.37	4.30	10,4	10.4
Vietnam	2.24	-20.40	-34,4	-34.4

Source: Bloomberg.

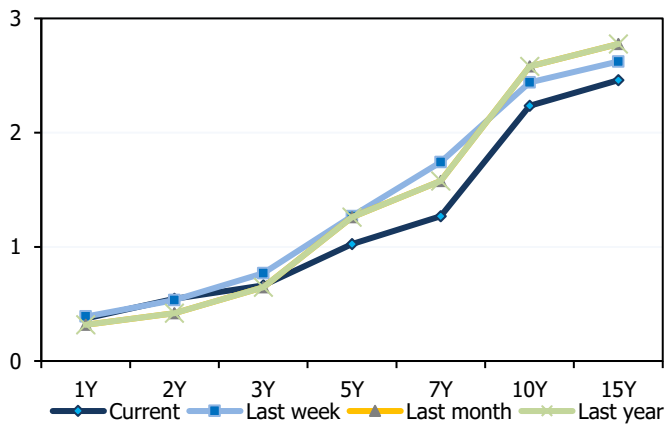
Secondary Market

10Y G-bonds yield dropped significantly in the first half of January. Average daily transaction volume on the secondary government bond market increased 1% compared to the previous month. Foreign investors net purchased over VND 1,390bn of government bonds.

While the 10Y G-bond yields on the secondary market are recovering in other countries, Vietnam's dropped dramatically. Compared to the end of last month, the 2Y yield increased by 12bps to 0.54%/year, the 10Y yield dropped by 34bps to 2.24%/year. The yield curve is flattening.

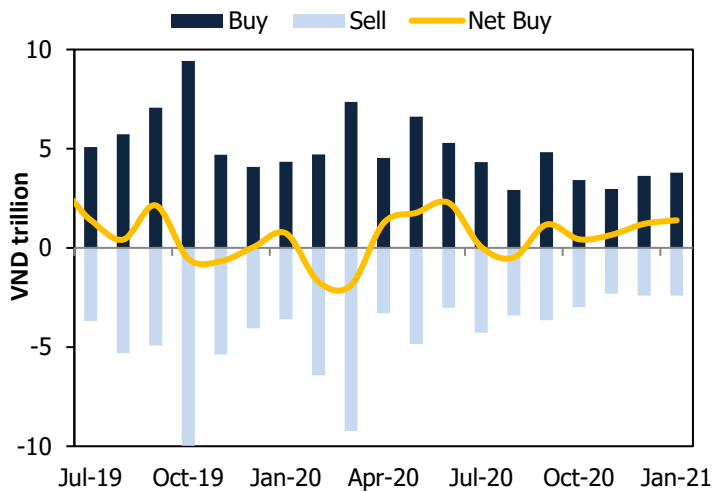
Government bond transactions in the secondary market in December reached VND 14 tn daily average, 1% more than its December level. Of which, outright transactions accounted for 70% of volume in the period with VND 99.8tn. Average transaction volume was VND 10tn/day, up 7% compared to the previous month. Average daily repo trading volume decreased by 11% compared to December's level, reaching VND 4.2tn/day. Foreign investors continued to net purchase VND 1,390bn of government bonds.

Figure 11. Vietnam T-bond Yield (%)



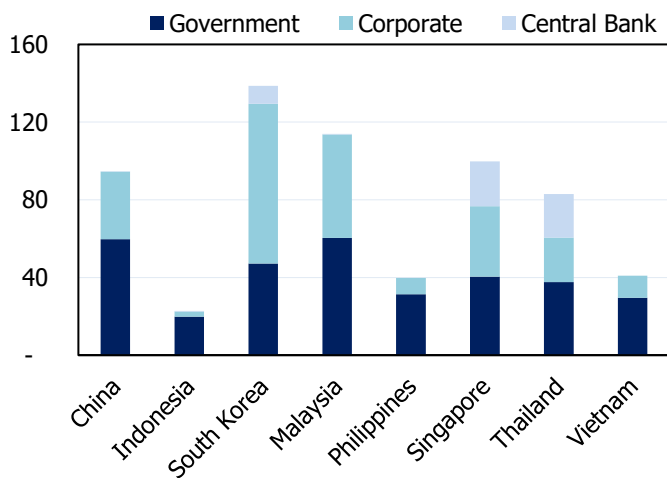
Source: Bloomberg.

Figure 13. Foreign investors' activity in secondary market



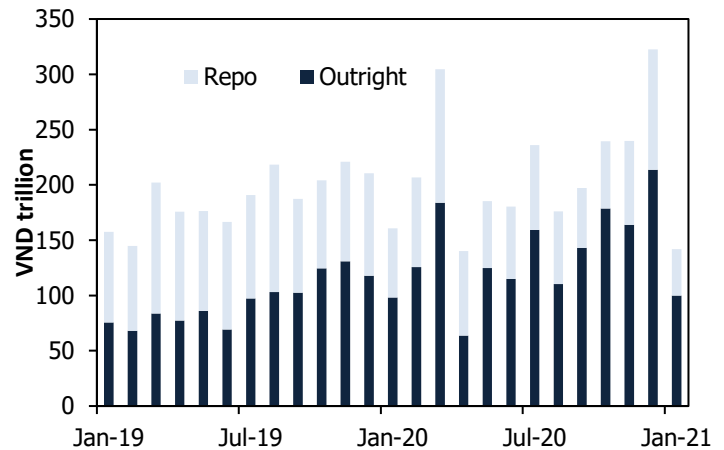
Source: HNX.

Figure 15. Size of bond markets (%GDP Q2.2020)



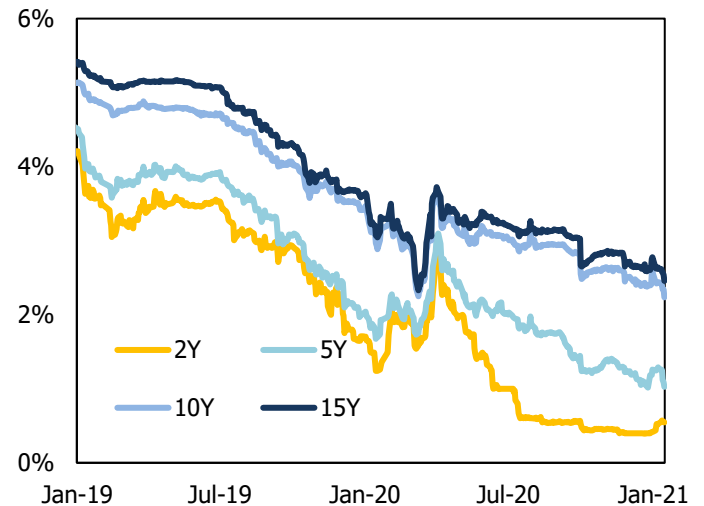
Source: ADB.

Figure 12. Outright and Repo transaction volume



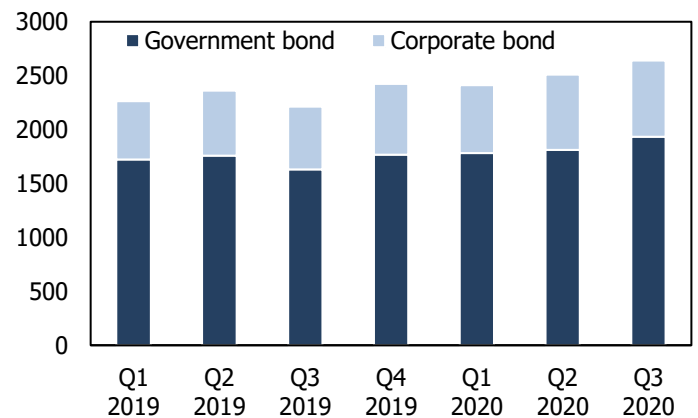
Source: HNX.

Figure 14. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 16. Vietnam bond market size (VND tn)



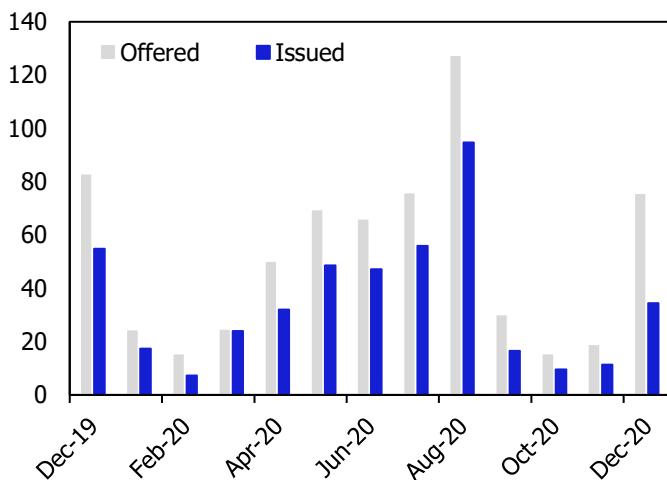
Source: ADB.

Corporate Bond Market

In December, HNX data showed approximately VND 34,470bn of corporate bond issued domestically, and USD 160mn international placements. HDB managed to raise USD those USD 160mn on the international market. Banking sector led with VND 5,982bn issued, followed by real estate with VND 3,455bn. In addition, there were 131 repurchases during the month with a total value of VND 5,853bn.

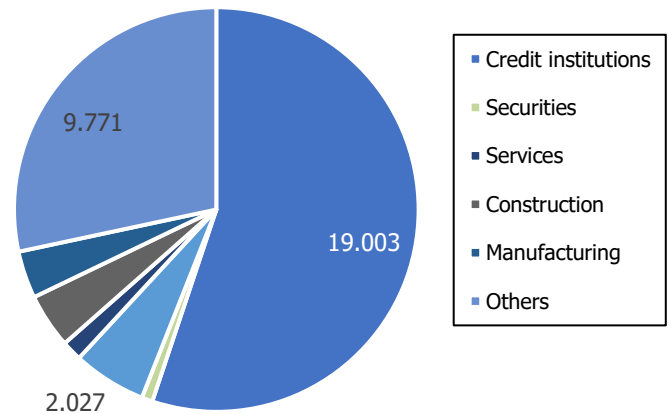
In total of 2020, HNX data showed a VND 403.5tn of corporate bond issued privately in the domestic market, an average tenor of 4.21 years and USD 345mn issued internationally. Mainly the bonds were issued in May-August period, the time before the Decree 81 with additional regulations went into effect.

Figure 17. Corporate bond offering and issuance (VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 18. Corporate bond issued by sectors in Dec 2020 (VND tn)



Source: HNX, FiinPro, MBS Research.

Figure 20. Issuers in November

Mã CK	Tổ chức phát hành	Kỳ hạn (năm)	Tổng giá trị phát hành (Tỷ VNĐ)	Ghi chú
HDB	NH TMCP Phát triển thành phố Hồ Chí Minh	5Y	5,212	USD 160mn internationally
TCB	Ngân Hàng TMCP Kỹ Thương Việt Nam	3Y	5,000	
	Ngân hàng TMCP Phương Đông	3Y	3,900	
TPB	Ngân Hàng TMCP Tiên Phong	3-7Y	3,200	
	CTCP Công Nghiệp Năng Lượng Ninh Thuận	15Y	2,200	
	CTCP Ô Tô Trường Hải	5Y	2,000	
	Tập Đoàn Công Nghiệp Than - Khoáng Sản Việt Nam	5Y	2,000	
LPB	Ngân hàng Bưu điện Liên Việt	3-5Y	1,750	
VBB	NH TMCP Việt Nam Thương Tín	2-5Y	1,400	
	CT TNHH Đầu Tư Và Tư Vấn Quản Lý Biển Đông	5Y	1,320.8	
BID	NH TMCP Đầu Tư Và Phát Triển Việt Nam	8Y	1,056.4	
	CTCP Phát Triển Tâm Nhìn Năng Lượng Xanh	1Y	1,004.6	
	CTCP Đầu Tư Bền Danh Khôi Sài Gòn	3Y	1,000	
	Tổng Công Ty Đầu Tư Phát Triển Nhà Và Đô Thị	5Y	1,000	
	Ngân Hàng Nông Nghiệp Và PTNT Việt Nam	7Y	747	
	CTCP Năng Lượng Tái Tạo Việt Nam Việt	10Y	600	
	CTCP BB Sunrise Power	3Y	500	
	CTCP Đầu Tư Năng Lượng Hoàng Sơn	3Y	500	

	CTCP Đầu Tư Năng Lượng Hoàng Sơn 2	3Y	500	
	CTCP Tập Đoàn Trường Thịnh	3Y	500	
	CT TNHH Hoa Thanh Long	10Y	477	
FLC	Công Ty Cổ Phần Tập Đoàn FLC	3Y	400	
	CTCP BB Power Holdings	3Y	400	
BSI	CTCP Chứng Khoán NH Đầu Tư và Phát Triển Việt Nam	1Y	300	
CTG	Ngân Hàng TMCP Công Thương Việt Nam	7Y	250	
	CTCP Đầu Tư Văn Phú Số 2	2Y	200	
VIB	Ngân Hàng TMCP Quốc Tế Việt Nam	7Y	200	
	CTCP Đầu Tư Rivera	2Y	150	
	CTCP Địa Ốc Châu Sơn	1Y	150	
	CTCP Phát Triển Khu Công Nghiệp Và Đô Thị Thủ Thừa Idico-Conac	1Y	100	
TVC	CTCP Tập Đoàn Quản Lý Tài Sản Trí Việt	3Y	81,6	
	CTCP Thủy Điện Nậm Pung - Intracom	2Y	75	
	CTCP Tập Đoàn Apec Group	5Y	8,1	

Source: HNX, FiinPro

PRODUCT

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