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Interbank interest rates decreased slightly due to improved liquidity in the system. SBV net injected VND 1.08bn via the OMO channel after 4 months. The USD/VND exchange rate fell sharply despite the USD trading steadily with other currencies in the region. STV issued VND 22,560bn of G-bonds during the period. The yield of secondary G-bonds declined slightly compared to the previous month. Foreign investors net bought VND 1,608bn of G-bonds during the month. SBV net injected VND 1.08bn via the OMO channel after 4 months.

Money Market

The delivery of 6 months forward purchase of foreign currency and about VND 33,000bn of G-bonds maturing in June supported the liquidity in the banking system, thus helping to reduce interbank interest rates. SBV net injected VND 1.08bn via OMO channel after 4 months without any transactions.

Credit growth in the first 5 months of the year was estimated at 4.67%, much higher than the level of nearly 2% in the same period last year, however, the liquidity in the banking system remained quite abundant, reflected by a small decrease in interbank interest rates in the first half of June. A Bloomberg survey showed that the overnight interbank rates are trading at 1.02%/year, down by 16 bps compared to the end of last month. Interest rates for other terms are also around 1.14%-1.38%/year, a decline of about 7-19 bps compared to the end of May.

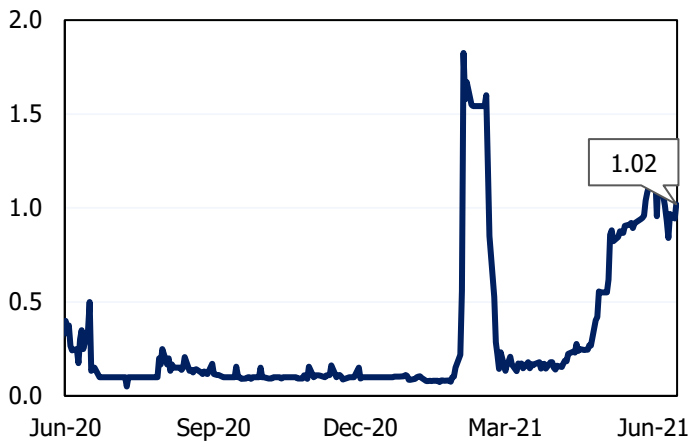
As we forecast, a large amount of liquidity will be poured into the system by the SBV from the delivery of 6 months forward purchase of foreign currency. In addition, about VND 33,000bn of G-bonds for 5Y term due in June are flowing into the system. This will reduce the pressure on liquidity and support interbank interest rate stability. However, with the current positive credit growth, interbank interest rates are unlikely to return to the low level as in 2020. Recently, the open market arose trading after 4 months. However, SBV injected only VND 1.08bn, with a rate of 2.5%/year, tenor of 7 days and returned to the SBV.

USD/VND exchange rate decreased significantly.

SBV lowered its buying price for the USD from VND 23,125 per USD to VND 22,975 per USD since November last year. The DXY Index at the end of last year fell to about 92 and remained at a low level of 90 so far this year. Besides, Vietnam is still on the "currency manipulation watchlist" by the U.S. Treasury, the exchange rate reduction can ease the pressure on VND and help SBV avoid violating criteria which requires the one-sided intervention in the foreign exchange market in six of the last twelve months. Compare to the end of May, the USD/VND exchange rate on the free market fell by VND 135 per USD and is currently trading at 23,040 VND/USD. The central and interbank rates were respectively traded at VND 23,103 per USD, down VND 32 per USD and VND 23,027 per USD, down VND 65 per USD.

The DXY Index was steady at around 90 in the first half of June as investors awaited results with expectations of a change in monetary policy from the Fed's meeting this week. If policymakers had to ease monetary stimulus earlier than expected because of concerns about price pressures after data on the rise in inflation was released, the value of USD could rebound in the short term.

Figure 1. Interbank overnight lending rate (%)



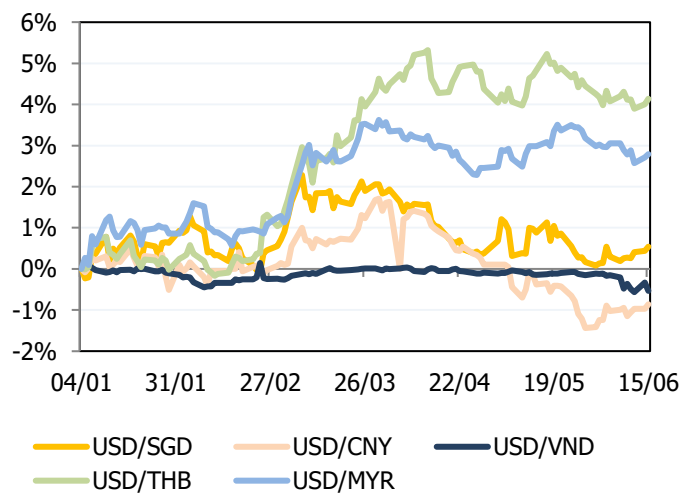
Source: Bloomberg.

Figure 3. Interbank interest rate (%)

	O/N	1 Week	2 Week	1 Month
31/03	0.15	0.24	0.28	0.44
29/04	0.55	0.73	0.88	0.91
31/05	1.18	1.33	1.39	1.45
15/06	1.02	1.14	1.24	1.38

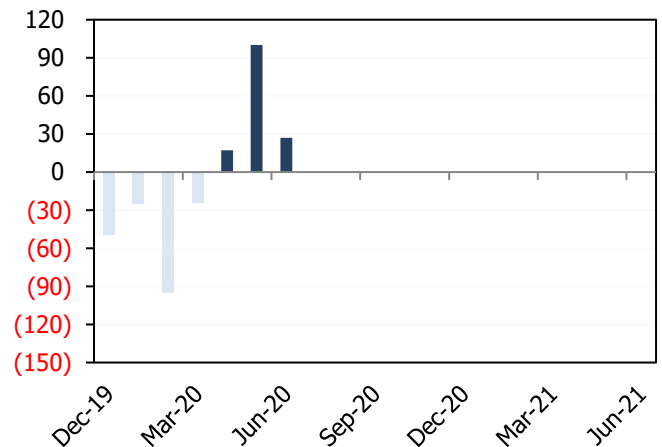
Source: Bloomberg.

Figure 5. Regional currencies performance in 2021



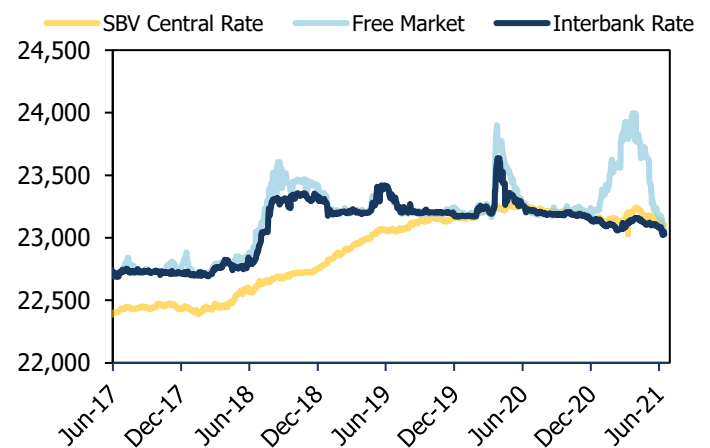
Source: Bloomberg.

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



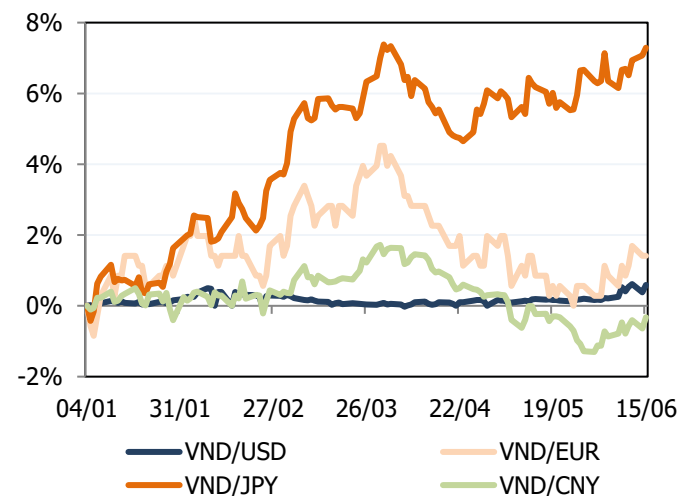
Source: SBV, MBS.

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 22,560bn of G-bonds this period with winning yield declined slightly compared to the end of May.

In the first half of June, STV was more active in the issuance of G-bond. In the VND 28,000bn proposed, there were VND 22,560bn of G-bonds successfully mobilized, at the rate of 81%. The number of successful issuances declined slightly of the same period last month. Nevertheless, in order to complete this year's mobilization plan, STV needs to continue to speed up the bond issuance because currently the mobilization volume reached VND 132,250bn of G-bonds since the beginning of the year, reaching 38% of the year plan.

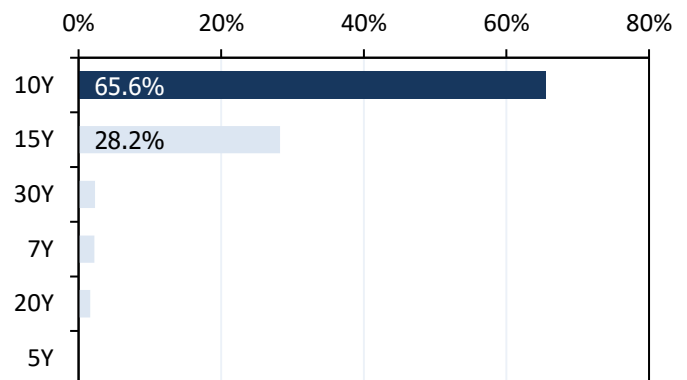
The winning yields of bonds dropped considerably compared to the end of May. The yield for 10Y and 15Y terms were 2.21%/year and 2.46%/year, respectively, up 6-8bps compared to the end of previous month. In 2016, approximately VND 182,000bn of 5Y term G-bonds were issued and will mature in 2021. G-bonds buyers are usually credit institutions and insurance companies, which need G-bonds to ensure liquidity indicators. Therefore, when the amount of G-bonds matures, these institutions will have to buy more bonds to offset the amount of these bonds. This explains that although the yield on the downward momentum, the pace of new bond absorption is still very good. However, the majority of government bonds will have matured by the end of July, we forecast the yield of G-bonds will increase soon to attract more investment.

Figure 7. G-bond auction result in June 2021

Tenor	Offering value	Winning value	Issuance rate	Yield
5Y				
7Y	1,000	500	50%	1.36%
10Y	16,000	14,800	93%	2.2-2.21%
15Y	8,500	6,370	75%	2.45-2.46%
20Y	1,000	370	37%	2.91%
30Y	1,500	520	35%	3.05%
Total	28,000	22,560	81%	Unit: VND bn

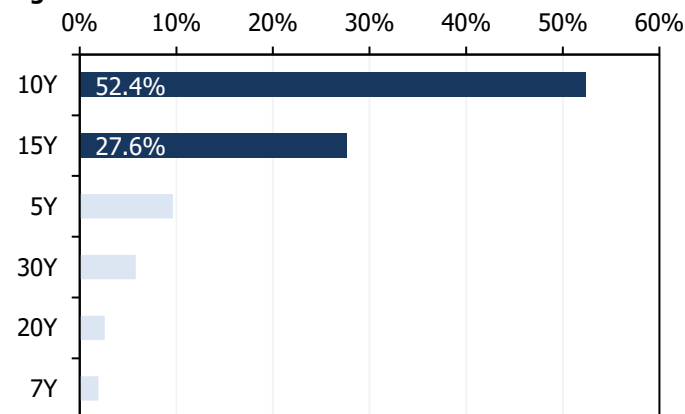
Source: HNX.

Figure 8. G-bond successful issuance June 2021



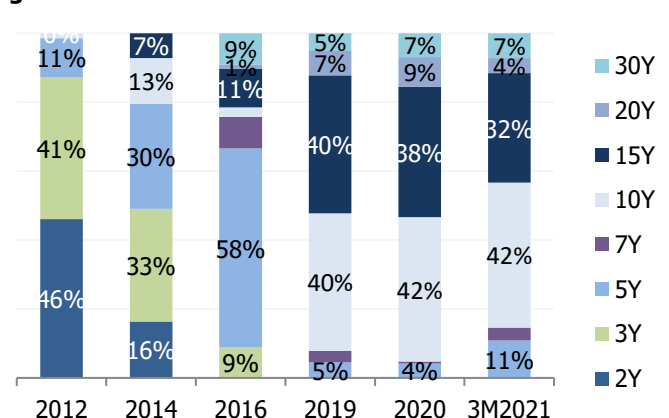
Source: HNX.

Figure 9. G-bond successful issuance in 2021



Source: HNX.

Figure 10. G-bond successful issuance since 2012















Source: HNX.

Figure 11. Government bond issuance 2021

Tenor	VST2021 plan	VST 2021 issued	% VST 2021 plan
5Y	20,000	12,769	64%
7Y	15,000	2,531	17%
10Y	120,000	69,286	58%
15Y	135,000	36,541	27%
20Y	30,000	3,440	11%
30Y	30,000	7,683	26%
Total	350,000	132,250	38%

Source: VST, HNX

Figure 12. 10Y G-bond yields (%) in selected countries **As at 15/06/2021**

Market	Last closing	Last week*	*Bps changed compared to last closing		31/12/2020*
			Last month		
U.S.	1.49	-4.09	-10.2		57.9
EU	-0.23	-0.80	-4.5		33.7
Japan	0.05	-2.70	-3.6		3.0
China	3.15	0.60		 7.2	0.0
South Korea	2.08	-3.00	-9.8		36.0
India	6.04	3.50		 1.9	17.6
Malaysia	3.29	-2.90		 6.4	64.5
Singapore	1.51	-7.30	-5.7		63.3
Indonesia	6.40	-0.40	-2.0		51.6
Philippines	2.19	-5.30	-8.7		29.5
Thailand	1.83	-3.80	-4.5		56.2
Vietnam	2.23	-3.10	-7.3		-35.1

Source: Bloomberg.

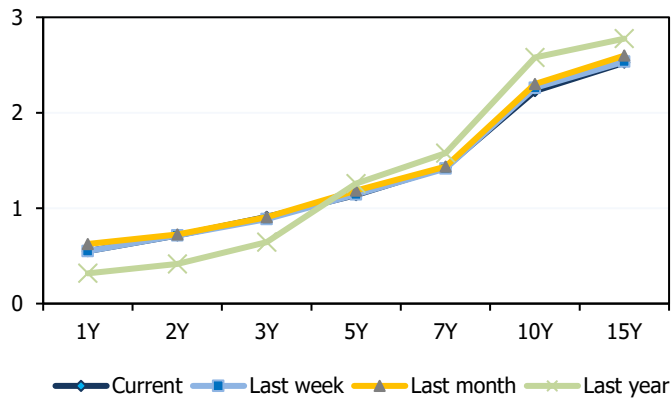
Secondary Market

G-bond yield decreased slightly during the period. Average transaction volume on the secondary G-bond market increased by 3% MoM with the proportion of outright transactions increasing gradually. Foreign investors net bought VND 1,608bn of G-bonds this period.

In the middle of June, the 10Y yield was at 2.23%/year, down 7 bps compared to the previous month whereas the 2Y yield was remained at 0.71%/year. Since the beginning of the year, the 2Y yield has increased by 30 bps while the 10Y term yield has decreased by 35 bps, causing the yield curve to flatten gradually.

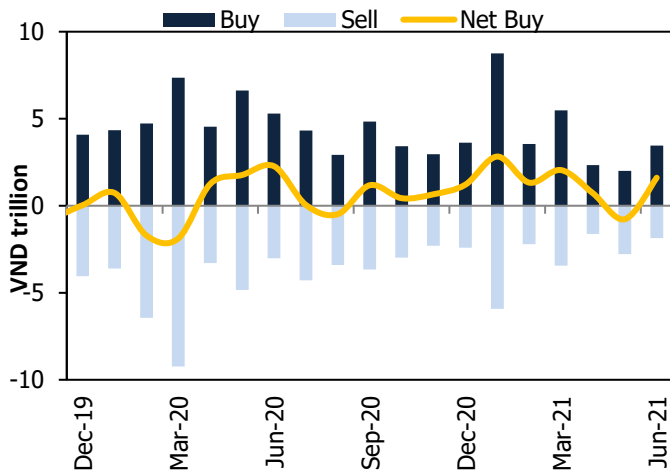
Transactions on the secondary government bond market were more active than previous month with daily average volumes of VND 10.5tn, up by 5% from May's average. Of which, outright trading accounted for 73% of the volume this period and VND 84.9tn. The average transaction was VND 7.7tn/day, up by 18% from the previous month's average. Average repo trading volume declined by 19% compared to May, reaching VND 2.8tn/day. Foreign investors net bought VND 1,608bn of G-bonds in this period and the total trading volume was also quite high. In overall, foreign investors net purchased a total of VND 7,745bn of G-bonds in 2021 and VND 13,054bn of G-bonds in the last 12 months.

Figure 13. Vietnam T-bond Yield (%)



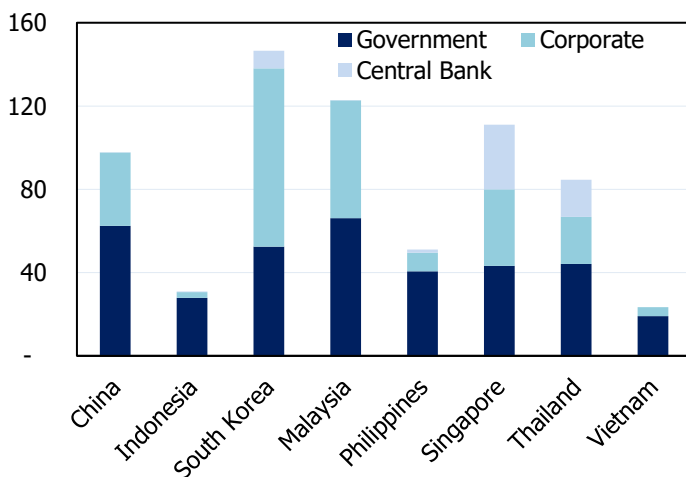
Source: Bloomberg.

Figure 15. Foreign investors' activity in secondary market



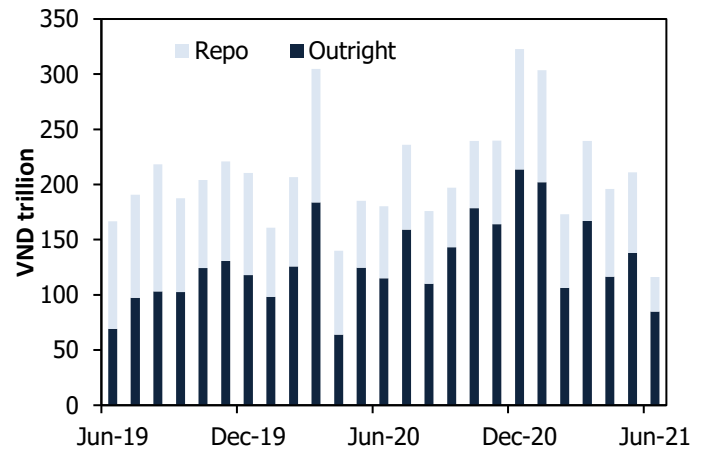
Source: HNX.

Figure 17. Size of bond markets (%GDP Q1 2021)



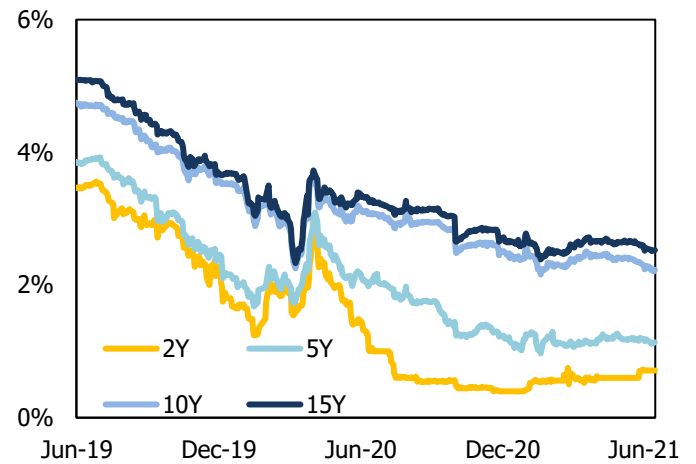
Source: ADB.

Figure 14. Outright and Repo transaction volume



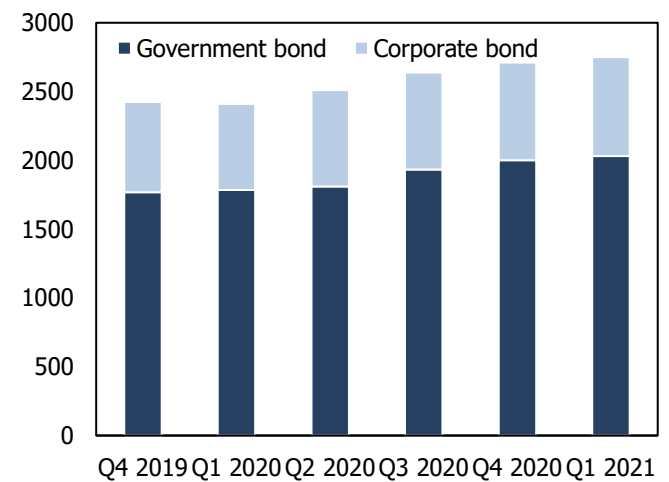
Source: HNX.

Figure 16. G-bond yield curve – Secondary Market



Source: Bloomberg.

Figure 18. Vietnam bond market size (VND tn)

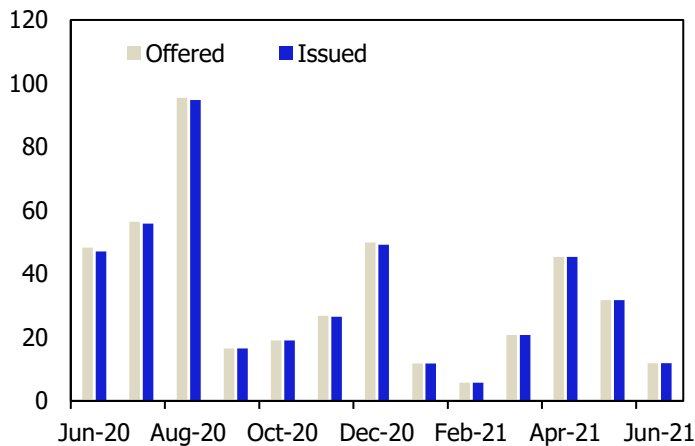


Source: ADB.

Corporate Bond Market

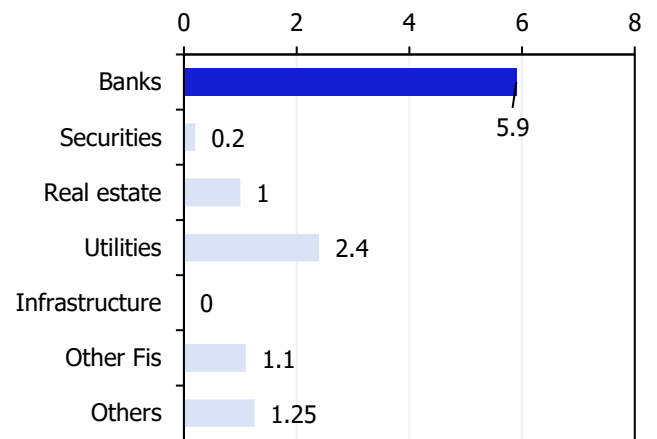
FiinPro data showed that in the first half of June, VND 11,850bn of corporate bonds were issued in the domestic market. Of which, Dien gio Trung Nam Đak Lak 1 Joint Stock Company issued the largest bond volume of VND 2,400bn with coupon rate of 9.5%/year. Moreover, Hoang Long Construction and Development Co., Ltd and Hai Phat Investment Joint Stock Company issued bonds with the highest interest rate of 11%/year.

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



Source: HNX, FiinPro, MBS Research.

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



Source: HNX, FiinPro, MBS Research.

Figure 21. Top issuers in June 2021

Ticker	Issuer	Tenor (year)	Amount (VND bn)	Coupon rate (%/year)
	Công ty Cổ phần Điện gió Trung Nam Đak Lak 1	1-14	2,400	9.5%
OCB	Ngân hàng Thương mại Cổ phần Phương Đông	3	1,500	3.3%
ACB	Ngân hàng Thương mại Cổ phần Á Châu	3	1,200	4.0%
VJC	Công ty Cổ phần Hàng không Vietjet	5	1,000	0.0%
	Công ty Tài chính TNHH MTV Ngân hàng Việt Nam Thịnh Vượng	2	1000	7.5%
	Công ty TNHH Xây dựng và Phát triển Hoàng Long	3	1,000	11.0%
MSB	Ngân hàng Thương mại Cổ phần Hàng Hải Việt Nam	3	1,000	4.0%
SHB	Ngân hàng Thương mại Cổ phần Sài Gòn – Hà Nội	2	1,000	3.8%
BID	Ngân hàng Thương mại Cổ phần Đầu tư và Phát triển Việt Nam	7	700	6.2%
HDB	Ngân hàng Thương mại Cổ phần Phát Triển Thành phố Hồ Chí Minh	7	500	7.8%
	Công ty Cổ phần Thương mại Dịch vụ Công nghệ cao	3	250	9.6%
MBS	Công ty Cổ phần Chứng khoán MB	1.5	200	7.5%
HPX	Công ty Cổ phần Đầu tư Hải Phát	1	100	11.0%

Source: HNX, FiinPro, MBS Research.

PRODUCT

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