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*Payment demand cooled down, helping the banking system liquidity less tense. Interbank interest rates continue to fall slightly due to improved liquidity in the system. SBV net injected more than VND 2,000bn through the open market channel. USD/VND exchange rate on different markets moved in contrasting directions. STV issued VND 3,500bn of G-bonds during the period. The yield of secondary G-bonds increased at all terms. Foreign investors continued to net sell VND 376bn of G-bonds this period.*

## Money Market

**In the first half of March, interbank interest rates cooled due to improved liquidity of the banking system. SBV injected VND 2,000bn through the open market channel and all this money was returned to the SBV in March.**

In the first half of March, liquidity in the system was under pressure when the demand for payment increased due to seasonality. SBV injected VND 2,107.63bn via the OMO channel, with a rate of 2.5%/year, tenor of 4 week. Total maturity from last month reached VND 1,057bn, bringing the amount of OMO in circulation to VND 1,050.63tn. Thus, the whole amount will return to SBV in March.

SBV publiced in the first two months of the year, the money and credit markets were relatively stable. As of February 25, 2022, credit increased by 2.52% (VND increased by 2.34%, foreign currencies increased by 3.96%). Previously, SBV said that credit at the end of January increased by 2.74%, so credit in February decreased slightly. In the first half of March, interbank interest rates decreased slightly due to improved liquidity in the system A Bloomberg survey showed that the overnight interbank rates are trading at 2.05%/year, down by 28 bps compared to the end of last month. Interest rates for other terms are also around 2.23%-2.25%/year, a decrease of about 2-15 bps compared to the end of February.

**USD/VND exchange rate on different markets moved in contrasting directions.**

The USD/VND exchange rates in the first half of March experienced movements in the opposite directions, shown in the differentials between the free market rate and the central and interbank rate. Compared to the end of February, the USD/VND exchange rate on the free market went down by VND 40 per USD and is currently trading at 23,465 VND/USD. The central and interbank rates were respectively traded at VND 23,186 per USD, up VND 49 per USD and VND 23,040 per USD, up VND 63 per USD.

In March, the DXY Index trended upwards as investors focused on the development of the conflict between Ukraine and Russia and recorded at 98.3. The Fed's meeting on monetary policy ended after two days. Fed raised its benchmark short-term interest rate for the first time since 2018, lifting its target for the federal funds rate by 25 basis points from 0.25% to 0.5% and projected rising to a range between 1.75% and 2% by the end of 2022 and climb to 2.8% next year. The greenback index then leveled off at 98 points, reflecting frustration that the Fed had not been able to be more aggressive than investors expected. The market is betting that the Fed's current point of view could change in the near term and there is a lot that has been priced for the short-term interest rate market putting pressure on the greenback.

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



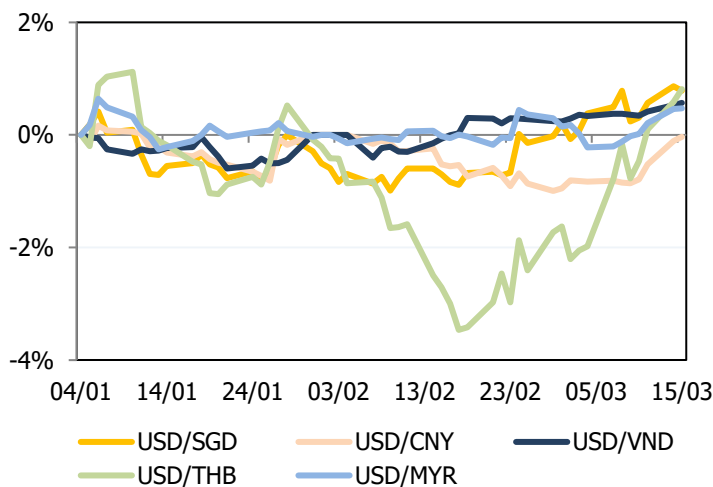
Source: Bloomberg.

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

	O/N	1 Week	2 Week	1 Month
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
15/03	2.05	2.23	2.25	2.25

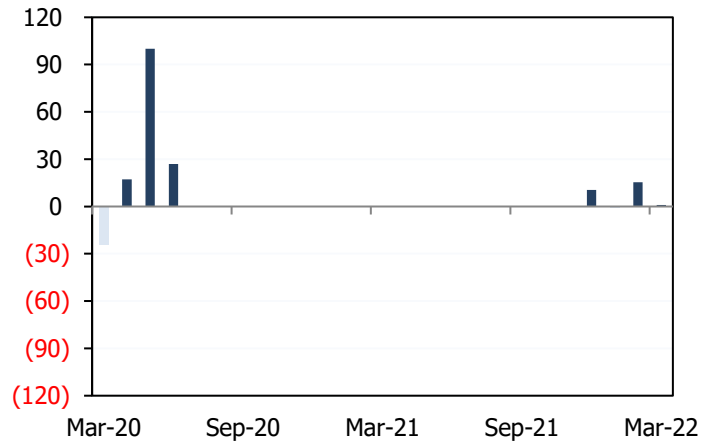
Source: Bloomberg.

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



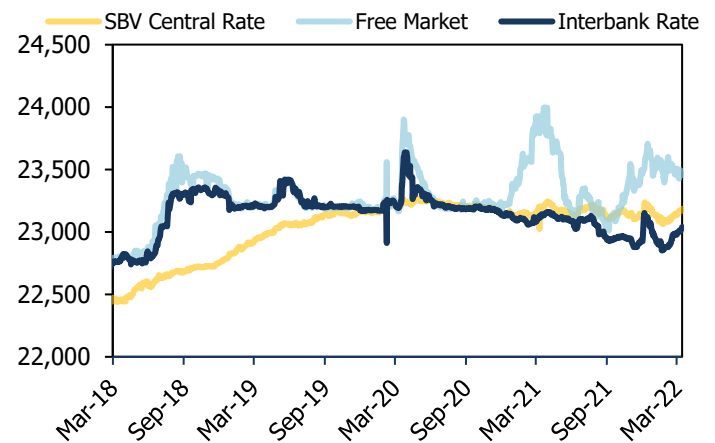
Source: Bloomberg.

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



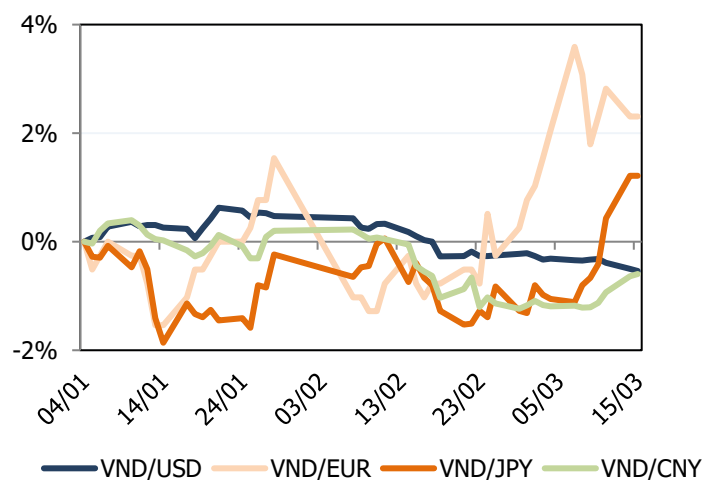
Source: SBV, MBS.

**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 3,500bn of G-bonds this period with the winning yield went up slightly compared to the end of February.**

In the first half of March, STV was more active in offering G-bonds, but the winning rate was quite low. In the VND 11,000bn proposed, there were only VND 3,500bn of G-bonds successfully mobilized, at the rate of 32%. In which, successful issuance was still concentrated in 2 tenors of 10Y and 15Y. The current rate of G-bond issuance of SBV is quite slow, SBV will be difficult to complete the quarter plan when the first quarter is coming to an end.

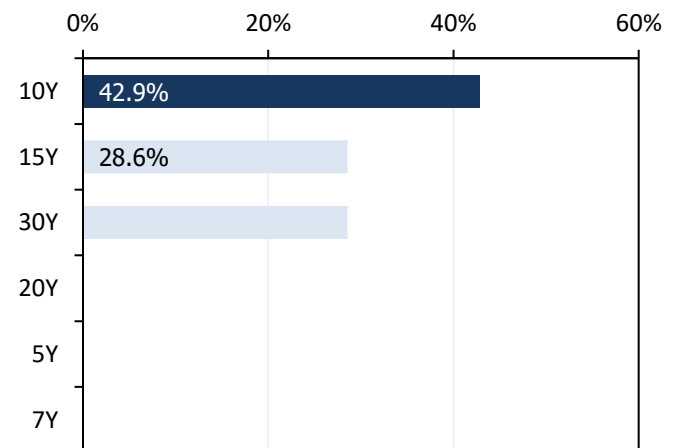
The winning yield of the bonds grew slightly compared to the end of February. The yield for 10Y was 2.18%/year, up 6bps compared to the end of the previous month while the yield for 15Y terms increased 3bps to 2.45%/year. Under the pressure of liquidity in the system recently, credit institutions' demand for government bonds has decreased. With the issuance plan for the whole year of VND 400,000bn, the STV will need to raise the bond winning yield to attract investors in the next offering sessions.

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

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	1,000	0	0%	0.00%
7Y				
10Y	4,000	1,500	38%	2.15%
15Y	4,000	1,000	25%	2.45%
20Y	1,000	0	0%	0.00%
30Y	1,000	1,000	100%	3.00%
<b>Total</b>	<b>11,000</b>	<b>3,500</b>	<b>32%</b>	<b>Unit: VND bn</b>

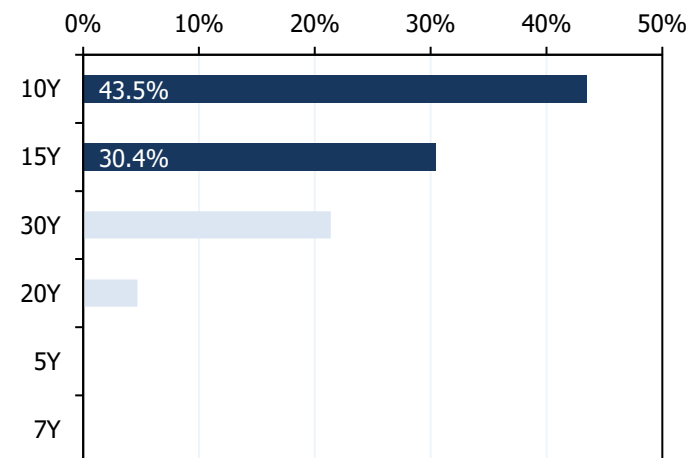
Source: HNX.

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



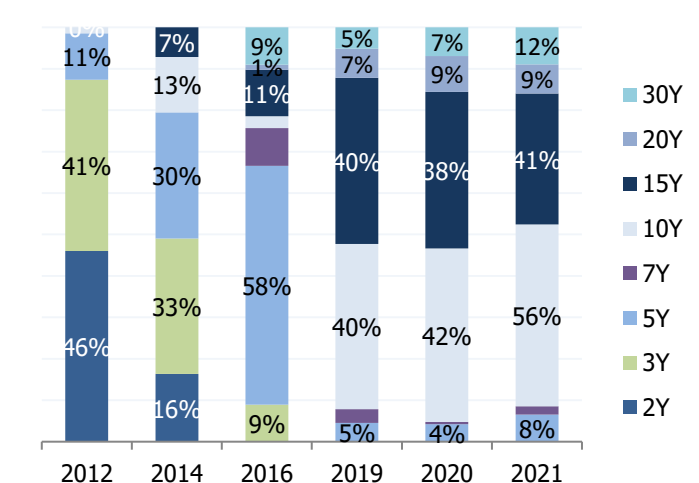
Source: HNX.

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



Source: HNX.

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



Source: HNX.

**Figure 11. Government bond issuance 2022**

Tenor	VST 2022 plan	VST 2022 issued	% VST 2022 plan
5Y	30,000	0	0%
7Y	15,000	0	0%
10Y	140,000	15,642	11%
15Y	150,000	10,950	7%
20Y	30,000	1,685	6%
30Y	35,000	7,685	22%
<b>Total</b>	<b>400,000</b>	<b>35,962</b>	<b>9%</b>

Source: VST, HNX

**Figure 12. 10Y G-bond yields (%) in selected countries** **As at 15/03/2022**

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2021*
U.S.	2.14	29.81	31.9	63.4
EU	0.33	22.00	19.7	50.9
Japan	0.21	4.60	1.4	13.5
China	2.82	-2.10	2.9	4.0
South Korea	2.75	2.80	6.0	49.0
India	6.82	-7.40	5.6	36.7
Malaysia	3.69	1.80	1.7	12.4
Singapore	2.12	25.44	17.7	39.7
Indonesia	6.75	-6.60	23.9	37.2
Philippines	3.58	12.83	31.1	123.4
Thailand	2.35	12.34	13.1	39.0
<b>Vietnam</b>	<b>2.39</b>	<b>2.30</b>	<b>4.8</b>	<b>21.6</b>

Source: Bloomberg.

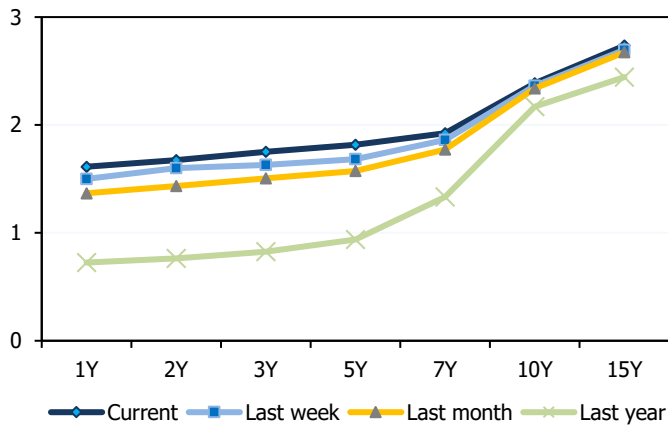
## Secondary Market

**G-bond yield went up in all terms. Average transaction volume on the secondary G-bond market went down by 18% MoM with the proportion of outright transactions increasing compared to previous month. Foreign investors net sold over VND 376bn of G-bonds.**

Following the trend in the world, the yield of 10Y G-bond in Vietnam has increased in recent times. In the first half of March, the 10Y yield was at 2.39%/year, up 5bps compared to the previous month whereas the 2Y yield grew to 1.68%/year, up 24bps. Since the beginning of the year, the 2Y yield has increased by 91 bps while the 10Y term yield also increased by 22bps, causing the yield curve to gradually invert.

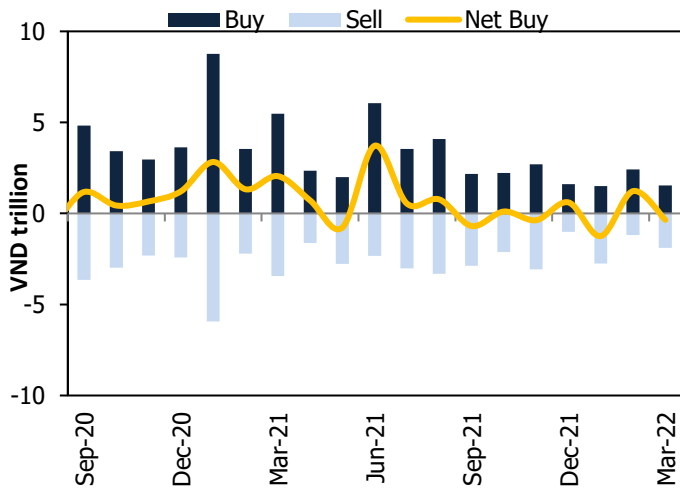
Transactions on the secondary government bond market were less active than the previous month with daily average volumes of VND 11.5tn, down by 18% from February's average. Of which, outright trading accounted for 69% of the volume this period and VND 86.8tn. The average transaction was VND 7.8tn/day, down by 8% from the previous month's average. Average repo trading volume fell by 34% compared to February, reaching VND 3.6tn/day. Foreign investors continued to net sold VND 356bn of G-bonds in this period. Overall, foreign investors net sold a total of VND 376bn of G-bonds in 2022 and net purchased VND 4,230bn of G-bonds in the last 12 months.

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



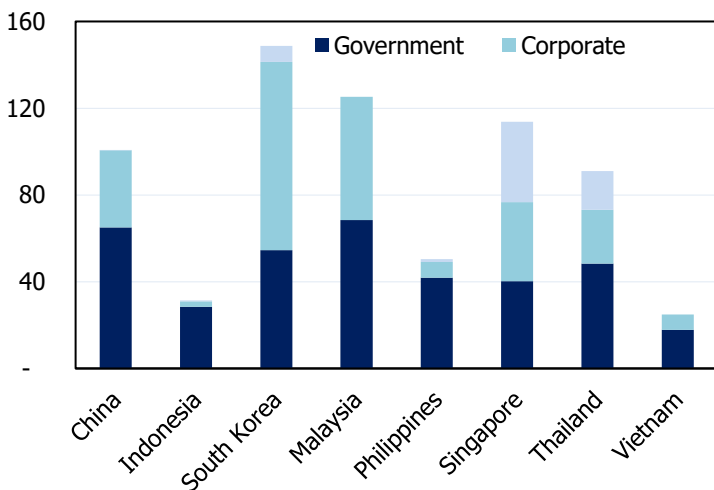
Source: Bloomberg.

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



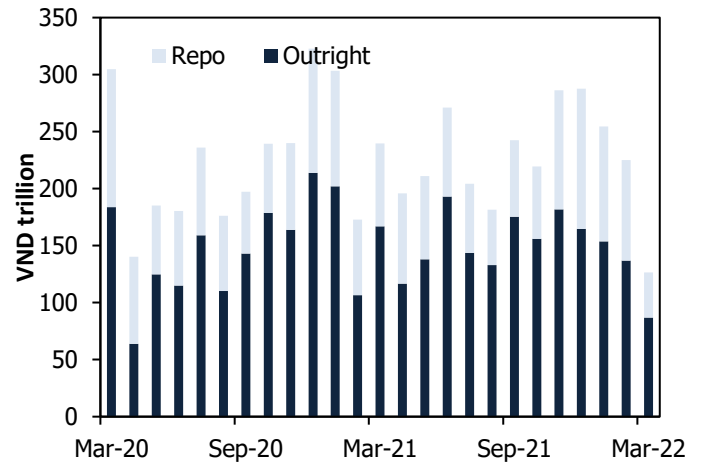
Source: HNX.

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



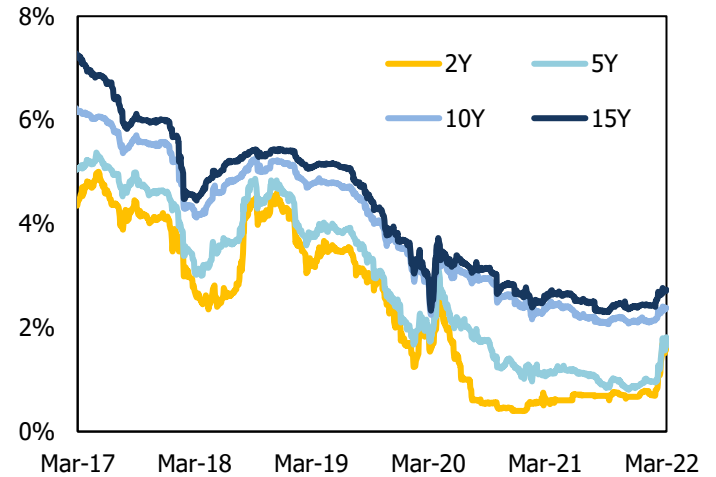
Source: ADB.

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



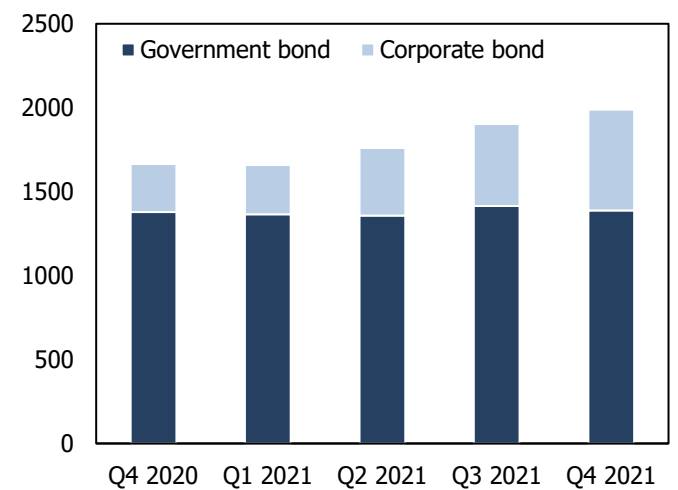
Source: HNX.

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



Source: Bloomberg.

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

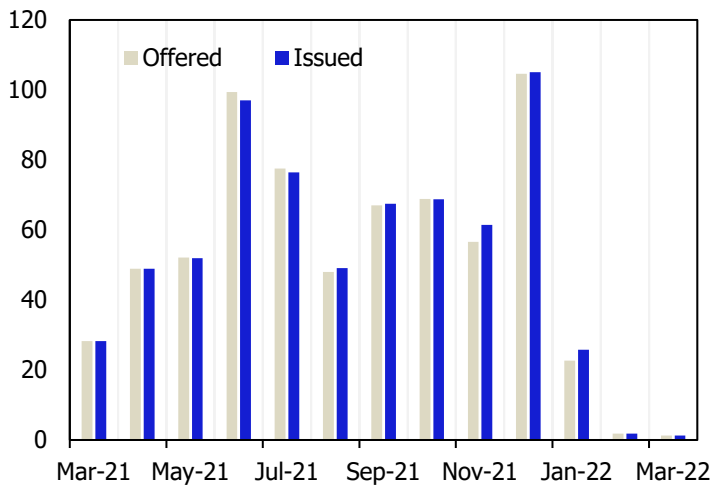


Source: ADB.

## Corporate Bond Market

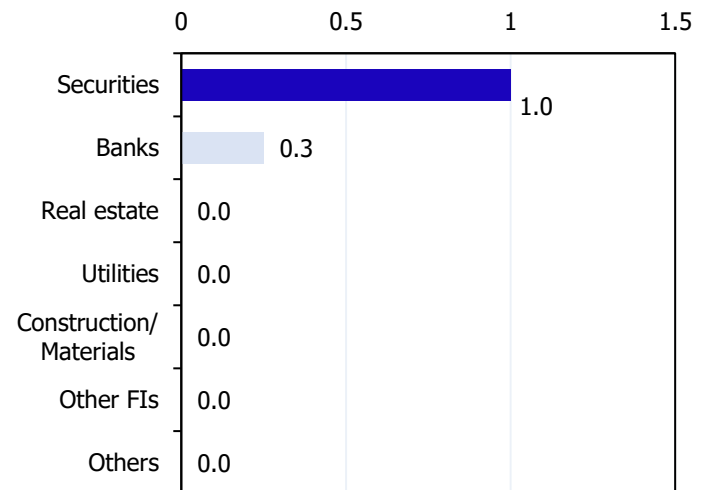
FiinPro data shows that in the first half of March, only VND 1,250bn of corporate bonds were issued by two companies in the domestic market, VNDIRECT Securities Joint Stock Company and Viet Capital Commercial Joint Stock Bank. In which, VNDIRECT Securities Joint Stock Company issued the largest bond volume of VND 1,000bn with the interest rate of 8.0%/year - 8.4%/year.

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



Source: HNX, FiinPro, MBS Research.

**Figure 20. Corporate bond issued by sectors in March 2022(VND tn)**



Source: HNX, FiinPro, MBS Research.

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

Ticker	Issuer	Tenor (year)	Amount (VND bn)	Coupon rate (%/year)
VND	Công ty Cổ phần Chứng khoán VNDIRECT	1-3	1,000	8.0%-8.4%
BVB	Ngân hàng Thương mại Cổ phần Bản Việt	7	250	N/A

Source: HNX, FiinPro, MBS Research.

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