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Credit growth was encouraging, though the open market has not incurred any transactions in April, interbank interest rates have started to recover. The USD/VND rate is gradually cooling down and the trend may continue in medium term. The State Treasury issued more than VND 9,800bn of government bonds this period. The yield of secondary government bonds went sideways compared to the previous month. Foreign investors net sold VND 68bn of government bonds this period.

Money Market

System liquidity was still in an abundant position in the first half of April when the SBV did not carry out any transactions through the open market channel. However, interbank interest rates are increasing thanks to credit growth.

In Q1, credit growth was estimated at 2.93%, much higher than 1.3% in the same period last year. Credit balance reached over VND 9,460tn recently. However, the open market has not incurred any new transactions, showing that the liquidity is still quite abundant. With encourage signs of credit growth, the 12% annual target is achievable.

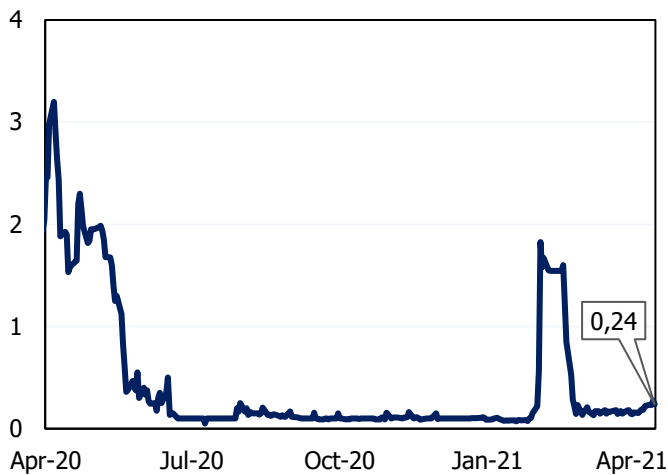
The overnight interbank interest rate was still low but increasing in the past two weeks. Bloomberg survey showed that the overnight rate was 0.24%/year, up 9bps from the end of last month. Interest rates for other terms were also around 0.34%-0.52%/year, an increase of about 8-10bps compared to the end of March. We forecast that the interbank rates had bottom out and will gradually increase when economy recovers more significant.

USD/VND exchange rates is gradually cooling down.

In the first half of April, the value of US Dollar gradually decreased according to forecasts. The DXY index fell from 93 to 91.7. The USD/VND exchange rate, thus, has gradually cooled down. The free market USD/VND exchange rate has decreased by VND 250/USD and is currently trading at VND 23,675/USD. The central and interbank rates also decreased compared to the end of last month, respectively at VND 23,200/USD, down by VND 44/USD and VND 23,137/USD, down by VND 18/USD. Compared to other regional currencies, VND value compared to USD remain the most stable.

The US inflation in March reached 2.6% YoY. This level is currently higher than the 2% target from Fed. However, after switching from 2% hard target to average, Fed still committed to implement the monetary loosening policy. Most likely, the US inflation rate will continue staying above 2% in the summer until the economy reopens, putting a downward pressure on the US dollar.

Figure 1. Interbank overnight lending rate (%)



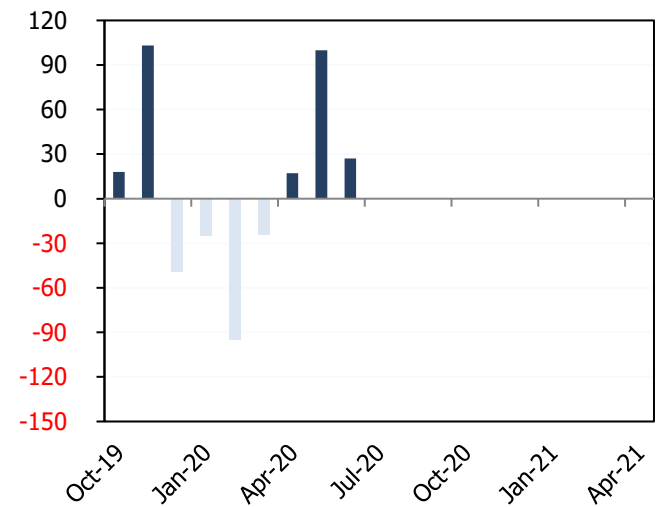
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
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
15/04	0.24	0.34	0.43	0.52

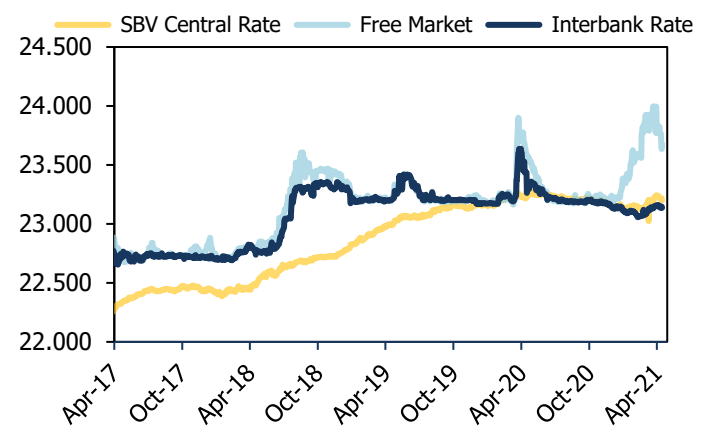
Source: Bloomberg.

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



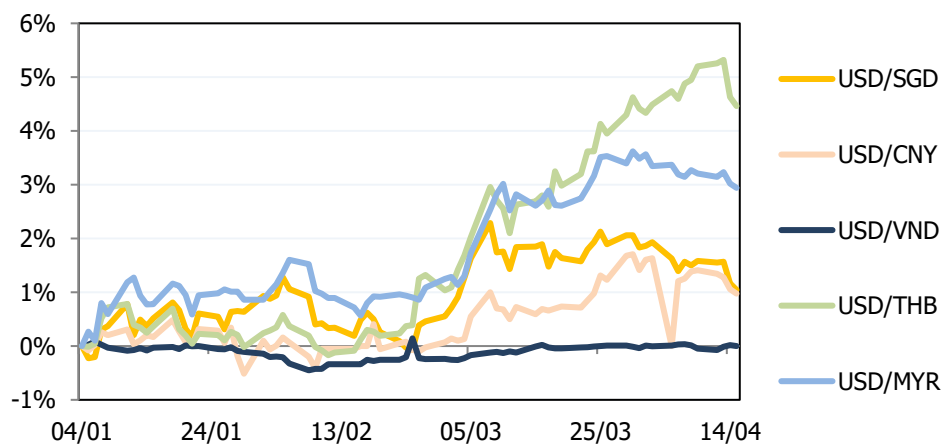
Source: SBV, MBS.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 5. Regional currencies performance in 2021



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued VND 9,810bn of G-bonds this period. Winning yields continued to recover.

In the first half of April, the Government bond issuance situation has significantly improved compared to the 41% issuance rate in March. Out of VND 13,250bn proposed, VND 9,810bn of G-bonds were successfully mobilized, at the rate of 74%. Currently, STV has only issued a total of VND 49,015bn of G-bonds since the beginning of the year, reaching 14% of the year plan. The STV's G-bonds issuance plan for Q2 continued to be VND 100tn, of which 10Y and 15Y terms were expected to issue VND 35tn each.

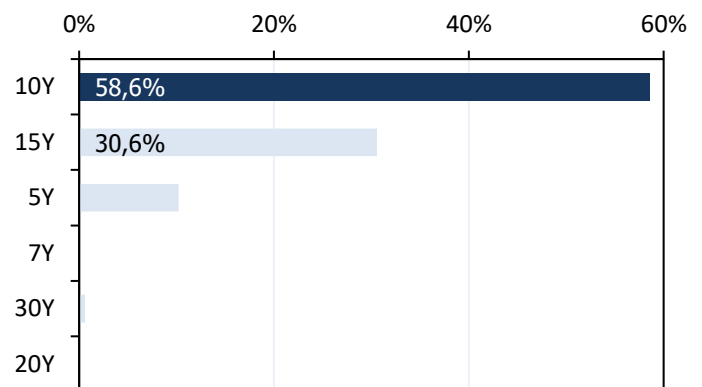
The winning yields of bonds continued to increase slightly compared to the end of March. The yields for 10Y and 15Y terms were 2.38%/year and 2.57%/year, up by 7-8bps. The yields for 5Y term increased by 3bps to 1.13%/year. The current yields of 10Y term were in line with market expectations when the winning bid rate was at 100%. The winning yields of remaining terms will need to be raised for the next offering sessions.

Figure 6. G-bond auction result in March 2021

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	2,500	1,000	40%	1.13%
7Y				
10Y	5,750	5,750	100%	2.35-2.38%
15Y	4,000	3,000	75%	2.55-2.57%
20Y	500		0%	
30Y	500	60	12%	3.05%
Total	13,250	9,810	74%	Unit: VND bn

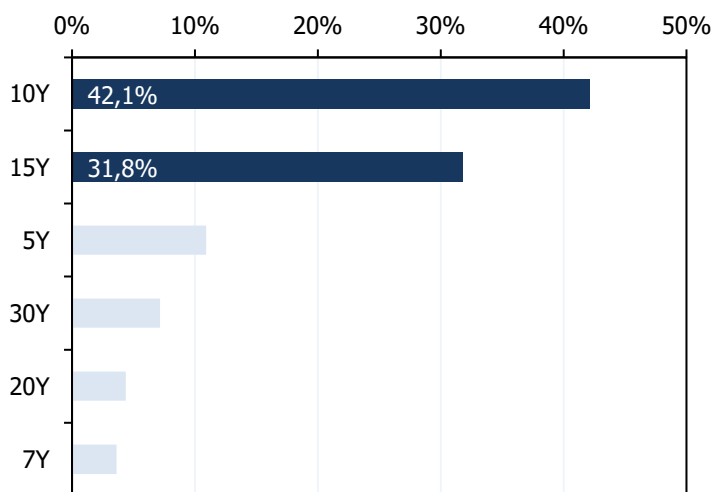
Source: HNX.

Figure 7. G-bond successful issuance March 2021



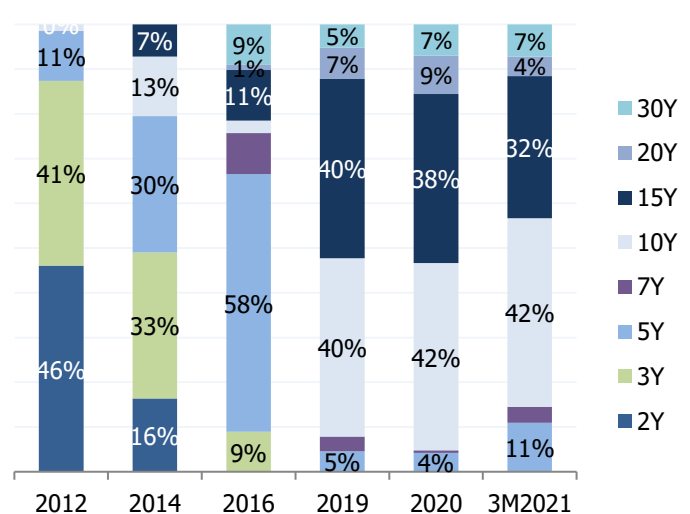
Source: HNX.

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	5,350	27%
7Y	15,000	1,781	12%
10Y	120,000	20,650	17%
15Y	135,000	15,581	12%
20Y	30,000	2,140	7%
30Y	30,000	3,513	12%
Total	350,000	49,015	14%

Source: VST, HNX

Figure 11. 10Y G-bond yields (%) in selected countries **As at 15/04/2021**

***Bps changed compared to last closing**

Market	Last closing	Last week*	Last month	31/12/2020*
U.S.	1.61	-0.80	-12,9	69.8
EU	-0.28	5.70	1,3	29.0
Japan	0.09	-0.80	-0,5	6.9
China	3.18	-4.70	-1,2	3.0
South Korea	1.99	-3.00	-6,5	27.0
India	6.12	9.00	-4,5	25.6
Malaysia	3.08	1.50	-15,8	43.3
Singapore	1.62	-7.80	-18,6	74.2
Indonesia	6.83	37.80	5,4	94.5
Philippines	2.49	-3.50	-10,1	60.0
Thailand	1.94	-1.90	-4,4	67.5
Vietnam	2.47	2.20	1,1	-11.4

Source: Bloomberg.

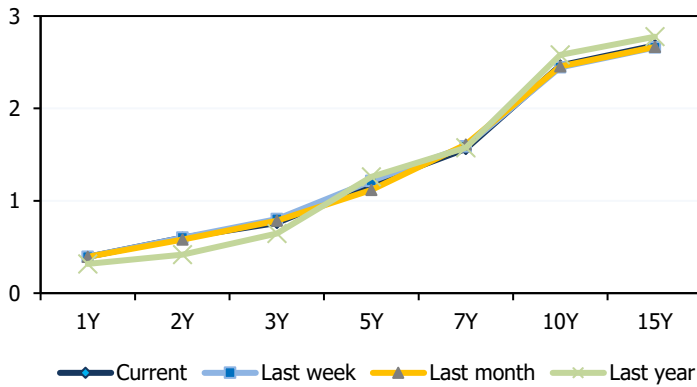
Secondary Market

G-bond yield went sideways this period. Average transaction volume on the secondary government bond market decreased by 15% MoM. Foreign investors net sold VND 68bn of government bonds this period.

In mid-April, the 10Y term yield was at 2.47%/year, up by 2bps compared to the previous month. G-bond yields of many nations across the globe have strongly fluctuated during this time, while the yields in Vietnam remaining stable.

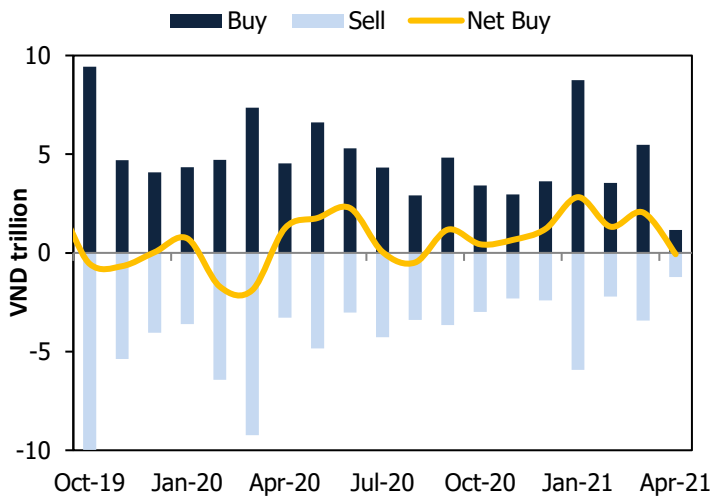
Transactions on the secondary government bond market were continuing inactive with daily average volumes of VND 7tn, down by 15% compared to daily average in March. Of which, outright trading accounted for 61% of the volume during the period and VND 59.2bn. Average transactions was VND 5.4tn/day, down by 26% from the previous month. Average repo trading volume increased by 9% compared to March, reaching VND 3.4tn/day. Foreign investors heading to net sell of VND 68bn of G-bonds during the period. Foreign investors net bought a total of VND 6,131bn of G-bonds in 2021 and VND 14,461bn of G-bonds in the past 12 months.

Figure 12. Vietnam T-bond Yield (%)



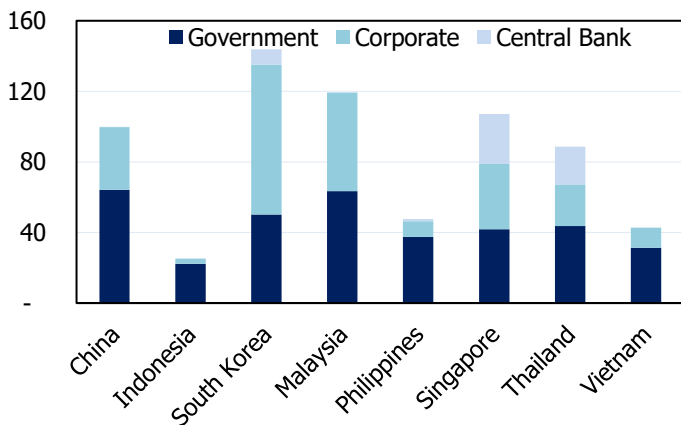
Source: Bloomberg.

Figure 14. Foreign investors' activity in secondary market



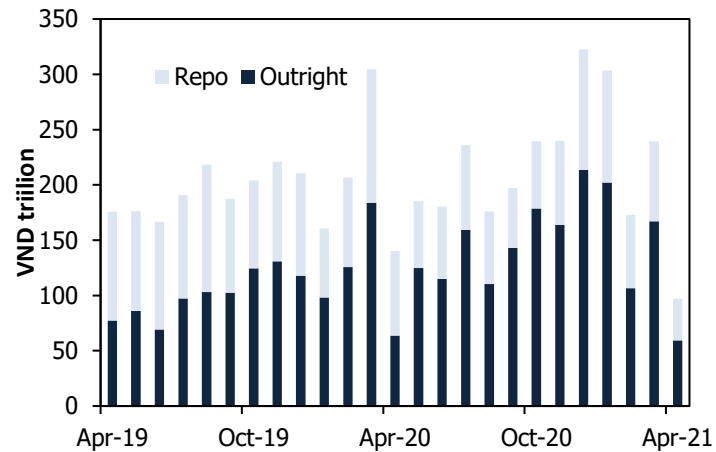
Source: HNX.

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



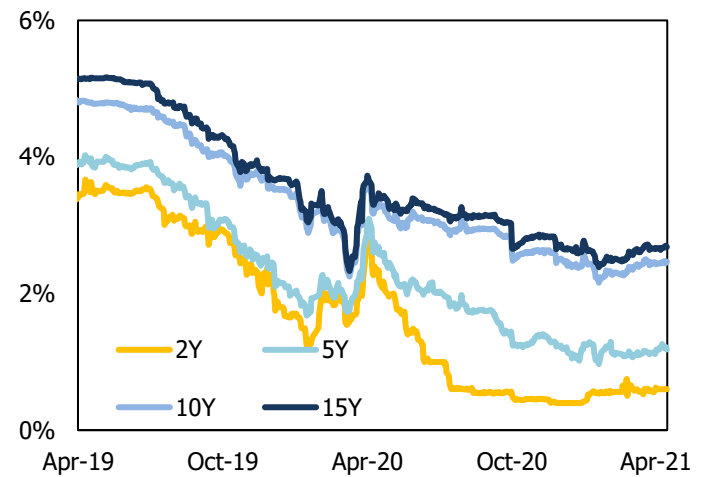
Source: ADB.

Figure 13. Outright and Repo transaction volume



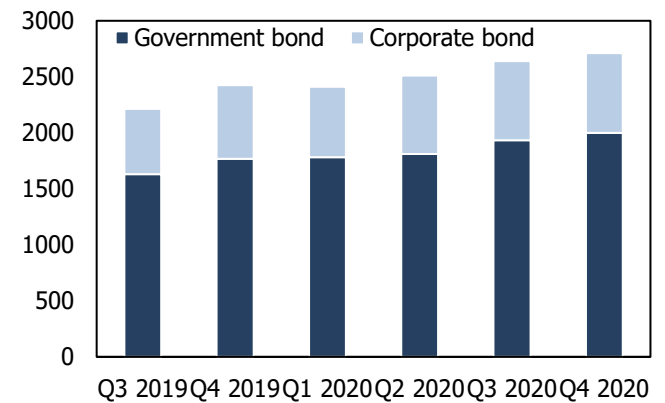
Source: HNX.

Figure 15. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 16. Vietnam bond market size (VND tn)

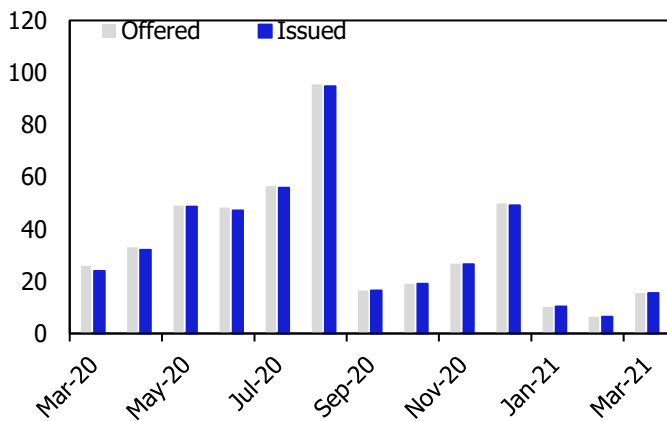


Source: ADB.

Corporate Bond Market

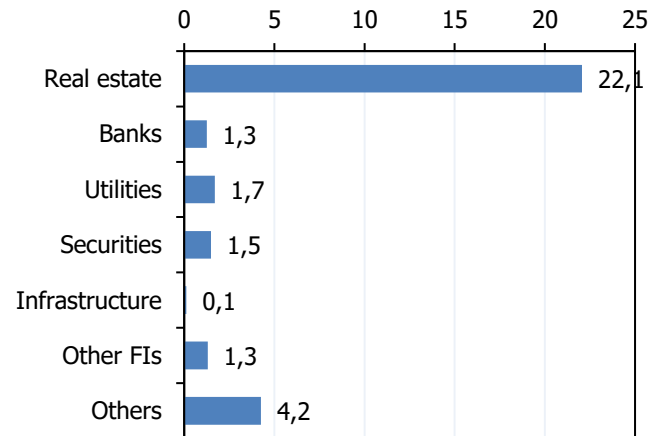
Decree 153/2020/ND-CP amending the regulations on issuing and trading corporate bonds in the domestic market and issuing corporate bonds to the international market cause the issuance to struggle. In Q1, there was VND 32,155bn of corporate bonds issued via private and public placements. Of which, VND 5,985bn was issued publicly, accounting for 20% of total raised amount. This ratio is much higher than the usual rate of below 5% in recent years. The weighted average tenor is 3.55 years, 0.7 year shorter than 2020 average. The coupon rate was 9.7%, 0.4 percentage point higher than the 2020 figure.

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



Source: HNX, FiinPro, MBS Research.

Figure 19. Corporate bond issued by sectors in Q1 2021 (VND tn)



Source: HNX, FiinPro, MBS Research.

PRODUCT

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