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The open market did not have any transactions in August and the interbank interest rates remained low, showing that the liquidity of the banking system is still abundant. The USD/VND exchange rate fell despite the USD increases in price against other currencies. STV issued VND 22,227bn of G-bonds during the period. The yield of secondary G-bonds declined slightly compared to the previous month. Foreign investors net bought VND 573bn of G-bonds this period.

Money Market

Interbank interest rates trended sideways in the first half of August when the delivery of 6 months forward purchase of foreign currency. System liquidity was still in an abundant position when the SBV did not carry out any transactions through the open market channel.

The 6 months forward purchase of foreign currency is being implemented, helping amount of liquidity continue to pour into the system in August. A Bloomberg survey showed that the overnight interbank rates are trading at 0.76%/year, up by 2 bps compared to the end of last month. Interest rates for other terms are also around 0.94%-1.24%/year, a growth of about 2-3 bps compared to the end of July.

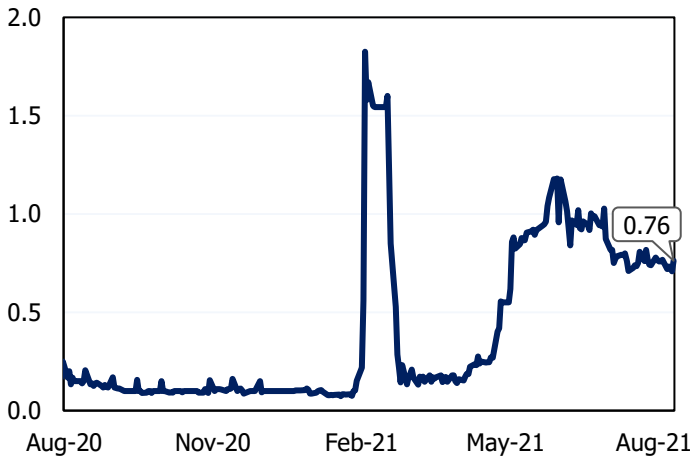
We forecast interbank interest rates to remain low in the short period, when SBV decided to modify its exchange rate management policy, from buying 6-month forward contracts to spot purchase, resulting in large amounts of money being pumped directly into the system. In addition, STV launched a bidding session to buy back G-bonds with term using temporarily idle money, allowing commercial banks to add another capital mobilization channel. This is expected to help improve the money supply and support stable market liquidity. SBV has not made new transactions on the open market in the period.

USD/VND exchange rate decreased significantly.

In the context that Vietnam and the US have made positive progress in the issue of "currency manipulation", SBV decided to modify its exchange rate management policy, from buying 6-month forward contracts to spot purchase. As a result, SBV lowered its buying price for the USD from VND 22,975 per USD to VND 22,750 per USD since June. Compare to the end of July, the USD/VND exchange rate on the free market rose by VND 60 per USD and is currently trading at 23,180 VND/USD. The central and interbank rates were respectively traded at VND 23,145 per USD, down VND 35 per USD and VND 22,984 per USD, down VND 85 per USD.

In the first half of August, the DXY Index fell sharply to about 92.5 points since The University of Michigan said its preliminary consumer sentiment index fell to 70.2. That was the lowest level since 2011 that represents a collapse in consumer sentiment, influenced by the spread of the Delta variant. However, the Fed has not given up on tightening its monetary policy with indicators of labor market growth continuing to rise and new signs of cooling inflation becoming more explicit, the Federal Open Market Committee (FOMC) is likely to announce specific policy at their meeting in December.

Figure 1. Interbank overnight lending rate (%)



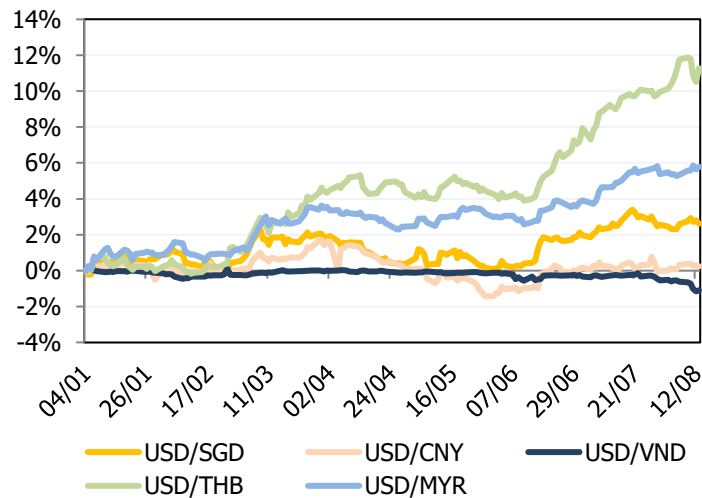
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/05	1.18	1.33	1.39	1.45
30/06	0.94	1.14	1.25	1.32
30/07	0.74	0.91	1.02	1.22
13/08	0.76	0.94	1.05	1.24

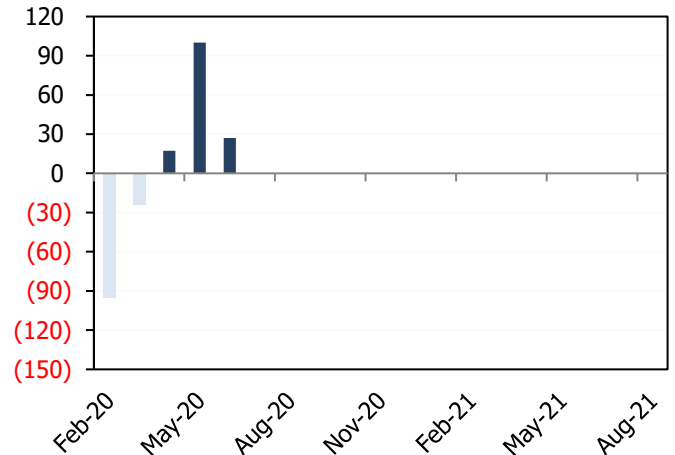
Source: Bloomberg.

Figure 5. Regional currencies performance in 2021



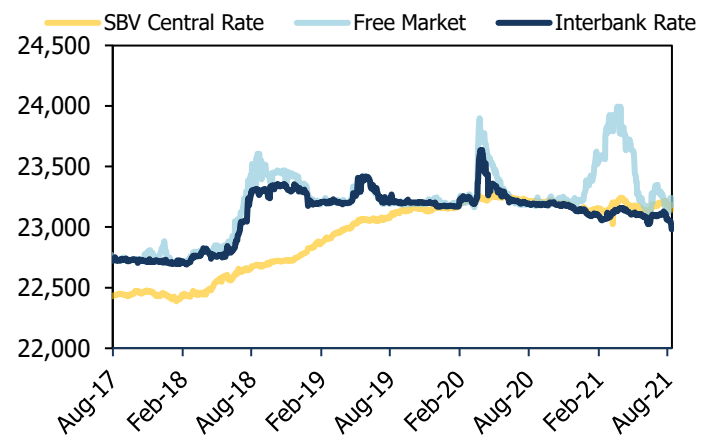
Source: Bloomberg.

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



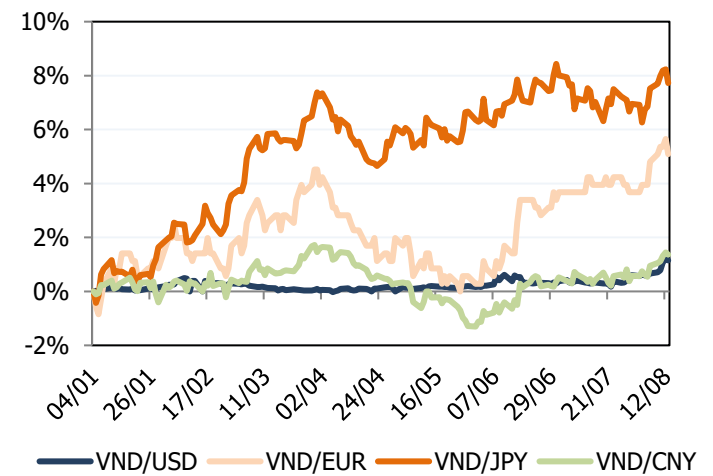
Source: SBV, MBS.

Figure 4. USD/VND exchange rate



Source: SBV, Bloomberg, MBS Research.

Figure 6. VND compared to major currencies in 2021



Source: Bloomberg.

Government Bond Market

Primary market

STV successfully issued VND 22,227bn of G-bonds this period with the winning yield declined slightly compared to the end of July.

In the first half of August, STV was more active in the issuance of G-bond. In the VND 27,500bn proposed, there were VND 22,227bn of G-bonds successfully mobilized, at the rate of 81%. The number of successful issuances slipped in the same period last month. Of which, 7Y term and 20Y term, which often have low offering value, enjoyed a 100% issue rate, with winning yields of 1.25%/year and 2.86 %/year, respectively. Currently, the mobilization volume has reached VND 196,281bn of G-bonds since the beginning of the year, reaching 56% of the year plan.

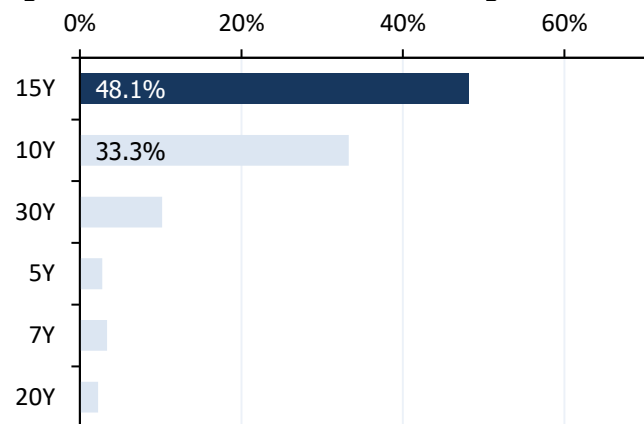
The winning yields of bonds fell in all terms compared to the end of July. The yield for 10Y and 15Y terms were 2.1%/year and 2.32%/year, respectively, down 6-12bps compared to the end of the previous month. The yields for 5Y term decreased by 5bps to 1%/year. The current yield level was low due to abundant market liquidity, but it has been in line with market expectations when the issuance rate is relatively high.

Figure 7. G-bond auction result in August 2021

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y	1,500	613	41%	1.00%
7Y	750	750	100%	1.25%
10Y	8,000	7,400	93%	2.1-2.47%
15Y	13,000	10,700	82%	2.32-2.58%
20Y	500	500	100%	2.86%
30Y	3,750	2,264	60%	3.01%
Total	27,500	22,227	81%	Unit: VND bn

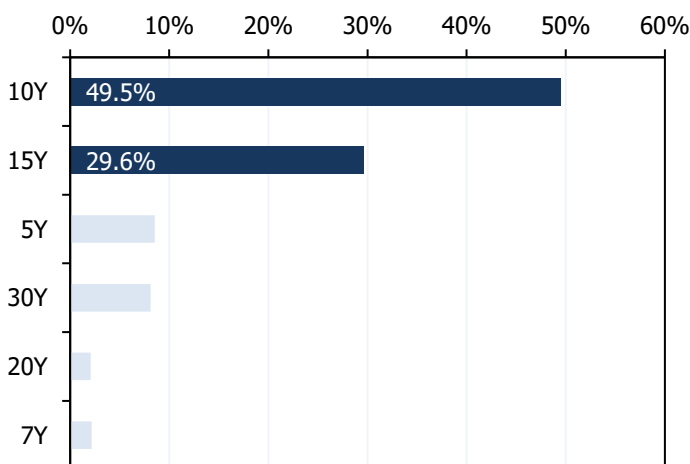
Source: HNX.

Figure 8. G-bond successful issuance August 2021



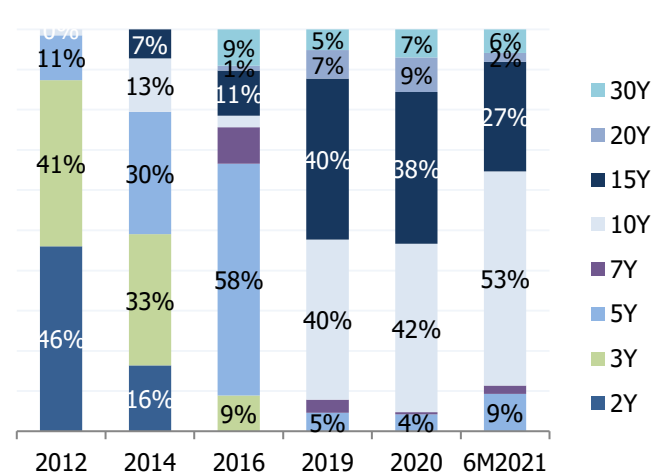
Source: HNX.

Figure 9. G-bond successful issuance in 2021



Source: HNX.

Figure 10. G-bond successful issuance since 2021



Source: HNX.

Figure 11. Government bond issuance 2021

Tenor	VST2021 plan	VST 2021 issued	% VST 2021 plan
5Y	20,000	16,732	84%
7Y	15,000	4,231	28%
10Y	120,000	97,192	81%
15Y	135,000	58,121	43%
20Y	30,000	4,080	14%
30Y	30,000	15,925	53%
Total	350,000	196,281	56%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries As at 15/08/2021

Market	Last closing	Last week*	*Bps changed compared to last closing	
			Last month	31/12/2020*
U.S.	1.28	-2.02	5.4	36.4
EU	-0.47	-1.10	-0.6	10.2
Japan	0.03	1.60	0.9	1.0
China	2.89	7.60	3.7	-25.4
South Korea	1.92	2.50	5.3	19.8
India	6.24	0.70	3.7	37.6
Malaysia	3.21	-1.50	3.6	56.4
Singapore	1.47	9.98	16.3	59.8
Indonesia	6.37	6.40	7.1	47.9
Philippines	2.16	-5.58	-5.5	26.3
Thailand	1.52	4.53	-3.4	25.4
Vietnam	2.14	1.40	-7.6	-44.1

Source: Bloomberg.

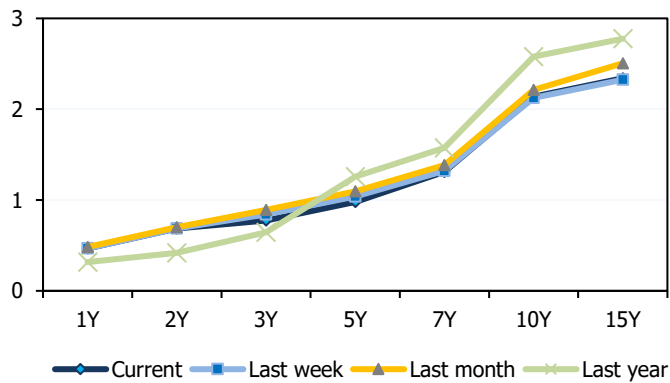
Secondary Market

G-bond yield decreased slightly during the period. Average transaction volume on the secondary G-bond market decreased by 17% MoM with the proportion of outright transactions increasing gradually. Foreign investors net bought VND 573bn of G-bonds this period.

In the middle of August, the 10Y yield was at 2.14%/year, down 8bps compared to the previous month whereas the 2Y yield was at 0.69%/year, down 1bps. Since the beginning of the year, the 2Y yield has increased by 27bps while the 10Y term yield has decreased by 44bps. The yield curve has flattened since the beginning of the year.

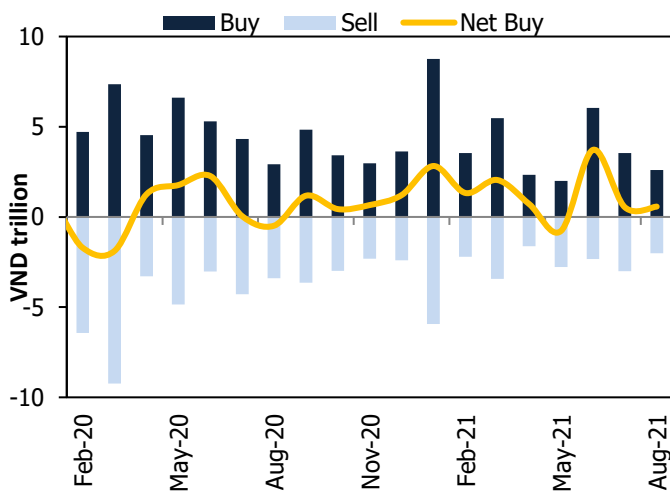
Transactions on the secondary government bond market were cool down than the previous month with daily average volumes of VND 7.7tn, down by 17% from July's average. Of which, outright trading accounted for 82% of the volume this period and VND 63.5tn. The average transaction was VND 6.3tn/day, down by 3% from the previous month's average. Average repo trading volume declined by 50% compared to July, reaching VND 1.3tn/day. Foreign investors net bought VND 573bn of G-bonds in this period. Overall, foreign investors net purchased a total of VND 10,968bn of G-bonds in 2021 and VND 13,964bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



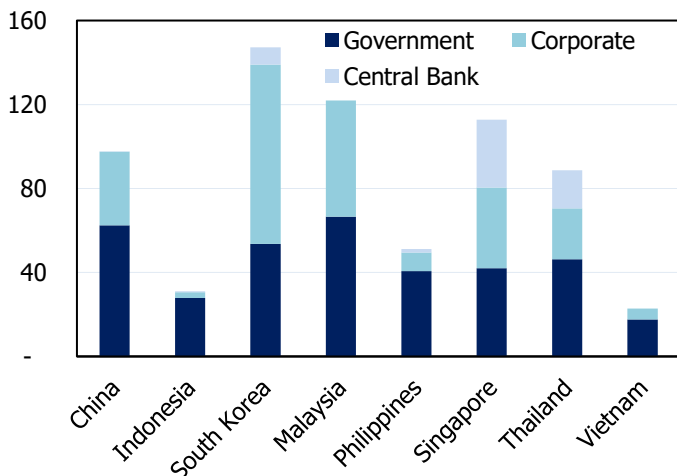
Source: Bloomberg.

Figure 15. Foreign investors' activity in secondary market



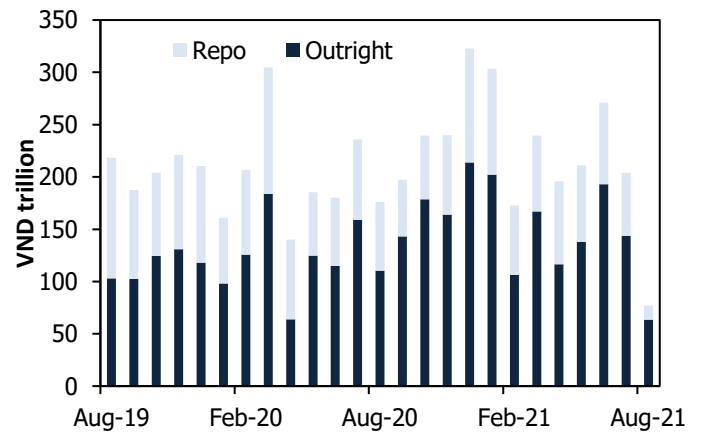
Source: HNX.

Figure 17. Size of bond markets (%GDP Q2 2021)



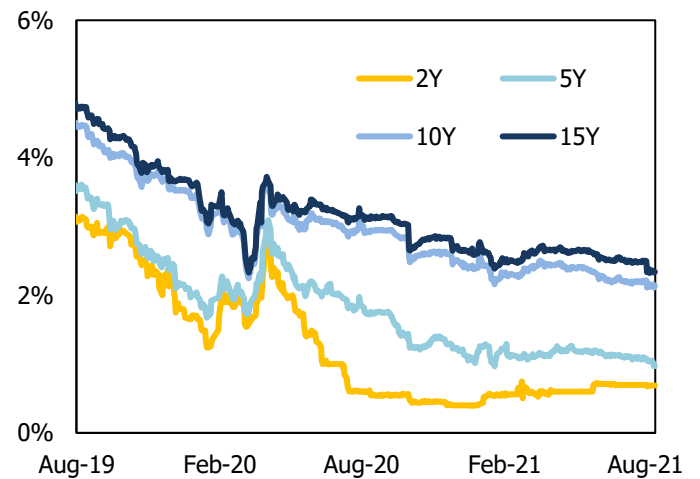
Source: ADB.

Figure 14. Outright and Repo transaction volume



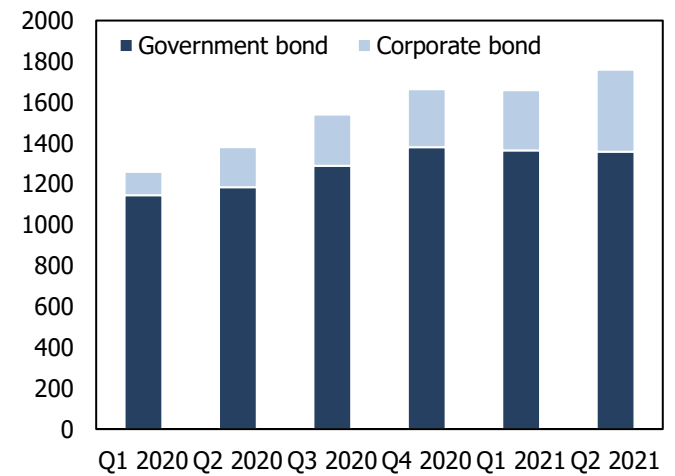
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 18. Vietnam bond market size (VND tn)

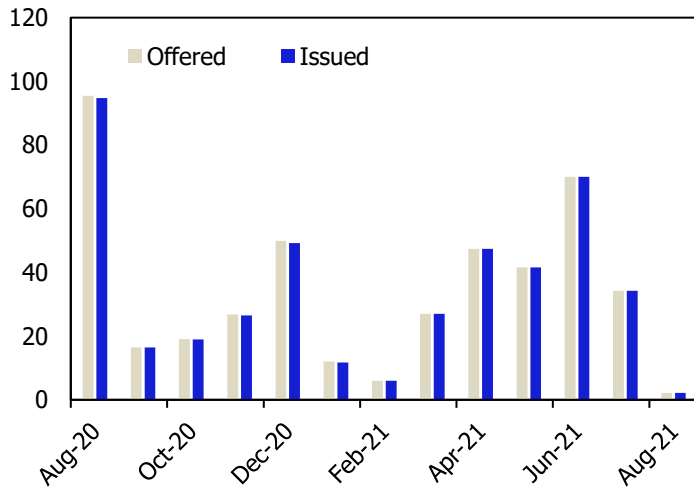


Source: ADB.

Corporate Bond Market

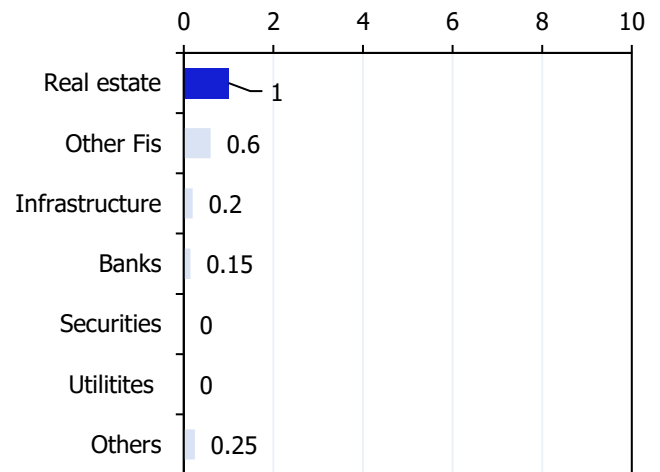
FiinPro data showed that in the first half of August, VND 2,200bn of corporate bonds were issued in the domestic market. Outstanding Investment Joint Stock Company issued the largest bond volume of VND 600bn. Moreover, Phat Dat Real Estate Development JSC issued bonds with the highest interest rate of 13%/year.

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



Source: HNX. FiinPro. MBS Research.

Figure 20. Corporate bond issued by sectors in August 2021 (VND tn)



Source: HNX. FiinPro. MBS Research.

Figure 21. Top issuers in August 2021

Ticker	Issuer	Tenor (year)	Amount (VND bn)	Coupon rate (%/year)
	Công ty Cổ phần Outstanding Investment	5	600	N/A%
	Công ty Cổ phần Đầu tư và Xây dựng Sunrise Việt Nam	3	500	11.0%
	Công ty Cổ phần Hưng Thịnh Land	1	300	10.3%
	Công ty Cổ phần Khách sạn Vịnh Hạ Long	4	250	11.0%
PDR	Công ty Cổ phần Phát triển Bất động sản Phát Đạt	2	200	13.0%
SMC	Công ty Cổ phần Đầu tư Thương mại SMC	3	200	8.2%
VIB	Ngân hàng Thương mại Cổ phần Quốc tế Việt Nam	7	150	7.57%

Source: HNX, FiinPro, MBS Research.

PRODUCT

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